

STATE OF FLORIDA

JULIA L. JOHNSON  
CHAIRMAN



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**Public Service Commission**

May 16, 1997

Mr. Vincent D. Patton  
1601 43rd Street, N.  
Apartment 110  
St. Petersburg, Florida 33713

Dear Mr. Patton:

I am writing in response to your letter of May 9, 1997, regarding Florida Power Corporation's Crystal River Unit No. 3 hearing. Through this letter, I am acknowledging approval of your request to have your written remarks entered into the record during the May 22, 1997, customer service hearing at the Heritage Inn in St. Petersburg, Florida.

I am sorry that you will not be able to attend the hearing in person, and hope that you are feeling better upon receipt of this letter.

With kind regards, I am

Sincerely,

Julia L. Johnson  
Chairman

- ACK \_\_\_\_\_
- ALB \_\_\_\_\_
- APP \_\_\_\_\_
- CSF \_\_\_\_\_
- GMJ \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
- LEG \_\_\_\_\_
- LIJ \_\_\_\_\_
- QTC \_\_\_\_\_
- RDH \_\_\_\_\_
- SEC \_\_\_\_\_
- WRP \_\_\_\_\_
- OTH \_\_\_\_\_

JLJ:ssf

cc: Division of Records and Reporting (Docket No. 970261-ED)  
Division of Legal Services (Bob Elias)  
Honorable Charlie Crist, Florida Senate

DOCUMENT NUMBER-DATE

04996 MAY 1997

1601 43rd Street, N.  
Apartment 110  
St. Petersburg, Florida 33713

May 9, 1997

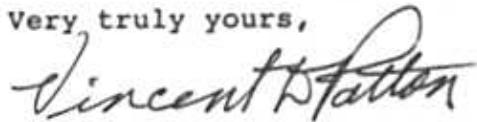
Julia L. Johnson, Chairman  
Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0854

Dear Chairman Johnson:

I had planned to attend the rate hike hearing re Florida Power Corporation, announced for the Heritage Inn, St. Petersburg, Florida, May 22, 1997, but I find that due to physical problems and doctor's appointment I will not be able to attend. Therefore, I am enclosing a copy of the presentation I had planned to make.

It is requested that these remarks be entered into the record of the hearings and given the same weight as if they had been presented at the hearing.

Very truly yours,



Vincent D. Patton

Encl.

cc/w/encl: Senator Charlie Crist

FLORIDA PROGRESS vs THE PEOPLE  
(FLORIDA POWER CORPORATION)

Florida Power Corporation has demonstrated repeatedly that they have not properly operated their nuclear power plant at Crystal River. This was pointed out in many articles appearing in the print medium.

On March 10, 1997 an article in the Tampa Tribune stated that this utility had been fined \$50,000 for security violations as well as a \$500,000 fine for unauthorized tests by control room operators in 1994.<sup>1</sup>

This plant was five years late coming on line and more than four times the original budget. Managers of other Babcock and Wilcox plants chose to join together to improve their plants' safety systems. Florida Power tried to avoid costly changes.<sup>1</sup>

Florida Power closed this plant September 2, 1996, after the federal regulatory agency criticized the plant's poor management, worker errors and communication breakdowns.<sup>2</sup> As a result, Florida Power asked for a rate increase because they had to buy coal to generate the energy not being generated by the nuclear plant. All of the factors cited by the NRC leading to the plant shutdown are the fault of the management by Florida Power (Florida Progress) and are not charges which the company should be allowed to pass on to the captive customers.

Florida Power asked the PSC to approve a settlement with Pasco Cogen Ltd. as part of the settlement of a lawsuit. Again, this is not something that should be passed on to the users.<sup>3</sup>

Why is it that we read that TECO, Florida Power And Light and Gulf Power are able to reduce their rates and Florida Power continues to ask for ever-higher rates when they are already the most costly in the state of Florida?

It was adding insult to injury when we read that Florida Progress executives awarded themselves very handsome pay increases although the company's earnings decreased by 7.2 per cent. Chairman & CEO Jack Critchfield's compensation increased 16 per cent (about \$240,000) from \$1.46 million to \$1.7 million. President and Chief Operating Office Richard Korpan's remuneration increased about \$116,205 from \$1 million to 1.2 million in 1996. Joseph Richardson's, chief operating officer of Florida Power Corp., compensation increased by \$201,000 (about 44 per cent) to \$648, 327.

Apparently, they were being rewarded for the non-performance of the nuclear unit and the lowered earnings of Florida Progress. Overall earnings of Florida Power decreased from \$239 million in 1995 to \$224 million in 1996.<sup>4</sup>

Why are these officials allowed to reward themselves for extremely poor performance? I had thought that pay raises were given when the employee does an excellent job.

The Crystal River plant has been, and still is, on the NRC watch list because of "mishandling of several design issues; improper interpretations of NRC regulations and weaknesses in operator performance, corrective actions and management oversight."<sup>5</sup> These all result from poor or inadequate management. These are not the responsibility of the customer and they should not be charged to the customer because we had no control.

The company has replaced four of six top nuclear division executives and brought in experts to turn the performance of the plant around which proves that these are management problems.

We believe that the evidence is overwhelming that Florida Power has failed to properly operate and manage this plant from its inception and it is time that the company pay the costs associated with returning this plant to proper operating condition as well as

extra coal costs and any other costs mentioned above.

It is requested that the Public Service Commission deny all rate increases requested by Florida Power Corp. in connection with this plant.

Encls.

1. Dean Solov, The Tampa Tribune, "Nuclear plant ripe for remake", March 10, 1997
2. Joe Henderson, The Tampa Tribune, "Major problems found at Crystal River Plant", March 14, 1997
3. Cheryl Jackson, The Tampa Tribune, "Lawsuit inspires new rate request", April 1, 1997
4. Cheryl Jackson, The Tampa Tribune, "Florida Progress earns less in '96 than '95, execs still get raises, March 12, 1997
5. Rick Barry, The Tampa Tribune, "Power to the people costs more", April 2, 1997

Vincent Patton, 1601 43rd St., N. Apt. 110, St. Petersburg, Florida 33713

May 22, 1997

# Nuclear plant ripe for remake

By DEAN SOLOV  
of The Tampa Tribune

**CRYSTAL RIVER** — There are no plans for a celebration Thursday as Florida Power Corp.'s nuclear power plant here turns 20.

But then there hasn't been much to celebrate lately.

Corporate managers and the 780 full-time plant employees have had a tough year, something electric bills will reflect soon. A casual observer gleaning headlines over the past year might infer the plant is being run by The Gang That Couldn't Nuke Straight. Consider:

■ The U.S. Nuclear Regulatory Commission last week slapped the St. Petersburg-based utility with a \$50,000 fine for security violations and may impose another fine soon for engineering problems. That's on top of a \$500,000 fine in July that stemmed from unauthorized tests by control room operators in 1994.

■ The commission has placed the plant on its "watch list" of problem plants, meaning heightened scrutiny for some time. Regulators have been particularly critical of a lack of management oversight and poor engineering practices.

■ The 860-megawatt unit — out of service since September — was offline so often last year it generated only a third of its energy-producing potential, its least productive year to date.

State regulators have given preliminary approval for a rate increase to pay for the additional coal used while the nuclear plant is down. The plant will be out of service until the fall or later.

Now at the midpoint of its 40-year license, Crystal River III is facing its half-life crisis. Men with reputations as recovery specialists have replaced top nuclear managers. Their challenge: complete the lifetime of a plant whose performance has earned just average marks.

The current round of problems is just the latest dip in the plant's roller-coaster history. The ride began at 12:01 a.m. March 13, 1977, when the utility's sole nuclear unit came online at the confluence of the Crystal River and C. Alf of Mexico. It has hopped between fruitful years and unproductive; between good evaluations and bad; between cost savings and plain old costly.

The plant's first problems occurred long before it generated a single watt of power. Construction delays brought it into service five

years late and at a cost — \$410 million — four times more than originally budgeted.

At the time, the nuclear industry was enjoying a growth spurt. In the Southeast alone, 51 plants were under construction or on order.

Many contemporary problems — such as finding a burial site for highly radioactive spent fuel — didn't exist. Nuclear power had the image as the answer to decreasing oil and natural gas supplies.

**THAT OPTIMISM** and boom crashed on March 28, 1979, with the accident at Pennsylvania's Three Mile Island plant. No plants have been ordered since; orders for 91 others were canceled. Regulations were stiffened, and countless modifications were required at plants nationwide as the public lost its fascination with nuclear energy.

The Nuclear Regulatory Commission and watchdog groups gave additional scrutiny to Crystal River because it, too, had been designed by Babcock & Wilcox, the company that designed Three Mile Island.

Florida Power has weathered repeated bouts with regulators over the past 20 years, drawing at least a dozen fines for a total of about \$1.1 million. Public safety has never been threatened by the plant, the commission says, but the utility's failure to follow guidelines strictly has sometimes increased the potential for serious accidents.

"There's never been a major safety problem at Crystal River," says Ken Clark, a commission spokesman in Atlanta, who says the unit "has always been an average plant."

The most serious incident Clark recalls came in February 1980 — less than a year after Three Mile Island — when a malfunctioning valve resulted in 430,000 gallons of radioactive water spilling into the plant's containment building.

"It did start out very similar, if not identical, to Three Mile Island," Clark says.

As often happens with nuclear plants, safety concerns and criticism come from a distance, not from the closest neighbors. With its four coal-powered plants alongside the nuclear unit, Florida Power is Citrus County's largest private employer and paid \$23.5 million in property taxes last year — about 30 percent of the county's tax base.

Citing the economic benefit, in 1992 the Crystal River Chamber of Commerce announced it would solicit Florida Power or other companies to build another nuclear plant in the

area. Regulations aimed at protecting the endangered manatee have caused a bigger stir in the county than the nuclear plant.

The current shutdown — certain to be the longest in the plant's history — is largely the product of efforts to cut costs.

Managers of other Babcock & Wilcox plants joined over the years to improve their plants' safety systems and satisfy regulators. Florida Power instead tried to avoid costly changes, a management view that had "short-term benefits in mind rather than a longer-range type of plan," says Luis Reyes, the commission's regional administrator in Atlanta.

The plant will remain shut down until the Nuclear Regulatory Commission believes it meets all its guidelines.

**ENTER ROY** Anderson. The 48-year-old utility industry veteran arrived in January to get the plant back on track. Anderson, the new senior vice president and chief nuclear officer, came from Carolina Power & Light Co., where he was credited with turning around the troubled Brunswick, N.C., plant. Also hired for a top nuclear post was John Cowan, who worked with Anderson at Brunswick.

Anderson doesn't dwell on the plant's first 20 years, preferring to focus on its next 20. He thinks he can repeat his Brunswick experience or else. "I wouldn't be here."

He expects to make some management changes but says the rank-and-file workers do their jobs well and the plant itself appears to be in good shape. "This thing has the ability to go the distance."

If it's working.

At full capacity, the plant provides 19 percent of the power to the utility's 1.3 million customers. But only when it's working.

Nuclear plants are expensive to operate and maintain, working or not. Only when they are online can nuclear plants take advantage of the low cost of their uranium fuel.

When the plant is down, electricity bills go up. It costs Florida Power an extra \$10 million in coal to meet the energy demand. And though the Florida Public Service Commission last month gave preliminary approval to bump up bills an average of \$4 a month to pay for it, the PSC could force the utility to refund the money if it determines poor management caused the outage.

(OVER)

## Major problems found at Crystal River plant

**SUMMARY:** The NRC found major problems at the Crystal River nuclear plant, but said Florida Power officials are trying to fix them.

By JOE HENDERSON  
of The Tampa Tribune

TAMPA — Florida Power Corp. got a verbal dressing down Thursday from a federal watchdog agency for violations at its Crystal River nuclear plant.

But the utility giant avoided any fines because the Nuclear Regulatory Agency says the company is trying to fix what it called "a broad spectrum of problems" and "major weaknesses."

Last summer, the NRC fined Florida Power \$500,000 for engineering violations at Crystal River, and about a month ago fined the company \$50,000 more for security violations.

A report issued by the NRC Thursday cited "Severity Level 2" violations, which could have resulted in a "substantially larger" fine, according to an agency spokesman.

"Staff just felt a fine wasn't the best way to go about this," NRC spokesman Roger Hannah said. "They certainly have a lot of work to do there, but they've been fully cooperative about it."

"They've been changing out the top management in the nuclear area, both down at their headquarters and up at the plant. They are in the

Stock	Close	Chg.
<b>Fla. Progress</b>	<b>30 1/4</b>	<b>- 1/8</b>

process of putting programs in to correct these problems."

According to the agency, the Level 2 violations involved safety questions that could result in a loss of an emergency diesel generator, potential failure of an auxiliary feed-water pump, and inadequate control during cooling water accidents.

The agency also identified "Severity Level 3" violations, which are less severe.

They include a failure to establish measures of compliance for regulatory standards.

Florida Power officials closed the Crystal River plant Sept. 2 after the NRC criticized the plant for poor management, worker errors and communication breakdowns.

Since then, the NRC says, the company has done a better job at putting the plant in order, although it is not expected to reopen until late this year at the earliest.

"They have agreed they will not restart without our staff's concurrence," Hannah said. "We expect they'll provide us with more information on what type of schedule they'll set to get the plant back on line."

A meeting has been set for March 21 at the Crystal River plant between NRC and Florida Power officials to discuss the situation.



# Lawsuit inspires new rate request

**SUMMARY:** Florida Power, which begins charging its customers more for electricity today, is asking for another rate increase.

By CHERYL JACKSON  
of The Tampa Tribune

**ST. PETERSBURG** — Florida Power Corp. customers will be charged \$3.89 a month more for electricity beginning today and may have to brace themselves for yet another rate increase.

Today's increase makes up for the shut-down of the company's Crystal River nuclear plant. Today is also the day that Florida Power asks regulators for another increase, to cover the cost of a lawsuit settlement.

Stock	Close	Chg.
<b>Florida Progress</b>	<b>30%</b>	<b>-¼</b>
<b>TECO Energy</b>	<b>24</b>	<b>-¼</b>

The St. Petersburg-based utility is asking the Florida Public Service Commission to approve its \$17.3 million settlement with Pasco Cogen Ltd., a Pasco County company that has built power plants in Dade City and Eustis, 30 miles northwest of Orlando.

It was unclear what the monthly charge for the proposed rate increase request would be, if it took effect.

Florida Power and Pasco Cogen entered a contract to purchase electricity in July 1993 that expires in July 2013.

But last summer, the companies began fighting about pricing.

Florida Power had lowered its payments to fit with falling coal, oil and natural gas prices. Pasco Cogen filed suit for breach of contract.

If Pasco Cogen wins its lawsuit, Florida Power customers would have to pay up to \$56.3 million extra.

Meanwhile today, Tampa Electric Co. is reducing its rates for the sixth straight time in the past three years. The 7 cent rate decrease brings rates to an average of \$80.31 a month.

TECO's rates have dropped from an average of \$87.90 a month in July 1994, including a 9 percent drop in residential

rates in the past three years.

In contrast, Florida Power rates have gone from \$80.32 a month in July 1994 to \$87.28, with today's increase.

TECO has 510,000 customers, serving all of Hillsborough County and parts of Pinellas, Polk and Pasco counties. Florida Power has a service area about twice as big, covering 1.3 million customers in various counties, including Pinellas and Pasco.

"This particular decrease comes just in time for the very, very high demand summer months that are about to hit us," TECO spokesman Mike Mahoney said.

"We'd expect them to go down some more," Mahoney said. "You can't say that about everybody."





Guzzie



Critchfield

## Florida Progress earns less in '96 than '95; execs still get raises

By CHERYL JACKSON  
of The Tampa Tribune

TAMPA — Florida Progress Corp. saw its earnings slip 6 percent to \$224 million in 1996, but that didn't stop the St. Petersburg-based company from giving its executives bigger compensation packages.

Chairman and Chief Executive Officer Jack Critchfield's compensation package increased 16 percent, or about \$240,000, from \$1.46 million in 1995 to \$1.7 million last year.

President and Chief Operating Officer Richard Korpan's pay jumped about \$226,205, or 22 percent, from \$1 million in 1995 to \$1.2 million in 1996.

And Joseph Richardson, chief operating officer of subsidiary Florida Power Corp., saw his compensation rise \$201,010, or 44 percent, to \$648,327.

Stock	Close	Chg.
<b>Fla. Progress</b>	<b>30%</b>	<b>+ 1/2</b>

Meanwhile, earnings per share declined 7.2 percent to \$2.32.

Executive pay will become part of the discussion at the company's annual meeting April 17 in Orlando. Two shareholders proposals seek to limit pay increases for top executives.

Florida Progress is opposing both proposals.

A company spokeswoman couldn't be reached for further comment.

Overall earnings at the electric utility holding company decreased from almost \$239 million in 1995 to \$224 million last year.

Next month, Florida Power will raise rates by about \$4 a month to recover part of the replacement fuel costs associated with the Crystal River plant being off-line.

### TECO Energy

	Earnings*	Revenue*
1992	\$149	\$1,183
1993	\$162	\$1,284
1994	\$153	\$1,361
1995	\$186	\$1,392
1996	\$201	\$1,473

### Florida Progress

	Earnings	Revenue*
1992	\$175.7	\$2,065.2
1993	\$196.8	\$2,387.9
1994	\$212.0	\$2,725.3
1995	\$238.9	\$3,007.8
1996	\$224.4	\$3,157.9

\*in millions

Source: Company annual reports

## Rick Barry

# Power to the people costs more

ST. PETERSBURG — The good news is stockholders in Florida Progress Corp., parent of St. Petersburg-based Florida Power Corp., are receiving a 7.6 percent dividend increase, to \$2.10 a year per share.

The bad news: Starting this week, the average family buying its electricity from Florida Power will be paying \$88.65 a month instead of \$83.39, a \$5.26 increase.

What is wrong with this picture?

The Florida Public Service Commission, the five-headed appointive board that (ever-so-gently) regulates public utilities, hears rate increase requests and, usually, grants them.

Florida Power's latest request, in February, was no exception. This "fuel adjustment" increase should bring the company about \$88 million.

Florida Power's residential rates were already the highest of any publicly owned electric utility. This increase sends it into uncharted altitudes.

### Such a deal!

The increase was necessary, the company says, because of the higher cost of the additional fossil fuels, mostly coal, it has had to buy since its nuclear reactor at Crystal River was shut down in September, after it joined a select group of 14 troubled reactors on the U.S. Nuclear Regulatory Commission's infamous "watch list."

Florida Power serves Pinellas, Pasco, Hernando, Citrus and 28 other northern and central counties. As of Tuesday it charges \$87.42 for 1,000 kilowatt-hours of power.

Miami-based Florida Power and Light Co. — which serves Manatee and Sarasota counties and a bunch of South Florida — gets \$78.03. It just reduced its rate 79 cents.

And, also effective Tuesday, Tampa Electric Co. lowered its rates — OK, just 7 cents, but it's the spirit of the thing. The Panhandle's Gulf Power Co. also lowered its rates for the summer.

The Tampa Tribune, Wednesday, April 2, 1997

The Public Service Commission's Melinda Pace says the PSC's job, contrary to popular belief, is not to *guarantee* its regulated utilities a profit, but to "guarantee them the *opportunity*" to earn a profit.

That \$88 million "adjustment" should widen that opportunity some.

### Refund?

Utilities' rate structure should allow them only to recover "prudent" costs of doing business.

"If it is shown bad management decisions are the reason a company is not making a reasonable profit, the rate request should be denied," she says.

And Pace says that the fuel increase has been approved subject to the findings of ongoing PSC and NRC investigations, and could be refunded to rate-payers later this year if it is shown something other than fuel costs are responsible for any shortfall.

According to the NRC, the Crystal River reactor made the watch list because of Florida Power's "mishandling of several design issues; improper interpretations of NRC regulations and weaknesses in operator performance, corrective actions and management oversight."

And the company is treating the problems at the nuclear plant as if they are a management problem. It has replaced four of six top nuclear division executives and brought into its top slot a turnaround expert — Roy Anderson — who brought back the Brunswick Plant on the North Carolina-South Carolina border from a Category 3 status — the worst operational rating — to a Category 1 status.

The NRC, which normally would have two people on site, now has three. The company says the Crystal River plant will be back on line in early December.

Sounds like management might have been one of the problems, and Pace says the PSC's review is examining that question.

But don't spend that refund check just yet.