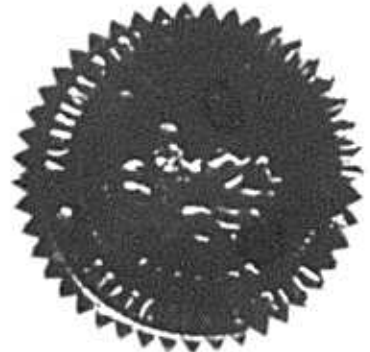


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of :  
Review of nuclear outage at :  
Florida Power Corporation's :  
Crystal River Unit 3 :  
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DOCKET NO. 970261-HI



PROCEEDINGS: HEARING

BEFORE: CHAIRMAN JULIA L. JOHNSON  
COMMISSIONER J. TERRY DEASON  
COMMISSIONER DIANE K. KIESLING  
COMMISSIONER JOE GARCIA

DATE: Thursday, June 26, 1997

TIME: Commenced at 10:30 a.m.  
Concluded at 12:00 p.m.

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: JOY KELLY, CSR, RPR  
Chief, Bureau of Reporting

DOCUMENT NUMBER-DATE

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1 **APPEARANCES:**

2                   **JAMES MCGEE**, Florida Power Corporation, Post  
3 Office Box 14042, 3201 34th Street South,  
4 St. Petersburg, Florida 33733, appearing on behalf of  
5 Florida Power Corporation.

6                   **BOB ELIAS, VICKI JOHNSON and LESLIE PAUGH**,  
7 FPSC Division of Legal Services, 2540 Shumard Oak  
8 Boulevard, Gerald L. Gunter Building, Tallahassee,  
9 Florida 32399-0850, appearing on behalf of the  
10 Commission Staff.

11                   **JACK SHERVE and ROGER HOWE**, Public Counsel,  
12 Office of Public Counsel, c/o The House of  
13 Representatives, Claude Pepper Building, 111 West  
14 Madison Street, Room 812, Tallahassee, Florida  
15 32399-1400, appearing on behalf of the Citizens of the  
16 State of Florida.

17                   **VICKI GORDON KAUFMAN**, McWhirter, Reeves,  
18 McGlothlin Davidson, Rief & Bakas, P.A. Post Office  
19 Box 3350, Tampa, Florida 32601-3350, appearing on  
20 behalf of Florida Industrial Power Users Group

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1 **APPEARANCES CONTINUED:**

2 **MICHAEL A. GROSS**, Office of the Attorney  
3 **General**, PL-01, The Capitol, Tallahassee, Florida  
4 32399, appearing on behalf of Robert A. Butterworth,  
5 **Attorney General** of Florida.

6 **MONTE BELOTE** and **LOUIS D. PUTNEY**, 4805 Himes Avenue,  
7 **Tampa**, Florida 33611, on behalf of **Florida Consumer Action**  
8 **Network**.

9 **WAYNE R. MALANEY**, P. O. Box 7014, Tallahassee, Florida  
10 32314, and **MICHAEL B. TWOMEY**, P. O. Box 5256, Tallahassee,  
11 **Florida** 32314, on behalf of **Lake Dora Harbour Homeowners**  
12 **Association**.

13

14 **ALSO PRESENT:**

15 **TIM DEVLIN**, FPSC Director of APAD

16 **ROBERTA BASS**, FPSC Division of Electric & Gas

17 **JOHN SCARDINO**, FPC, Chief Accounting Officer

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**P R O C E E D I N G S**

(Hearing convened at 10:30 a.m.)

**CHAIRMAN JOHNSON:** We're going to go back on the record and I guess begin the technical portion of our hearing.

**MS. JOHNSON:** Yes, I think it would be appropriate to read the notice.

By notice issued May 30, 1997, a hearing was set in Docket 970261, review of nuclear outage at Florida Power Corporation's Crystal River Unit 3. The purpose for the hearing is set out in the notice.

**CHAIRMAN JOHNSON:** Do we need to take appearances again? We'll take appearances.

**MS. JOHNSON:** Yes, I believe so.

**MR. MCGEE:** James McGee, P. O. Box 14142, St. Petersburg 33733, appearing on behalf of Florida Power Corporation.

**MR. MALANEY:** Wayne Malaney, and with me, Mike Twomey, Tallahassee, Florida, appearing on behalf of the Lake Dora Harbour Homeowners Association.

**MS. KAUFMAN:** Vicki Gordon Kaufman, McWhirter, Reeves, McGlothlin, Davidson, Rief & Bakas, Tallahassee, Florida, on behalf of the Florida Industrial Power Users Group and the American Association of Retired Persons.

1           **MR. SHREVE:** Jack Shreve, Roger Howe, Office  
2 of the Public Counsel, representing the citizens of  
3 the state of Florida, Claude Pepper Building,  
4 Tallahassee, Florida.

5           **MR. BLABER:** Joseph Blaber, Clearwater,  
6 Florida -- I'm new at this.

7           **THE REPORTER:** Put your mike on.

8           **MR. BLABER:** Joseph Blaber, Clearwater,  
9 Florida. I'm a consumer of Florida Power. I also  
10 represent Florida AARP.

11           **MR. PUTNEY:** Louis D. Putney, Tampa,  
12 Florida, and Monte Belote, Tampa, Florida,  
13 representing the Florida Consumer Action Network.

14           **SENATOR CRIST:** Charlie Crist, a consumer of  
15 Florida Power and a state senator for the Tampa Bay  
16 area. I live at 1 Beach Drive, No. 1409,  
17 St. Petersburg, Florida 33701.

18           **MR. GROSS:** Michael Gross, Office of the  
19 Attorney General.

20           **MS. JOHNSON:** Vicki Johnson, Robert Elias  
21 and Leslie Paugh for the Commission Staff.

22           **CHAIRMAN JOHNSON:** Are there any other  
23 preliminary matters?

24                   Are there any other customers who -- we did  
25 take a short recess and this is intended to be the

1 technical portion of our hearing, but if there are any  
2 customers that arrived late? Seeing none, okay.

3 Staff.

4 MR. ELIAS: As everyone knows there was a  
5 stipulation filed last Thursday in this matter and I'd  
6 suggest that we allow the parties an opportunity to  
7 present the stipulation and Commissioners to ask  
8 questions concerning the stipulation at the  
9 appropriate time.

10 CHAIRMAN JOHNSON: Did the parties want to  
11 make any presentations? Is there a summary or any  
12 oral presentations from any of the other parties? No?

13 MR. MCGEE: On behalf of Florida Power, I  
14 think Staff's recommendation, which concludes that the  
15 stipulation should be approved, is something that  
16 Florida Power supports. I think it provides a good  
17 working document because it does go through a  
18 paragraph-by-paragraph approach. So we simply wanted  
19 to indicate our support for that recommendation and we  
20 have Florida Power people here today who can respond  
21 to your questions.

22 CHAIRMAN JOHNSON: Okay. Now, did Staff  
23 want to present its recommendation?

24 MR. ELIAS: Unless there are questions about  
25 particular provisions, I think it speaks for itself;

1 if the Commissioners have any.

2           **CHAIRMAN JOHNSON:** Any questions,  
3 Commissioners?

4           **COMMISSIONER DEASON:** Commissioners, I have  
5 some questions.

6           In the beginning I want to make it clear  
7 that the questions I have are not intended to question  
8 the validity or the appropriateness of the  
9 stipulation. I want to congratulate the parties for  
10 the tremendous effort that obviously was put into  
11 arriving at the stipulation. But when you look at the  
12 stipulation in detail, there are a number of very  
13 complicated provisions in the stipulation.

14           I think it's incumbent upon the Commission  
15 to make sure that the stipulation is totally  
16 understood, and that if there needs to be any  
17 clarifications, now is the time while all of parties  
18 are here to get that clarification. So that's the  
19 purpose of my questions. I can proceed or --

20           **CHAIRMAN JOHNSON:** Please do.

21           **COMMISSIONER DEASON:** All right. And I  
22 notice at the very beginning that this is a "parties  
23 may participate" therefore they may answer questions  
24 as well; is that correct?

25           **CHAIRMAN JOHNSON:** That's the way we

1 intended this to operate.

2           **COMMISSIONER DEASON:** I think it may be  
3 important to kind of review for just a moment what got  
4 us here and what the stipulation does.

5           The Commission was faced with a request from  
6 Florida Power to approve recovery of replacement fuel  
7 cost for an outage, an extended outage at Crystal  
8 River 3. And in February we approved a recovery of  
9 some \$78 million over a 12-month period. And that was  
10 basically to cover the six months of the fuel  
11 adjustment period that was basically on a historical  
12 basis. I think it was April through March. Staff, is  
13 that correct, basically?

14           **MS. BASS:** Yes.

15           **COMMISSIONER DEASON:** And we did not include  
16 any projections of replacement fuel cost, and we  
17 spread that over 12 months. And that equated to some  
18 \$2.26, I believe, as the final figure. We thought it  
19 was \$2.22 to begin with, but it turned out to be \$2.26  
20 per 1000 kilowatt-hours.

21           **MS. BASS:** Yes. That's my understanding and  
22 there was no replacement cost projected for the April  
23 through September period; there were some through  
24 March.

25           **COMMISSIONER DEASON:** So it was through



1 March. Okay. And that based upon that decision to  
2 date there's been about \$16.4 million that has been  
3 recovered?

4 MS. BASS: Excuse me, I didn't hear you.

5 COMMISSIONER DEASON: To date there's been  
6 about 16.4 million that has been recovered under that  
7 decision.

8 MS. BASS: That's correct.

9 COMMISSIONER DEASON: All of that was  
10 collected subject to refund.

11 MS. BASS: Yes, it was.

12 COMMISSIONER DEASON: Okay. And we decided  
13 we were going to hold prudence hearings on an  
14 expedited basis so we'd have this matter resolved  
15 before the next fuel adjustment projection period came  
16 into effect so that we'd know how to treat the  
17 replacement fuel cost, both historically and on a  
18 projected basis.

19 MS. BASS: That is correct.

20 COMMISSIONER DEASON: That's where we were.  
21 Now we have the stipulation. The very first thing the  
22 stipulation does is call for a full refund of  
23 everything that has been collected to date with  
24 interest. That's correct, right?

25 MS. BASS: That's correct.

1           **COMMISSIONER DEASON:** Okay. And that's  
2 going to take effect just as soon as the stipulation  
3 can be approved and the necessary billing changes  
4 made.

5           **MS. BASS:** Yes. It's my understanding that  
6 the removal of the replacement fuel costs and the  
7 current fuel charge will be effective with the Cycle 1  
8 billings for July -- but the one-time credit on the  
9 bills, because of the printing concerns and getting  
10 the line item included on the bill, that those  
11 one-time credits will appear with the Cycle 3 billings  
12 for July, but will continue to include the ones that  
13 were not caught in Cycle 1 and Cycle two.

14           **COMMISSIONER DEASON:** So all of the  
15 customers would be made whole as a result of that  
16 process.

17           **MS. BASS:** Exactly.

18           **COMMISSIONER DEASON:** And the stipulation  
19 also calls for a recovery of a portion of the  
20 anticipated replacement fuel cost; I believe the  
21 number is 33.8 million.

22           **MS. BASS:** That is correct. That's the  
23 system number.

24           **COMMISSIONER DEASON:** That would have to be  
25 put on a retail basis; is that correct.

1 MS. BASS: Exactly. On a retail basis it's  
2 approximately \$32.3 million, plus interest.

3 CHAIRMAN JOHNSON: 32 point what?

4 MS. BASS: 32.3 million.

5 COMMISSIONER DEASON: Have we tried to  
6 estimate how much interest would be added to that? I  
7 know it doesn't take effect until CR-3 comes back on  
8 line, but assuming it comes back on line by January 1,  
9 1998.

10 MS. BASS: Assuming I comes back on line in  
11 January, approximately \$2.3 million in interest, for a  
12 total of \$34.6 million to the retail customer, which  
13 equates to a \$1.07 per thousand kWh residential.

14 COMMISSIONER DEASON: \$1.07 per thousand,  
15 and that's to be collected over a 12-month period,  
16 that would be 12 months collection --

17 MS. BASS: Collected over a 12-month period  
18 based on project 1998 sales.

19 COMMISSIONER DEASON: Okay. And to the  
20 extent that does not recover all of the replacement  
21 fuel cost, which we know that it will not, to the  
22 extent that there is still amounts to be recovered,  
23 that's to be booked to a regulatory asset.

24 MS. BASS: That's my understanding of the  
25 stipulation.

1           **COMMISSIONER DEASON:** Okay. I guess I'm  
2 having a little bit of dialogue here with Staff; if  
3 any of the parties disagree whatsoever, just let us  
4 know because I want to make sure we have it all on the  
5 record correctly.

6           The regulatory asset is going to be  
7 recognized for surveillance reporting purposes.

8           **MS. BASS:** That's my understanding.

9           **COMMISSIONER DEASON:** Which simply means  
10 went we look at the Company's earnings in our  
11 surveillance program, it will show up as a rate base  
12 component, unamortized balance; is that correct?

13           **MS. BASS:** Yes. Let me refer to Tim Devlin  
14 to answer that.

15           **MR. DEVLIN:** That's correct.

16           **COMMISSIONER DEASON:** And for surveillance  
17 reporting purposes the amortization will be a  
18 recognized expense as well.

19           **MR. DEVLIN:** That's correct.

20           **COMMISSIONER DEASON:** Okay. And Florida  
21 Power has agreed to amortize that regulatory asset  
22 over a four-year period, or what is anticipated to be  
23 a four-year period; is that correct?

24           **MR. DEVLIN:** Yes, sir.

25           **COMMISSIONER DEASON:** Okay. And to help

1 offset the amortization of that regulatory asset, the  
2 stipulation calls for suspending accruals to the  
3 fossil fuel dismantlement account.

4 MR. DEVLIN: That's correct.

5 COMMISSIONER DEASON: And it is anticipated  
6 over the four-year amortization that's going to total  
7 some \$68 million.

8 MR. DEVLIN: 68 million system; 63 million  
9 retail, approximately.

10 COMMISSIONER DEASON: 63 million retail.

11 Now, that fossil fuel dismantlement account,  
12 that is something that the Commission requires of the  
13 company to book, and it is recognized as a legitimate  
14 operating expense; is that correct?

15 MR. DEVLIN: That's correct.

16 COMMISSIONER DEASON: Therefore, it is  
17 currently part of rates that are charged to Florida  
18 Power customers.

19 MR. DEVLIN: That's correct.

20 COMMISSIONER DEASON: That's going to be  
21 suspended, and those funds which normally would go to  
22 the dismantlement account are going to be used to help  
23 fund, so to speak, the amortization to the regulatory  
24 asset.

25 MR. DEVLIN: Yes, sir.

1           **COMMISSIONER DEASON:** So in essence, since  
2 that's currently in customer rates, the customers will  
3 be funding that portion of CR-3 replacement fuel cost.

4           **MR. DEVLIN:** That's one way to look at it,  
5 yes, sir.

6           **COMMISSIONER DEASON:** Now, we're going to  
7 require -- the stipulation calls for there to be a  
8 dismantlement study to be filed at the conclusion of  
9 the amortization period, and Staff thinks it should be  
10 filed a little bit sooner; is that correct?

11           **MR. DEVLIN:** I think a study was due to be  
12 filed this year, 1997.

13           **COMMISSIONER DEASON:** That was under the  
14 normal schedule but I think the stipulation calls for  
15 that would be deferred.

16           **MR. DEVLIN:** 2001.

17           **COMMISSIONER DEASON:** Until 2001. And Staff  
18 would like to see that at least by the end of 2000, is  
19 that correct, or the beginning of 2000?

20           **MS. BASS:** Then the recommendation calls for  
21 it to be filed by January 1 of 2001.

22           **COMMISSIONER DEASON:** Okay. Now, we have a  
23 stipulation in front of us, and I understand that we  
24 can either accept or reject; we can't modify it. This  
25 looks like it's an attempt to modify the stipulation.

1 Maybe the parties don't have an objection. I don't  
2 know. I guess I need to ask the parties how does this  
3 affect the stipulation at all; Staff's desire to have  
4 the dismantlement study filed basically 12 months  
5 sooner than what the stipulation calls for.

6 MR. MOGEE: I think, Commissioner, the  
7 stipulation indicates that prior to the end of the  
8 amortization period we would file it. So from our  
9 standpoint we view this as a matter of timing. And  
10 Staff obviously needs some period of time to review  
11 the study before taking final action on it. We think  
12 the six month -- filing it six months prior to the end  
13 that Staff has requested is a reasonable request and  
14 we're quite willing to do that.

15 COMMISSIONER DEASON: I assume there's no  
16 objection.

17 MR. SHREVE: Commissioner Deason, all of  
18 questions you have right now, before you go into  
19 another subject I think it might be good for us to  
20 give some of our reasoning and thoughts on this same  
21 process.

22 COMMISSIONER DEASON: That's fine.

23 MR. SHREVE: I think what you have said is  
24 accurate. I think it needs to be pointed out, of  
25 course, were there a change in the cost of the

1 dismantling, that would not be reflected in rates  
2 unless we had a rate case; just like if you made a  
3 change in depreciation there would not be a change in  
4 the rates. That's going to be covered.

5           We also have a stipulation from the Company  
6 that should there be a shortfall at any time in the  
7 future because of this that will never be placed as a  
8 burden back on the ratepayer. So we figure we're  
9 covered there. In this same vein, although it's a  
10 different issue, with Hines plant coming on line, that  
11 is approximately \$59 million a year that they could be  
12 entitled to in revenue, which will not be used to  
13 raise rates during these four years and we consider  
14 that really much more than a wash for the dismantling  
15 cost.

16           COMMISSIONER DEASON: And I'm glad you  
17 raised that because that was kind of my next question.  
18 I think you said it was covered in the stipulation  
19 about if there were a deficiency in the dismantlement  
20 account. And I'm looking at Page 5 of stipulation,  
21 the last paragraph -- I'm sorry, the last sentence of  
22 Paragraph 5. It addresses if the treatment, if there  
23 is a deficiency in the dismantlement reserve and it  
24 states that "it shall not be included as an investment  
25 or expense in any future proceeding initiated by



1 Florida Power to establish base rates." I guess I  
2 need some clarification from Florida Power exactly  
3 what that means, and if you agree with Mr. Shreve's  
4 interpretation; that is, that if there is a deficiency  
5 as a result of the suspension of the accrual to the  
6 reserve account, the dismantlement reserve account --  
7 if that results in a deficiency, Florida Power will  
8 not attempt to recover through any rate proceeding  
9 which you initiate the expense or the investment  
10 associated with that deficiency. Is that correct?

11 MR. MCGEE: Yes, that's correct. And I  
12 think the operative word there, in that provision you  
13 were quoting from, is the "deficiency." Our  
14 expectation is now, as Staff mentioned, there is a  
15 dismantlement study being prepared. That actually  
16 won't be submitted but we do intend to prepare it.  
17 And we believe that it's going to show that the  
18 reserve currently has a surplus but not enough of a  
19 surplus to continue that status for the four-year  
20 period with the accruals being suspended.

21 So this limitation our ability to recover  
22 those amounts, either the rate base portion or the  
23 expense portion, deals with the deficiency that will  
24 be created, not surplus that we have to begin with.

25 MR. SHEREVE: Commissioner, along those same

1 lines, a little bit different view from what Mr. McGee  
2 had from our standpoint on this, this would prevent  
3 Florida Power from ever being able to use this to ask  
4 for a rate increase to cover any of the things they  
5 are going to absorb. In other words, if they come in  
6 for a rate decrease or someone brings them in for a  
7 rate decrease that's a different ball game. But they  
8 will not be in a position to ask for an increase to  
9 cover any of the 170 million, 95 or the 45. That same  
10 view is on a couple of other items in here do.

11 COMMISSIONER DEASON: Now, is there any  
12 significant in a phrase "in a future proceeding  
13 initiated by Florida Power." Does that mean that if  
14 there is a proceeding initiated by the Commission or  
15 an intervenor that there would be different treatment?

16 MR. MCGEE: (Nods head.)

17 COMMISSIONER DEASON: Okay. Explain that to  
18 me.

19 MR. MCGEE: I think the concept was that  
20 this limitation on Florida Power's ability to request  
21 a rate treatment for that applies to a proceeding that  
22 we initiate. If someone else initiated the proceeding  
23 then it would be like any other expense, it would  
24 still be our burden to demonstrate the propriety of  
25 including that in rate base but this limitation

1 wouldn't apply.

2           **COMMISSIONER DEASON:** And I need some  
3 further explanation to a previous response which you  
4 gave, Mr. McGee. You mentioned that it only applies  
5 to the deficiency portion. If there is a  
6 deficiency -- I know that right now it is your  
7 position that you're in an overaccrual, or a surplus  
8 position, as pertains to the fossil fuel dismantlement  
9 reserve?

10           **MR. MCGEE:** Commissioner, I have  
11 Mr. Scardino with me who is our chief accounting  
12 officer. If we're going to go into the details it's  
13 probably more appropriate if he responded to those.

14           **COMMISSIONER DEASON:** That's fine.

15           **MR. SCARDINO:** Good morning. I'm  
16 John Scardino, Post Office Box 14042, St. Petersburg,  
17 Florida 33733, with Florida Power Corporation.

18           Commissioner Deason, as a clarifying comment  
19 to Mr. McGee's answer to your question, the current  
20 study is still underway with regards to the 1997  
21 fossil dismantlement study. Our belief is that we  
22 are -- we have a surplus compared to prior studies  
23 that have been made and would have equated to an  
24 accrual that we would have recorded in the past, as  
25 well as over the remaining lives of the power plants.

1           We are not able at this time to affirm one  
2 way or the other whether that surplus is sufficient to  
3 cover the \$68 million that would be the result of the  
4 four-year suspension. We will know that information  
5 letter this year, and I believe that study will be  
6 very important in its documentation of whether there  
7 is a sufficient surplus or not.

8           **COMMISSIONER DEASON:** Okay. Now, for  
9 clarification, and maybe I need to throw out some  
10 hypothetical numbers so we can see how the calculation  
11 would be done.

12           If it's determined that your surplus  
13 position is 34 million, and the suspension of the  
14 accruals amount to 68 million, then that means you're  
15 going to be in a deficit position of 34 million. That  
16 would be half.

17           **MR. SCARDINO:** That would be correct.

18           **COMMISSIONER DEASON:** And it would be that  
19 34 million that you could not recover as an expense  
20 item through additional accruals in the future or as a  
21 rate base item, that not being offset against rate  
22 base for that 34 million?

23           **MR. SCARDINO:** That is correct.

24           **COMMISSIONER DEASON:** In a proceeding which  
25 you initiate.

1           **MR. SCARDINO:** Correct.

2           **COMMISSIONER DEASON:** Now, you have not yet  
3 filed a study. How are you going to determine what  
4 your reserve position is as of now since you're not  
5 going to file your study until some three years later?

6           **MR. SCARDINO:** Our intend is to complete the  
7 analysis for the '97 dismantlement study and to  
8 simulate the Commission treatment that would have been  
9 applied to that result so that we could determine --  
10 because part of the deficiency calculation is not only  
11 what you've recorded thus far if you had this study  
12 as a basis from Day One, but also what's to come in  
13 the future over the remaining life. So things such as  
14 the -- you know, the escalation rates, things such as  
15 the contingency factor that's implicit in the study,  
16 those will all be key elements in trying to determine  
17 whether the surplus is sufficient in cover this.

18           **COMMISSIONER DEASON:** But you do agree in  
19 calculating the final deficiency amount if there's  
20 going to be any as a result of suspending the accruals  
21 that is key and essential to know your position at the  
22 time before those accruals cease. Isn't that part of  
23 the calculation?

24           **MR. SCARDINO:** Yes.

25           **CHAIRMAN DEASON:** Okay. So you agree that

1 we need that. Is that information going to be  
2 provided to our Staff and any of the parties that want  
3 to see that?

4 MR. SCARDINO: The Company will have the  
5 information available. It was not intending to file a  
6 formal study with the Commission.

7 COMMISSIONER DEASON: But it's essential to  
8 know what your position is now in order to determine  
9 if the suspension of the accruals results in a  
10 deficiency later on.

11 MR. SCARDINO: I believe you're correct.  
12 That's why we're going to go forward to complete the  
13 study so that we can try and identify that benchmark.

14 COMMISSIONER DEASON: Okay. What if there  
15 is a question as to what your position is now. For  
16 example, if you say your position is now a surplus of  
17 34 million, and our Staff, or one of the parties  
18 disagrees with that. How is that -- under the  
19 stipulation how is that to be addressed or is the  
20 stipulation silent on that?

21 MR. MOGEE: If I might, Commissioner, I  
22 think the stipulation is silent on that but the way  
23 the limitation would come into play would be when we  
24 had a rate case that we initiated. So until there is  
25 that kind of a proceeding subsequent to the expiration

1 of the four-year amortization period, it's sort of an  
2 academic question.

3 COMMISSIONER DEASON: It's not an issue  
4 until -- and hope you don't -- but not until you find  
5 it necessary to initiate a proceeding to increase your  
6 base rates.

7 MR. MCGEE: Right. I think what  
8 Mr. Scardino contemplated is that since that report,  
9 being prepared right now, would be finished; that  
10 would be a piece of evidence that would be used as  
11 well as the revised report that would come in at the  
12 end of of amortization period, and those issues would  
13 be dealt with as appropriate at the time.

14 COMMISSIONER DEASON: So that would be a  
15 relevant issue in the event that you do file for a  
16 rate case sometime subsequent to this amortization  
17 period.

18 MR. MCGEE: Correct.

19 COMMISSIONER DEASON: Now, what period of  
20 time? Let's assume that ten years from now you file a  
21 rate case. Is it going to be an issue as to what  
22 deficiency resulted from the suspension of these  
23 accruals for four years? Or is there some limitation  
24 on them?

25 MR. MCGEE: There's no limitation in the

1 agreement, and from a practical standpoint I think  
2 maybe you're alluding to the fact that the issue of  
3 proof might become more difficult and complex as time  
4 goes on, and I think that would be a correct  
5 observation, it would just be something we need to  
6 deal with at that time.

7           **COMMISSIONER DEASON:** But it's your burden  
8 then to substantiate and prove what your deficiency or  
9 surplus position was in '97 and what the result of the  
10 suspension of the accruals for four years has on a  
11 deficiency position sometime in the future.

12           **MR. MOGEE:** Yes, that's correct.

13           **COMMISSIONER DEASON:** And you're willing to  
14 take that burden.

15           **MR. MOGEE:** Yes.

16           **COMMISSIONER DEASON:** Fully recognize that.

17           **COMMISSIONER DEASON:** Mr. Shreve, you  
18 alluded to something else earlier that is a very  
19 significant portion of this stipulation and that is  
20 that the costs associated with the Hines plant is to  
21 be absorbed into rate base with no increase in rates  
22 during this -- the period of this stipulation?

23           **MR. MOGEE:** That's correct.

24           **COMMISSIONER DEASON:** Okay. And that's both  
25 in investment and operating expenses associated with



1 that plant; is that correct?

2 MR. MOGEE: That's correct.

3 COMMISSIONER DEASON: That's been --

4 MR. SCARDINO: Excuse me, Commissioner, that  
5 would be exclusive of the fuel recovery for that  
6 facility.

7 COMMISSIONER DEASON: I understand. Yes,  
8 the fuel cost would be treated as all fuel costs are  
9 normally treated in fuel adjustment proceedings.

10 MR. SCARDINO: That's correct.

11 COMMISSIONER DEASON: I guess when I say  
12 operating expenses, not fuel cost but operating and  
13 maintenance expenses exclusive from fuel cost.

14 MR. SHREVE: Commissioner, I don't disagree  
15 with that, but that fuel cost, the benefit should go  
16 to the customers because that's supposed to be a more  
17 efficient plant. So rather than being concerned about  
18 it being an increase, it should be a reduction, and  
19 for about two-and-a-half years would be absorbed  
20 during the four years that they are amortizing, the  
21 part that they're being responsible for, is about 59 a  
22 year with the benefits of the fuel clause going to the  
23 customers.

24 COMMISSIONER DEASON: And it is estimated to  
25 be 59 million a year.

1           **MR. SHEREVE:** That's the estimate that we  
2 have at this point.

3           **COMMISSIONER DEASON:** Okay. But that's kind  
4 of similar to the suspension of the dismantlement.  
5 One could assume, well, you'd have an immediate effect  
6 on rates or you wouldn't. We all know you don't have  
7 an effect on rates until there's a rate proceeding.  
8 It's the reverse of the dismantlement. We couldn't  
9 assume automatically there would be a 59 million  
10 increase in rates just because that plant went into  
11 rate base; just like we can't assume that there would  
12 be a 65 million reduction -- I'm sorry, 68 million  
13 reduction over four years because of the suspension of  
14 the dismantlement.

15           **MR. SHEREVE:** Right, \$16 million a year, or a  
16 63 million total as opposed to \$59 million, which they  
17 would not be able to come in and ask for an increase.

18           You're right, it would not be an automatic  
19 thing. However, it would put them in a position, as  
20 many of the electric companies have done in the past  
21 when they have a new plant coming on line, to come in  
22 and ask for a revenue increase to cover that, and that  
23 would be prohibited.

24           **COMMISSIONER DEASON:** Okay. The other  
25 question -- area of the stipulation I have a question

1 about concerns the effect of the stipulation on the  
2 equity account and how that's to be treated for  
3 surveillance purposes. And it's my understanding that  
4 the stipulation calls for the impact of the  
5 replacement fuel costs which are not being recovered,  
6 that that impact and those amortizations will not  
7 reduce the Company's equity for purposes of  
8 surveillance reporting. In a nutshell, that's  
9 basically what it does?

10 MR. SCARDINO: Yes, sir, it does.

11 COMMISSIONER DEASON: Is it the Company's  
12 intent that would be a -- for surveillance reporting  
13 purposes it would be a direct entry or an increase to  
14 the equity account and would not be done on a pro rata  
15 basis?

16 MR. SCARDINO: That's my expectation,  
17 Commissioner, is it would be a specific adjustment.

18 COMMISSIONER DEASON: Has there been an  
19 estimate on what impact that would have on the equity  
20 account in terms of how it effects the equity ratio  
21 and, therefore, the overall rate of return that the  
22 company could achieve under surveillance reporting  
23 without triggering some type of action?

24 MR. SCARDINO: Yes, we have. Our estimate  
25 range right now from the current analysis is that it

1 has about a 30 to 40 basis point effect on the overall  
2 equity structure.

3           Commissioners, that --

4           **COMMISSIONER DEASON:** I'm sorry. When you  
5 say -- it's 30 or 40 basis points on your overall rate  
6 of return?

7           **MR. SCARDINO:** Overall return.

8           **COMMISSIONER DEASON:** What does that equate  
9 to in terms of points on equity?

10          **MR. SCARDINO:** If you were to go strictly on  
11 equity it would be about 60 to 70 basis points.

12          **COMMISSIONER DEASON:** 60 to 70.

13          **MR. SCARDINO:** Correct.

14          **COMMISSIONER DEASON:** Now is there a time  
15 period to which this applies? Is there some type of  
16 -- or is this in perpetuity that this impact would be  
17 in your equity account for surveillance reporting  
18 purposes. I assume that if you file a rate case, that  
19 changes, all bets are off; is that correct? Explain to  
20 me how you look at it in the long term.

21          **MR. SCARDINO:** In the long term the  
22 agreement does not specify a termination time frame,  
23 so that adjustment would continue forward if beyond  
24 the four-year amortization period there were no  
25 proceedings initiated to alter base rates. Should

1 such a proceeding be undertaken, my feeling would be  
2 that that adjustment would cease and the proper  
3 capital structure at that time would be established  
4 upon which to earn.

5           **COMMISSIONER DEASON:** So at the end of the  
6 four year amortization period, you would continue to  
7 report your equity for surveillance purposes under the  
8 impact of the stipulation. But that if there were a  
9 base rate proceeding initiated, for whatever reason,  
10 then it would be whatever your book equity is and not  
11 adjusted as contemplated in the stipulation.

12           **MR. SCARDINO:** I believe that is correct.

13           **COMMISSIONER DEASON:** Is that Staff's  
14 understanding?

15           **MR. DEVLIN:** Yes. But we probably should  
16 point out at this point there may be -- there are  
17 different methods in calculating the effect of this  
18 adjustment. And we had one method last week that the  
19 Company proposed, and now I think we have a different  
20 method. And it will yield quite different results.  
21 And in the Staff analysis we show, in effect, about 20  
22 basis points using a pro rata approach. There are  
23 other approaches. We probably need to nail down the  
24 particular method, so, you know, we know what we're  
25 talking about when we look at our surveillance

1 reports.

2           **COMMISSIONER DEASON:** Well, the Company just  
3 indicated in response to a question that they do not  
4 think it should be done pro rata but should be  
5 directly to the equity account and obviously that has  
6 a big bearing --

7           **MR. DEVLIN:** Correct.

8           **COMMISSIONER DEASON:** -- on the impact of  
9 the adjustment. And I guess this is the parties'  
10 stipulation. Was that discussed, as whether it was  
11 pro rata or directly to equity or was it just kind of  
12 subject to an interpretation later on if it became an  
13 issue?

14           **MR. HOWE:** Commissioner Deason, it was  
15 discussed, but I think perhaps you need to understand  
16 our perspective in the negotiations. It was that the  
17 Company would not seek to recover approximately  
18 \$136 million of fuel cost, the Hines unit, the capital  
19 improvements at Crystal River 3 and so forth.

20           We view this mostly as just a reporting  
21 requirement with the Commission. It has no effect on  
22 customer rates. So whether it was done on a pro rata  
23 basis or how that pro rata calculation was done, did  
24 not affect customer rates in any way. And that was  
25 our perspective.

1           **COMMISSIONER DEASON:** Okay. But the Company  
2 indicates that it has an impact even after the  
3 amortization period for surveillance reporting  
4 purposes, you agree with that?

5           **MR. HOWE:** Yes, for surveillance reporting  
6 purposes, only. And it will have no affect, no impact  
7 on any future rates as I understand the agreement.

8           **COMMISSIONER DEASON:** Because if there is a  
9 rate case initiated by whomever after the four-year  
10 period, it would be based upon booked equity as  
11 opposed to adjusted equity under the stipulation.

12           **MR. HOWE:** That's correct.

13           **COMMISSIONER DEASON:** Florida Power agrees  
14 with that understanding?

15           **MR. SCARDINO:** Yes, it does. I think,  
16 Commissioner, that my reading of Paragraph 6 is that  
17 the parties were really coming to consensus that if  
18 Florida Power absorbed the cost of the outage, the  
19 CR-3 outage, that our future financial performance  
20 would not be penalized by a continuing adjustment that  
21 would be in our equity account by having lower equity  
22 from the fact that we wrote down both the O&M and the  
23 replacement fuel. And so this adjustment, I believe,  
24 as best we can calculate it, has the characteristics  
25 of neutralizing the Company. It doesn't enrich the

1 Company. It only brings the Company back to what it  
2 would have had the opportunity to earn if these  
3 adjustments, if these write-offs were not recorded on  
4 the books of the corporation.

5 COMMISSIONER DEASON: And I think I  
6 understand that and I can understand the rationale  
7 behind that. But my question is, I suppose, it  
8 impacts what you report as your allowed rate of return  
9 for surveillance purposes. And we know that this  
10 stipulation is over a four-year period. I would  
11 anticipate that the majority of your impact on your  
12 earnings is going to be in 1997. Is that a correct  
13 assumption?

14 MR. SCARDINO: Yes, sir, that's correct.

15 COMMISSIONER DEASON: So for 1998, 1999 and  
16 the years subsequent to that the impact, the majority  
17 of the impact is already going to be reflected in your  
18 financial results. And so your financial results for  
19 the subsequent years are not going to be held down  
20 because of the CR-3 situation. And the opportunity  
21 exists that there could be excess earnings during  
22 those periods. And the way we calculate this is very  
23 critical to whether -- under surveillance reporting --  
24 whether it could reflect the Company is overearning.  
25 Now, if I'm wrong in that analysis anywhere, please



1 correct me. But that's just the way it strikes me as  
2 where we are at this stage.

3 MR. SCARDINO: The concern that Florida  
4 Power has is that in the years subsequent to '97 that  
5 our authorized earnings would be reduced if you did  
6 not make this adjustment.

7 And, therefore, the Commission might  
8 conclude that we were overearning when, in fact, those  
9 would have been the earnings that would have occurred  
10 in 1998, '99 under the present mechanisms, the present  
11 equity invested in the Company upon which we're  
12 allowed to earn a return of 11 to 13%.

13 And so this adjustment is really to, in my  
14 opinion, status quo those future periods so that our  
15 financial performance doesn't suffer both in '97 as  
16 well as in subsequent years beyond '97, absent this  
17 adjustment.

18 It's an equity issue. It's a fairness  
19 issue, in my opinion, with regards to the consequences  
20 of taking these write-downs as a result of not  
21 recovering the costs associated with CR-3.

22 COMMISSIONER DEASON: And I understand that  
23 what you're saying is that you're willing to take --  
24 absorb a portion, a significant portion of the  
25 replacement fuel cost and the expenses associated with

1 the outage, but you don't want that to negatively  
2 impact your equity ratio.

3 MR. SCARDINO: That is --

4 COMMISSIONER DEASON: For surveillance  
5 purposes.

6 MR. SCARDINO: For surveillance purposes;  
7 that is correct, Commissioners, because that will have  
8 the effect of lowering our authorized earnings ability  
9 in subsequent years if you don't make that adjustment.

10 MR. SHREVE: Commissioner, perhaps my view  
11 is a little bit more simplistic. The alternative  
12 would be to have the customers pay the \$170 million,  
13 because the Company is going to absorb about  
14 136 million of that and about 95 -- 80 to 95 million  
15 of the O&M costs. So in reality the Company is, in  
16 fact, going to absorb those expenses that they're  
17 talking about. All we're talking about is just the  
18 adjustment on the O&M, which if you had not had the  
19 Company absorb it and had to have the customers pay  
20 for that, then you wouldn't need that adjustment and  
21 we certainly prefer to have the customers not pay  
22 that. That's maybe an oversimplistic way to view it,  
23 but, to me, that's the balance.

24 COMMISSIONER DEASON: It's the Company's  
25 intent for surveillance reporting to make this

1 adjustment directly to equity which would have a 60 to  
2 70 basis point impact on your return on equity?

3 MR. SCARDINO: Yes, it is.

4 COMMISSIONER DEASON: Okay. And there's no  
5 objection -- I mean, obviously, the parties  
6 understands that that's the way it's going to be  
7 reported for surveillance purposes.

8 MR. HOWE: Yes.

9 COMMISSIONER DEASON: Part of my question is  
10 that so our Staff knows what the agreement is, so  
11 they're not put in a predicament trying to decipher  
12 and understand what should be appropriate for  
13 surveillance reporting purposes.

14 MR. HOWE: I agree, Commissioner Deason, and  
15 I'm sure the Commissioners understand that we realize  
16 the importance of the surveillance program to the  
17 Commission, but our perspective was almost exclusively  
18 on real dollar impact in rates on the customers. And  
19 so the Company's request, having conceded on the  
20 dollar issues, we negotiated an agreement that made  
21 them feel more comfortable on how they reported it to  
22 the Commission without asking customers for rate  
23 support.

24 COMMISSIONER DEASON: And the stipulation  
25 calls that the signatories will not seek a base rate

1 reduction for four years, correct, and the Company  
2 will not initiate a base rate increase for four years.

3 MR. HOWE: That's correct.

4 COMMISSIONER DEASON: So it pretty much  
5 binds the parties, the surveillance report results  
6 could be anything and it doesn't really matter.

7 MR. HOWE: That's correct.

8 COMMISSIONER DEASON: Okay. But it doesn't  
9 bind the Staff of the Commission or the Commission to  
10 initiate a proceeding.

11 MR. HOWE: I agree.

12 COMMISSIONER DEASON: I guess that's where  
13 my question comes in, is for our own surveillance  
14 purposes and to show if we need to take any action at  
15 any point, how should we interpret it? And I want to  
16 make sure that the parties understand -- because the  
17 way you interpret it could have an effect on what the  
18 surveillance report results are and whether we, as an  
19 agency, should take action to initiate some type of a  
20 base rate review. You're in agreement --

21 MR. HOWE: We agree. We made no attempt to  
22 bind the Commission or its Staff in this document.

23 COMMISSIONER DEASON: But do you agree if we  
24 approve the stipulation, the Commission pretty much is  
25 bound to have Florida Power specified booking for this

1 equity adjustment, to use that for surveillance  
2 reporting purposes before we could show the Company  
3 was overearning to initiate a rate reduction, it would  
4 have to even exceed the equity as they calculate it  
5 for surveillance purposes.

6 MR. HOWE: Yes, sir. I had some discussions  
7 with both Mr. McGee and Mr. Scardino on this issue,  
8 and as I understand it, as Mr. Scardino has described,  
9 they will be reporting a higher equity ratio with this  
10 adjustment. And at a given revenue level, therefore,  
11 they will show lower earnings in the future than they  
12 would have with their actual book equity after having  
13 written off all of these expenses. So we found some  
14 comfort in that that the Company would be reporting  
15 lower returns during the amortization period or during  
16 the four-year period we're talking about here.

17 COMMISSIONER DEASON: They will be reporting  
18 lower returns on a higher base, but the dollars are  
19 still the same.

20 MR. HOWE: That's correct.

21 COMMISSIONER DEASON: And you also agree  
22 that the opposite of that or the flip of that is also  
23 true; that if the equity result was not booked as they  
24 suggest, that the same dollars being on a lower base  
25 would show a higher earnings?

1           MR. HOWE: That's correct.

2           COMMISSIONER DEASON: Mr. Scardino, right  
3 now the Company is booking, and I think it's the  
4 Commission's policy to allow you a certain amount of  
5 accrual for nuclear maintenance and refueling on a  
6 18-month cycle; is that correct?

7           MR. SCARDINO: Commissioner, we do have  
8 Commission approval to record a refueling and  
9 maintenance outage accrual reserve. We are on a  
10 24-month cycle.

11          COMMISSIONER DEASON: You're 24 months.

12          MR. SCARDINO: Yes, sir.

13          COMMISSIONER DEASON: How does the extended  
14 outage at CR-3 impact that accrual, and does the  
15 stipulation in any way impact that accrual and that  
16 reserve amount?

17          MR. SCARDINO: It has no effect on the  
18 accrual or the process that we use to record that  
19 accrual.

20          COMMISSIONER DEASON: Are any of the costs  
21 associated with this outage going to be recovered  
22 through the accrual as it exists now? I'm sorry, not  
23 the accrual but the reserve balance as it exists now?

24          MR. SCARDINO: No. The reserve balance  
25 would be the Company's best estimate for the cost of

1 the refueling and maintenance of the next outage, next  
2 scheduled outage, that would be our best estimate.  
3 Those are the dollars we're trying to record and  
4 recover.

5           **COMMISSIONER DEASON:** Well, I think that's  
6 very critical and that's what I want to get clear, is  
7 that those accruals in that reserve are for normal  
8 outage and normal refueling outages and the  
9 maintenance associated with that under a normal  
10 scenario, and that those funds are not to be used for  
11 this outage which was not a normal refueling outage;  
12 is that correct?

13           **MR. SCARDINO:** That is correct.

14           **COMMISSIONER DEASON:** Okay. So that when  
15 the plant does come back on line, and it's time for a  
16 normal refueling outage, those funds will be  
17 available?

18           **MR. SCARDINO:** That is correct.

19           **MR. HOWE:** Commissioner Deason, on that  
20 point I'd remind you not only is this not a normal  
21 refuel outage, it isn't a refueling outage at all.

22           **COMMISSIONER DEASON:** You're right. And  
23 it's not normal. It's certainly abnormal. (Laughter)

24           Does the Company have any other accruals  
25 that are currently taking place which are going to

1 cease during this four-year stipulation period? And  
2 one that comes to mind is the Lake Tarpon-Kathleen  
3 transmission line. I think there's a current accrual  
4 going on. When does that cease?

5           **MR. SCARDINO:** Commissioner, specifically  
6 with the Lake Tarpon-Kathleen line, that accrual  
7 ceased at the end of '96. We were given the authority  
8 to accelerate the amortization of that accrual. It  
9 was originally established to be a four-year period,  
10 '95 through 98. But the Company cleared that accrual  
11 at the end of '96, so we're no longer accruing it.

12           If there are other accruals that will expire  
13 during the four-year period, the only ones that  
14 readily come to mind are some accruals associated with  
15 old steam plants that the Commission authorized a  
16 number of years ago. They may conclude during the  
17 tail end of the four-year period. I believe they may  
18 have two or three years or so still left to go. But  
19 other than that, I'm at a loss to cite any other  
20 examples.

21           **COMMISSIONER DEASON:** Well, is it the  
22 Company's position if there are accruals, and I assume  
23 it would also include the Lake Tarpon-Kathleen accrual  
24 that is no longer in effect, that to the extent that  
25 those -- that's a source of funds to more rapidly



1 amortize the regulatory asset and the Tiger Bay  
2 situation as well?

3           **MR. SCARDINO:** They could be a source of  
4 funds, Commissioner. The way we are viewing that is  
5 not color coding that expiration of that accrual and  
6 then accelerating Tiger Bay or any other regulatory  
7 asset that we may have on our books. But if the mix  
8 of revenues and expenses overall for the Company  
9 produce a return that is higher than the target or  
10 expectation for that year, then that's what is giving  
11 rise to our ability to accelerate.

12           So Tiger Bay may have expired, but there may  
13 be new costs coming our way.

14           **COMMISSIONER DEASON:** You mean Lake Tarpon?

15           **MR. SCARDINO:** I'm sorry, Lake Tarpon --  
16 excuse me -- may have expired at the end of '96, but  
17 there are other costs that may come our way that may  
18 not have been contemplated. And so we look at it  
19 overall as opposed to color coding the dollars with  
20 regards to the acceleration of the regulatory asset.

21           **COMMISSIONER DEASON:** Well, do you have a  
22 return on equity in mind to achieve before you make  
23 any additional or accelerated amortization amounts to  
24 either the CR-3 regulatory asset or the Tiger Bay  
25 regulatory asset?

1           **MR. SCARDINO:** Prior to the Crystal River  
2 outage, and it's implications on the Company and this  
3 stipulation, the Company had filed a projected  
4 surveillance report with the Commission. And, I  
5 believe, subject to check, that number was 12.18%.  
6 And so that was our target for '97 prior to the events  
7 that were here before you today being factored in. So  
8 if we had done better, appreciably better, then  
9 serious consideration would have been towards  
10 accelerating regulatory assets in order to get them  
11 behind us sooner rather than the normal amortization  
12 period.

13           **COMMISSIONER DEASON:** Are you saying, then,  
14 that 12.18 is a reasonable target during the  
15 stipulation period, as well?

16           **MR. SCARDINO:** No, sir, I was only  
17 commenting that that was our target for '97, as  
18 documented by the forecasted surveillance report.

19           **COMMISSIONER DEASON:** But the extent to  
20 which there are any accelerated amortization, that's  
21 strictly at management's discretion; is that correct?

22           **MR. SCARDINO:** Yes, sir, that's correct.

23           **COMMISSIONER DEASON:** I have another  
24 question, and it's just for understanding as to -- and  
25 it may kind of hinge upon some of the delicate nature

1 of the negotiation, and I don't want to delve too  
2 deeply into that. But I guess my question is the  
3 reasoning behind the refund immediately and then  
4 having an increase later on, it could be argued, and  
5 I'm not saying it's the appropriate thing, but it  
6 could be argued that if there is going to be an  
7 increase later on -- and under the stipulation there  
8 will be, and I think Staff's estimated it's something  
9 in the neighborhood of \$1.07 per thousand  
10 kilowatt-hours -- recognizing that increase is going  
11 to come later on when the plant comes back on line,  
12 assuming it does and runs for 14 days, is that the  
13 reason that that was done because to put the burden on  
14 the Company to bring the plant back on line and at  
15 least make it run for 14 days before there is any  
16 future recovery, and up until that time there's going  
17 to be a total refund of everything collected prior to  
18 that?

19 MR. SHREVE: That's a part of it, it  
20 certainly is. It puts, we feel, the incentive on the  
21 Company to get the plant back up on line. They are  
22 responsible for it if it does not come on line at that  
23 time. They are going to be responsible for the  
24 additional fuel cost, see the people will not. We  
25 think it just totally shifts the burden.

1           We felt that after the public hearings the  
2 people felt that that responsibility should be on the  
3 Company, with the money in their pocket -- and that's  
4 a simplistic way to look at it -- rather than the  
5 Company's pockets. I also felt, I guess along with  
6 some of the others -- I was one of the primary ones  
7 that pushed this. I felt it was good to clear the  
8 decks, to clean everything up, say, okay, this is the  
9 amount of money that is being collected, it's going to  
10 be cut off of the bills and it's going to be refunded  
11 because there was so much confusion out there as to  
12 what was actually being collected, and we felt that  
13 clarified everything. And I think that almost every  
14 one of the parties on our side felt the same way. I  
15 don't think there's any disagreement anywhere on that.  
16 Go ahead, clear it out, get it back and not allow the  
17 Company to recovery anything until the plant came back  
18 on line. Should that plant not come back on line,  
19 then, I assume, they are not going to recover  
20 anything. And I think that's a real benefit to the  
21 customer, to put that burden on the plant where it  
22 belongs.

23           COMMISSIONER DEASON: I assume that's  
24 consistent with the Company's position,  
25 interpretation.

1           **MR. SHERVE:** Well, the Company didn't  
2 exactly request that part of it.

3           **COMMISSIONER DEASON:** Well, I'm talking  
4 about are they willing -- they recognized that they  
5 are not entitled to that 33.8 million, obviously,  
6 until the plant comes back on line.

7           **MR. MCGEE:** That's absolutely correct. As  
8 well as the more significant figure of around  
9 \$10 million a month in replacement fuel cost. There's  
10 a significant incentive on Florida Power to return the  
11 plant to service as soon as possible.

12           **COMMISSIONER DEASON:** Senator.

13           **SENATOR CRIST:** Thank you, Commissioner. If  
14 I could comment on -- I think your question asked  
15 why -- part of the question at least, why was it in  
16 the agreement that some of the monies would -- or the  
17 monies, rather would be refunded right away to the  
18 customers.

19           I can tell you from my perspective the  
20 rationale behind doing that was to undo what was  
21 thought to be an inequity, and to let the people have  
22 their money back.

23           **COMMISSIONER DEASON:** And I appreciate that,  
24 and during our hearings the people told us that very  
25 loud and clearly, that they had a concern about that.

1           **SENATOR CRIST:** Indeed.

2           **COMMISSIONER DEASON:** And, I guess, that  
3 raises kind of another question. And, I guess, it  
4 kind of goes to the stipulation, looking at it as a  
5 total package. And the Commission was criticized --  
6 that's fine. We get criticized for a lot of things  
7 that we do. That's part of our job, I suppose. But  
8 one of the criticisms, and some merit to that  
9 criticism, as well, is that this Commission allowed  
10 recovery -- even though it was subject to refund --  
11 allowed a recover of dollars before there was a  
12 funding of prudence or imprudence. And that was one  
13 of the reasons for customer anger at that decision and  
14 I assume that was part of the reason they are trying  
15 to get this refund back and then we kind of start the  
16 slate clean.

17           But this stipulation does call for the  
18 recovery of 33.8 million, and there's still not going  
19 to be any finding by this Commission or anyone else  
20 that even that was prudent. And I guess what it boils  
21 down to is that you look at it as a total package is  
22 what -- of the total cost that Florida Power has  
23 incurred and will incur and is expected to incur, that  
24 that 33.8 million, even though there has not been a  
25 determination of any prudence or imprudence one way or

1 the other, that this is a fair and equitable way to  
2 get this thing settled and put the customers on notice  
3 as to what the result is going to be so they can make  
4 their plans on a going-forward basis. Is that where  
5 we are on this, Mr. Shreve, is that the way you look  
6 at it?

7           MR. SHEREVE: Absolutely. And it is a  
8 negotiated settlement. I don't think there has ever  
9 been a finding by the Commission in any settlement.  
10 All you've ever done is approve the stipulations, so  
11 this is not unusual. We did an investigation. We put  
12 in testimony. We -- of course, if I had my way, there  
13 wouldn't have been a penny. But I think this is more  
14 than a fair settlement when you look at the  
15 \$170 million that was going to be incurred because  
16 Crystal River 3 was out and the fuel adjustment charge  
17 and the exposure beyond that. The \$70 million was  
18 allowed by the PSC which was subject to refund.

19           We think we were very knowledgeable about  
20 the entire outage. We don't think -- the 33 million,  
21 33.8 is really approximately three months of the  
22 outage. Beyond our investigation, I talked to a great  
23 many people that were involved, some of them, they're  
24 engineers that testified at the hearings, and I'm  
25 quite comfortable with this amount when you look at

1 the situation.

2 Another thing, we don't have to worry about  
3 any appeals. Now, that's come up from time to time.  
4 Mr. Twomey raised that, and I think it's a legitimate  
5 concern that you always have to worry. We think we  
6 had a case that would have been upheld on appeal  
7 should the Commission have ruled with us.

8 COMMISSIONER DEASON: But that is a risk. I  
9 mean, the Commission has made findings in the past  
10 that's allowed cost and been overturned on appeal.

11 MR. SHREVE: That's absolutely right. That  
12 was a risk, and that's a benefit to us that we don't  
13 have worry about at this point. We would have been  
14 litigating this for two or three years, no matter  
15 which way Commission went. It was a risk as to  
16 whether or not the Commission would go with us or not,  
17 particularly on the entire amount.

18 I think when you look at the \$170 million in  
19 fuel cost that would be incurred, minimum -- well, I  
20 say minimum, maybe it's coming back up early, I don't  
21 think so. But beyond that, the risk is going to be on  
22 the Company, and I think that is very serious risk if  
23 that plant doesn't come back up on line. The  
24 95 million probably would have been absorbed by the  
25 Company anyway. The 45 million, as far as the



1 investment, we think that has been covered better in  
2 the way it is now. It's locked in legally.

3 I guess you look at this stipulation and  
4 there are some things that you might say are negative,  
5 but even when there is something that benefits Florida  
6 Power in the accounting way or even the 33 million, I  
7 see it as a positive thing because what you're doing  
8 here is saying overall this is \$170 million, plus 45,  
9 plus 95 that's being settled out for 33. You don't  
10 ever have a settlement where the Company doesn't get  
11 anything and the customers get everything.

12 I think this is one of the best settlements  
13 I've ever seen.

14 Now there's a stipulation that this is  
15 prudent, and I think they need that in order to be  
16 able to recover it for this amount. And I think the  
17 three months, from the customer's viewpoint, is a  
18 very -- I think that's a fair amount. I can't  
19 emphasize it enough. I think overall it's a great  
20 deal for the customers.

21 COMMISSIONER DEASON: Mr. Shreve, let me say  
22 I agree with you. As I preface my questions, it was  
23 to try to get a thorough clarification of exactly what  
24 is in the stipulation, how the parties interpret it,  
25 hopefully, to give some guidance to our Staff, because

1 they are going to be in the position of trying to  
2 actually do the nuts and bolts. The stipulation is a  
3 good one at a macro level, but they are the ones that  
4 are going to be doing, you know, looking at those  
5 surveillance reports, trying to determine if they  
6 filed it correctly, and that sort of thing, trying to  
7 give them some guidance, as well as. And to just  
8 further the understanding of the Commission of some of  
9 the nuances and details that are contemplated within  
10 the stipulation. I agree with you that when you look  
11 at the stipulation -- any stipulation is going to have  
12 pros and cons, benefits, detriments, two parties. In  
13 this case, two sides but many parties come together,  
14 and on a total package basis, I agree with you; it  
15 looks to me like it is beneficial to the customers in  
16 a number of regards. And not the least of those is to  
17 get this issue behind us, eliminate any risk  
18 whatsoever -- regardless of what the Commission's  
19 decision, any risk on an appeal basis -- put the  
20 customers on notice as to what their costs are going  
21 to be on a going-forward basis. And under the  
22 stipulation those costs are minimal in comparison to  
23 what the costs could have been. But nobody can look  
24 into that crystal ball and determine if we had gone to  
25 a full-fledged prudency review what that outcome would

1 have been and what the outcome would have been if it  
2 were appealed to the Supreme Court.

3           MR. SHREVE: Absolutely. And the only point  
4 I was trying to make to your question about the  
5 33 million, we did an investigation. I think we did a  
6 thorough investigation. We had testimony. We think  
7 we had a case that would have stood up before the  
8 Commission and before the appellate courts. I'm very  
9 comfortable with the 33 million, and I guess I don't  
10 look at it as giving them \$33 million; I look at  
11 saving the ratepayer 136 million and 45, and then also  
12 eating the 95.

13           MR. TWOMEY: Commissioners, just briefly, in  
14 terms of looking at the 33 million, let me say first  
15 that I want to congratulate Mr. Shreve and the  
16 McWhirter firm primarily for getting this settlement.  
17 And then, as well, I think it's an excellent  
18 settlement on the part of the Company for a lot of  
19 reasons. But an additional way to look at the  
20 \$33 million in terms of being advantageous for the  
21 consumers, I think, is the fact that this outage was  
22 initiated by a break in one of the turbines'  
23 lubricating lines, which I think most people expected,  
24 after a hearing that the Company would show to have  
25 been prudent in having to repair that. So just the

1 repair of that item and the outage associated with  
2 that was, I think, in excess of three weeks or close  
3 to a month, so you're looking at \$10 million-plus  
4 there in replacement fuel out of the 33.

5           Additionally, my personal view on this is I  
6 think if there had been a hearing, evidence would have  
7 shown that there were certain repairs that were  
8 corrective in the Three Mile scenario that Florida  
9 Power Corporation may have been alleged not to have  
10 done earlier that they might have, but still had to be  
11 done and given credit for that in this outage. So  
12 there is room there both in the 10 million or so for  
13 the oil and then other items, replacement fuel, that  
14 the Company likely would have been given credit for,  
15 so I don't have any problem with the 33.

16           Thank you.

17           **CHAIRMAN JOHNSON:** The gentlemen from  
18 Consumer Action Network wanted to speak on that point.

19           **MR. PUTNEY:** Yes. I just wanted to state  
20 for the Florida Consumer Action Network that we did  
21 look at this as an overall package, and we tried to  
22 evaluate what it was that the consumers were saving in  
23 terms of what the Company could be seeking. And it  
24 appears that the consumers are saving approximately  
25 \$443 million. So in that perspective, the 33 million

1 of the total package would be about 7%, and I think  
2 given the vagaries of litigation and proceedings such  
3 as these, it's an overwhelming victory for the  
4 consumers and we're very pleased with it.

5           COMMISSIONER DEASON: Madam Chairman, that  
6 pretty much concludes my questions, but before I stop  
7 just a comment I want to make.

8           And that's basically I want to congratulate  
9 the parties on the effort that has been put into this  
10 stipulation. I think it's a good one, and I'm going  
11 to support it.

12           I also want to emphasize that I think this  
13 Commission has had a history of trying to encourage  
14 parties to reach negotiated settlements. I know  
15 Mr. Shreve has been party to many through the years,  
16 and I think he has done an outstanding service for the  
17 citizens of this state reaching those stipulations.  
18 In fact, I had the opportunity many years ago to help  
19 work on some of those, and I know what goes into this  
20 process, and it's not an easy one and there is some  
21 give-and-take in this process. That's what makes it  
22 work.

23           But I think another key ingredient to make a  
24 stipulation, negotiated settlement work is for the  
25 parties, and I hope this is -- sincerely hope this is

1 the case, for the parties to have confidence in the  
2 decision-maker, that if they had gone to hearing, it  
3 would have been a fair and equitable hearing, all  
4 parties would have had an opportunity to present their  
5 case and there was not any type of a bias one way or  
6 the other for any party. Obviously, if it was deemed  
7 by any party that there was an unfair bias, that party  
8 would have no reason to try to reach a stipulation.  
9 They would take it to hearing and get their decision  
10 and then, hopefully, prevail in the court.

11           The Commission tries to encourage these  
12 stipulations, and I think it's because of that and the  
13 fact that it is a good and fair stipulation, and the  
14 fact that I think this agency tries to maintain fair  
15 and impartial hearing processes and give everybody a  
16 due chance and opportunity and then make an objective  
17 fair decision, that that helped foster this, as well,  
18 and I'm convinced that that is the case. And I don't  
19 mean to cut off any questions, but if there are no  
20 other questions I'm ready to make a motion to approve  
21 the stipulation.

22           **CHAIRMAN JOHNSON:** There's one other comment  
23 by Public Counsel.

24           **MR. SHEREVE:** If I could, I don't disagree  
25 with anything Commissioner Deason said. I totally

1 agree with you, and I did want to say that as to --  
2 the Public Service Commission must approve all of our  
3 stipulations. You have no way to get into that until  
4 we come into this process, because there's always the  
5 agreement and it has to be that way that everything is  
6 kept confidential, because if we don't have the  
7 stipulation you should not know what the give-and-take  
8 has been. And I appreciate the fact that you're going  
9 into the details of the stipulation, it has to be  
10 understood by all the parties and it has to be  
11 understood by all the Commissioners, because it  
12 becomes your responsibility, too, once you put out the  
13 order approving the stipulation, at least as to an  
14 understanding of it. And I appreciate the fact you're  
15 taking the time to dig into it. I think it's good  
16 that you do understand it, and that we actually review  
17 it ourselves, too, because sometimes there are  
18 things -- I shouldn't say in the heat of battle  
19 everything is certainly always friendly, we never have  
20 any problems, and it's my understanding from Power  
21 Corp and TECO and some of the others that our office  
22 is one of the most adored. (Laughter)

23           **COMMISSIONER DEASON:** Things have changed a  
24 lot, Jack.

25           **MR. SHERVE:** We won't take any votes on

1 that, either.

2 But I do appreciate you're taking the time,  
3 because it's going to be your responsibility, you have  
4 to approve it, so I think we all appreciate you're  
5 taking the time to look at it.

6 COMMISSIONER GARCIA: Madam Chairman, if I  
7 can, I'll second Commissioner Deason's motion, and I  
8 also want to -- I don't think anyone could have said  
9 it better, the words that Commissioner Deason used. I  
10 think Staff, in particular, the members of this  
11 Commission went out there and a lot of people had  
12 doubts about it, but I think what it did do was  
13 reaffirm the process. And in this case the process  
14 did work. This Commission had to suffer a lot of blows  
15 for it but, nonetheless, the reason we're here is  
16 because the process worked. I guess everyone would  
17 like -- when you're a citizen, you'd like the  
18 Commission to be an advocate of that particular  
19 position you have.

20 But like you say, coming into a place where  
21 the Commission can be fair, brings the parties to  
22 settlement. And in this particular case, I also want  
23 to congratulate the Chairman for her decision to have  
24 these hearings and the time that it took, and the  
25 Staff, the time that it took, and the parties.



1 Because I think it worked out for the best interest of  
2 all of the citizens of the state. And with that I  
3 second.

4 CHAIRMAN JOHNSON: There's a motion and a  
5 second.

6 MR. DEVLIN: Madam Chairman.

7 CHAIRMAN JOHNSON: Mr. Devlin.

8 MR. DEVLIN: I just have one quick point I'd  
9 like make, clarification on Provision No. 6. When we  
10 talked about capital structure, and Mr. Scardino  
11 pointed out what he thought the effect was and the  
12 method that he would use in figuring out that effect  
13 and you mentioned 60 to 70 basis points which is quite  
14 a bit different than we had on a recommendation,  
15 because I think we have a new method in figuring out  
16 how that provision works. And I'd just like to  
17 suggest, since we haven't had time to look at it, what  
18 we would like to do is be able to measure that  
19 provision under the one time that we ever had  
20 something like this before and that was the United  
21 rate case in 1992 where we imputed some equity, and we  
22 had a methodology that was endorsed by this Commission.  
23 And we would like to have the opportunity to calculate  
24 the effect of this provision under an established  
25 methodology that the Commission has endorsed. And

1 what I'm trying to get around to saying is that they  
2 may have a different effect than what Mr. Scardino has  
3 pointed out, and I just want to make that clear.

4           **CHAIRMAN JOHNSON:** Okay. And I'm  
5 understanding that you mean as a part of the  
6 implementation, if you use a different methodology,  
7 that will be something -- the methodology isn't stated  
8 in the settlement itself, so how would we work through  
9 that issue?

10           **MR. DEVLIN:** Madam Chairman, we could bring  
11 it back if there's a disagreement, just like we could  
12 on the dismantlement issue, which we haven't defined  
13 the methodology, either. I hope that won't be the  
14 case because we've already had a similar adjustment  
15 like this before, five years ago, in a rate case and  
16 the Commission was comfortable with that methodology  
17 and I'd like to use that. We haven't had the  
18 opportunity to do it in this case, but use that  
19 methodology for this provision.

20           **CHAIRMAN JOHNSON:** But you would be bringing  
21 that back as a part of the implementation of the  
22 settlement?

23           **MR. DEVLIN:** I would assume we'd only bring  
24 it back if there's a disagreement.

25           **CHAIRMAN JOHNSON:** Okay. Is the Company on

1 notice as to that and do you understand what  
2 Mr. Devlin was suggesting?

3           **MR. SCARDINO:** I believe I do understand  
4 what Mr. Devlin is suggesting. My comments today  
5 would be limited to, one, I'm not familiar with that  
6 particular application, so I don't know its objective,  
7 its purpose, why it was done, its outcome. So it's  
8 premature for me to either embrace it or to oppose it  
9 since I don't know the inner workings of that  
10 adjustment.

11           Also, again, just to reaffirm that our  
12 interpretation of Paragraph 6 is to bring us back to a  
13 neutral position so that we have the opportunity to  
14 earn in the future what we could have earned absent  
15 these cost recognitions. And if that method doesn't  
16 endanger that calculation, then I don't believe the  
17 Company would object to it.

18           **CHAIRMAN JOHNSON:** With that understanding  
19 then?

20           **MR. SCARDINO:** With that understanding.

21           **CHAIRMAN JOHNSON:** With that understanding.

22           **COMMISSIONER KIESLING:** Wait a minute. I'm  
23 a little bit confused.

24           I'm trying to understand whether that would  
25 constitute some kind of a modification or change to

1 the agreement. I realize the agreement is silent on  
2 that. But in response to Commissioner Deason's  
3 questions, I understood that the parties did have  
4 something particular in mind and that they've stated  
5 that on the record. And it concerns me if we are  
6 going to then -- it makes me wonder what the effect of  
7 approving the agreement will be if there is a  
8 potential future disagreement on how Paragraph 6 is  
9 going to be implemented. And the question of whether  
10 this is really a final approval of the settlement or  
11 not.

12           **CHAIRMAN JOHNSON:** Let me start and then  
13 perhaps the Company and Mr. Devlin can respond. What  
14 I'm hearing the Company say, and what I thought I  
15 heard all of the parties agree to is that -- I think  
16 there could be a difference in the methodology, but as  
17 long as that difference allowed the company to be in  
18 the position that they otherwise would have been in  
19 without this occurring, then -- because that's what  
20 was agreed to by the parties. But Staff's numbers may  
21 come out a little bit lower than yours under your  
22 methodology if we use a different methodology. But  
23 you're trying to ensure that you won't be totally  
24 disadvantaged and put in a situation worse than you  
25 would have been put in under these circumstances.

1           **MR. MCGEE:** Yes. I think as a result of the  
2 negotiations and settlement process, we had an  
3 understanding of, at least a concept of, how we would  
4 come out. There may be more than one method to get to  
5 that end, and if that's all we're talking about, then  
6 I don't see that there should be any problem. But as  
7 Mr. Scardino said, we're at a disadvantage of not  
8 really knowing what this other method is, and it's  
9 conceivable that it could fall short of that, at least  
10 in some measure, and so I think we would have to  
11 probably share your concerns. I'm not sure where we  
12 are.

13           **CHAIRMAN JOHNSON:** Mr. Shreve.

14           **MR. SHEREVE:** I agree with Commissioner  
15 Kiesling, I'm not sure exactly where we would be. Is  
16 the Staff saying that they can accomplish what they  
17 want to after total approval of this settlement,  
18 because I think that's where we are. And I guess  
19 that's Power Corp's view.

20           If the settlement is approved as is, is the  
21 Staff in a position to accomplish what they think?

22           **COMMISSIONER DEASON:** We know that the  
23 settlement does not specify methodology.

24           **MR. SHEREVE:** Right.

25           **COMMISSIONER DEASON:** We know that the

1 settlement does have a concept, trying to accomplish  
2 an end, and that is to keep Florida Power whole as far  
3 as their equity position would not be detrimental due  
4 to the amounts that they absorb.

5 MR. SHEREVE: Right.

6 COMMISSIONER DEASON: On a going-forward  
7 basis. That's the concept. But then you get into the  
8 actual nuts and bolts of actually doing the  
9 calculation, how do you achieve that? And I think  
10 Staff is saying they may have a way to achieve that  
11 concept, and that it was something that was ratified  
12 by the Commission a number of years ago and it seemed  
13 to be workable.

14 Mr. Devlin, is that where we are?

15 MR. DEVLIN: That's correct.

16 COMMISSIONER DEASON: Okay. It would seem  
17 to me that we can approve the stipulation and approve  
18 that concept, and if Florida Power and our Staff  
19 cannot come to an agreement, I guess they'd have to  
20 come to the Commission and specify what methodology  
21 actually accomplishes the concept that was approved in  
22 the stipulation. Hopefully, it won't come to that.  
23 But if it comes to that, that's the only way I know to  
24 have it resolved, because the stipulation does not  
25 specify an exact calculation methodology.

1           **CHAIRMAN JOHNSON:** But we would have that  
2 guidance, to the extent as you all had discussed, with  
3 respect to the methodology and ensure that that  
4 concept that the Company be made whole so if they came  
5 back with -- if Staff came back with a methodology  
6 that didn't accomplish that, we've already approved a  
7 settlement that embodied that concept, so we wouldn't  
8 be able to adopt what Staff has recommended.

9           **MR. MOGEE:** I think that's a reasonable  
10 approach for going forward.

11           **CHAIRMAN JOHNSON:** Is that fine with all the  
12 parties?

13           **MR. SHEREVE:** As long as we have the -- as  
14 long as it's understood that the stipulation is  
15 approved and whatever comes out later isn't going to  
16 change any of that. There may be some agreement or  
17 disagreement, but we want the stipulation approved so  
18 the people can receive the benefits we have.

19           **COMMISSIONER DEASON:** Obviously, we cannot  
20 change the stipulation. We can accept or reject, but  
21 we can't modify. And I don't think Staff is in any  
22 way trying to modify what the parties agreed to.

23           **COMMISSIONER KIESLING:** Could I ask a  
24 clarifying question, then, of Mr. Devlin so that I'm  
25 clear that that's what we're doing?

1           Because the stipulation embodies the concept  
2 that Florida Power will be made whole in this area  
3 that's covered by Paragraph 6, as well as the rest of  
4 the agreement essentially, is my understanding correct  
5 that no what matter what methodology we use, whether  
6 it's the one you're proposing, whether it's the one  
7 the Company proposed or whether it's some other  
8 methodology, that the bottom line of the Company being  
9 made whole is going to be a higher authority than  
10 whatever the methodology is.

11           MR. DEVLIN: That's definitely correct, that  
12 the provision stands as it's stated, and the concept  
13 is what we're trying to accomplish through a  
14 methodology here. And there just happens to be two or  
15 three different methodologies, and we haven't been  
16 able to pin one down. We had one last Thursday or  
17 Friday we thought we were comfortable, and the Company  
18 had some reservations with that methodology and they  
19 proposed a new one this morning. I haven't had the  
20 opportunity to look at it. All I'm saying is there is  
21 a third methodology that was ratified by the  
22 Commission back in 1992 in a telephone case. So I  
23 think we would be able to come up with a consensus  
24 here that does meet the needs of this provision, but I  
25 didn't want to leave the impression that we have it



1 today.

2           **COMMISSIONER KIESLING:** Because it seemed to  
3 me that what you were saying earlier was that there  
4 was up to a 50 basis point difference between the  
5 methodology Staff was proposing and the methodology  
6 that FPC and the parties had at least somewhat  
7 contemplated.

8           **MR. DEVLIN:** That's true.

9           **COMMISSIONER KIESLING:** So that, to me, is a  
10 difference.

11           **COMMISSIONER DEASON:** But that difference  
12 ways based upon an assumption as to how Florida Power  
13 originally presented their understanding of the  
14 stipulation to you; is that correct?

15           **MR. DEVLIN:** That's correct. Depending on  
16 how you calculate the effect, you're going to have a  
17 different effect on return on equity. Under one  
18 approach, what we call pro rata, the effect is about  
19 20 basis points. Under the approach that Mr. Scardino  
20 was talking about, it was 60 to 70 basis points. I  
21 haven't seen that methodology. So, obviously, the  
22 methodology has, you know, a very significant effect  
23 on the return on equity.

24           **COMMISSIONER DEASON:** Well, let me ask you  
25 this: The methodology that was utilized in the

1 telephone case which you referenced, was that a direct  
2 adjustment or was that a pro rata adjustment?

3           **MR. DEVLIN:** It was a specific adjustment to  
4 equity and debt, those two components of the capital  
5 structure. As you reduce equity, something has to go  
6 up. The offsetting entry we assumed in that case was  
7 long-term debt.

8           **COMMISSIONER DEASON:** Actually under the  
9 adjustment, the equity for book purposes would be  
10 lower and they would want to increase equity for  
11 surveillance reporting purposes. And your question is  
12 if you make that adjustment to make the capital  
13 structure balance with the rate base, what do you  
14 adjust downward? And you're saying debt.

15           **MR. DEVLIN:** That was, as I understand it,  
16 the approach taken in the United case.

17           **MR. SCARDINO:** Commissioners, the analysis  
18 that we provided the Staff late last evening of the  
19 facts has a specific adjustment to equity and to debt.  
20 So it may be very well that the methodology that we  
21 believe is more appropriate will align with what the  
22 Commission has done previously and this will become a  
23 nonissue. I just didn't want to be on record as  
24 embracing it, absent having had an opportunity to  
25 review it and see what its effect would be on the

1 company.

2 **CHAIRMAN JOHNSON:** Mr. Shreve?

3 **MR. SHEREVE:** Yes. I don't disagree with any  
4 of this being handled in that I way. That's fine.  
5 But I want to make sure that everybody understands  
6 what we're talking about is not in any way making  
7 Florida Power whole. I mean, that's out of the  
8 question at this point. All we're talking about is  
9 the way they are going to handle in their capital  
10 structure the amount of money that they are going to  
11 absorb that is not coming from the ratepayers. I just  
12 want everybody to understand that. And I know  
13 Commissioner Kiesling did, but nobody is going to  
14 maybe them whole. They are going to eat the money.  
15 The customers are not going to have to pay it.

16 **COMMISSIONER KIESLING:** I understood that.

17 **MR. SHEREVE:** No, I know you did.

18 **COMMISSIONER KIESLING:** I was talking about  
19 making them whole just as to this one provision in  
20 terms of balancing out the equity.

21 **MR. SHEREVE:** Right. I knew you did, but I  
22 wanted to make sure it wasn't picked that anybody is  
23 going to make them whole.

24 **COMMISSIONER KIESLING:** Okay.

25 **MR. SHEREVE:** Because what we're talking

1 about is reporting for surveillance purposes primarily  
2 within this four years and for the Commission to be  
3 making decisions. We're not talking about changing  
4 rates or money or anything else, and not making them  
5 whole. Okay.

6 CHAIRMAN JOHNSON: Any other questions?

7 There's a -- Senator.

8 SENATOR CRIST: Yes, if you are done with  
9 this point and preparing, I presume to maybe --

10 CHAIRMAN JOHNSON: To vote.

11 SENATOR CRIST: -- to vote. Yes, if I  
12 could. I wanted to thank you personally, Madam Chair.  
13 I think Commissioner Garcia pointed out very well how  
14 important it was to hold those hearings and I want to  
15 thank you for accepting my request to hold them,  
16 because I think it gave the Commission an opportunity  
17 to hear from the citizens, and, clearly, it gave the  
18 citizens the opportunity to voice their concerns. And  
19 when that happens, good things can result and this is  
20 the indication of it. And I just wanted to thank you  
21 for that. I appreciate it.

22 CHAIRMAN JOHNSON: Thank you. Any other  
23 discussions? I guess just some closing comments, and  
24 I had the opportunity to speak with all of the parties  
25 when you originally presented the stipulation at the

1 prehearing.

2           Again, I want to thank you all. I know when  
3 we set up this process to allow for an expedited  
4 investigation that that was a big burden to put on  
5 public counsel and all the other parties that were  
6 involved and in the midst of preparing your cases, you  
7 also took the time to work together and negotiate out  
8 a settlement that I think is, in fact, in the public  
9 interest. It will benefit, first and foremost, the  
10 customers and allow for a process of settlement and  
11 review that will benefit the Company, too.

12           Again, I know we were trying to get to the  
13 right answer and that's why we had the expedited  
14 process. It was something extraordinary for the  
15 Commission to bifurcate and have an investigation of  
16 this nature, but I think that it led to the right  
17 result, and you are all to be complimented and given  
18 the credit for doing that. Thank you all.

19           MR. SHREVE: Commissioner, if I may, I'd  
20 like to thank the Commission too. I think the fact  
21 that you all took the time and attended the hearings  
22 was really great for the people to see you, get to  
23 talk to you and ask the questions of you and I think  
24 you've done a great deal in this.

25           Thank you.

1           **CHAIRMAN JOHNSON:** Thank you. There's a  
2 motion and second. All those in favor signify by  
3 saying aye.

4           **COMMISSIONER KIESLING:** Aye.

5           **COMMISSIONER GARCIA:** Aye.

6           **CHAIRMAN JOHNSON:** Aye.

7           **COMMISSIONER DEASON:** Aye.

8           **COMMISSIONER JOHNSON:** Show it then approved  
9 unanimously.

10          **CHAIRMAN JOHNSON:** Thank you again.

11          **MR. SHERVE:** Thank you very much.

12          **CHAIRMAN JOHNSON:** There were a couple of  
13 things, I know that Mr. Belote wanted to make another  
14 statement, but he thought it was more appropriate to  
15 wait until after we voted. And Staff will -- is it a  
16 technical matter?

17          **MS. BASS:** Yes. It's a clarification. I  
18 know Commissioner Deason's motion was to approve the  
19 stipulation. Did that also include directing the  
20 Company to file the dismantlement study?

21          **COMMISSIONER DEASON:** I believe that  
22 Mr. McGee indicated that he did not have -- the  
23 stipulation did not specify an exact date of filing  
24 that, and that he did not anticipate any problems  
25 filing it consistent with Staff's desires. And I

1 think none of the parties had any objection to that.  
2 I think that's kind of a nonissue. I think that you  
3 can expect take study to be filed at the beginning of  
4 -- what was it?

5 MS. BASS: 2001.

6 COMMISSIONER DEASON: 2001, the end of 2001.

7 MS. BASS: Thank you.

8 CHAIRMAN JOHNSON: Very good. And  
9 Mr. Elias?

10 MR. ELIAS: There was a close-the-docket  
11 issue as part of that recommendation.

12 CHAIRMAN JOHNSON: Certainly. And that,  
13 too, was approved. The docket has been closed. The  
14 formal portions of the technical hearing we will  
15 adjourn at this time, but we will allow Mr. Belote to  
16 make his comments.

17 MS. BASS: Chairman Johnson, before you do  
18 that, one other thing.

19 CHAIRMAN JOHNSON: Well, I've already done  
20 it, but, no, go ahead. (Laughter)

21 MS. BASS: We didn't -- the Commission has  
22 not specifically voted on the factors that fall out as  
23 a result of this stipulation. The Company has filed  
24 those with us, and I will just assume that those can  
25 -- that as long as we implement the stipulation, what

1 has been approved by the Commission, then the factors  
2 will just fall out and will be approved by the  
3 Commission.

4           **CHAIRMAN JOHNSON:** That will be part of the  
5 implementation and approval.

6           **MS. BASS:** Thank you.

7           **CHAIRMAN JOHNSON:** Thank you.

8           **Mr. Belote.**

9           **MR. BELOTE:** Madam Chairman, in the spirit  
10 of goodwill, we'd like to take a moment and summarize  
11 what's ultimately done and made a very historic day at  
12 the Public Service Commission. And so we've tried to  
13 summarize that in not a bill but rather a check, and  
14 if Mr. McKee and Lou, and the representatives of the  
15 parties here, this \$443 million check drawn on the  
16 Bank of Goodwill is here to represent the 170 minus  
17 34 million dollars in fuel savings. These are all the  
18 stipulation numbers. The hundred million for O&M  
19 expenses, 45 million for capital costs and the rate  
20 freeze for four years which captures 59 million per  
21 year at the Hines 1 unit for two and three-quarters  
22 years. That totals 443. I mean, that's almost half a  
23 billion -- half a billion dollars, excuse me, that is  
24 ultimately inuring to the consumer's benefit, and we  
25 should properly recognize the forethought and



1 responsibility of Florida Power Corporation, its  
2 employees, staff, et cetera to come to this historic  
3 settlement so that we can all move forward and work  
4 together and continue to be responsible participants  
5 on energy issues here in the state of Florida.

6           **CHAIRMAN JOHNSON:** Thank you very much.

7           **MR. BELOTE:** If you'll come over here and  
8 get that. There's one interesting thing about this  
9 check, if you can't see it. There's five lines on the  
10 back of it, if you're interested in joining it. There  
11 are lines here for endorsing it. It does require  
12 three signatures.

13           **CHAIRMAN JOHNSON:** Thank you very much,  
14 Mr. Belote, and thank you for keeping the customers  
15 informed and helping us through the public hearing  
16 process. Thank you much.

17           (Thereupon, the hearing concluded at 12:00  
18 noon.)

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1 STATE OF FLORIDA)  
: CERTIFICATE OF REPORTER  
2 COUNTY OF LEON )

3 I, JOY KELLY, CSR, RPR, Chief, Bureau of  
Reporting Official Commission Reporter,  
4

5 DO HEREBY CERTIFY that the Hearing in Docket  
No. 970261-EI was heard by the Florida Public Service  
Commission at the time and place herein stated; it is  
6 further

7 CERTIFIED that I stenographically reported  
the said proceedings; that the same has been  
8 transcribed under my direct supervision; and that this  
transcript, consisting of 73 pages, constitutes a true  
9 transcription of my notes of said proceedings.

10 DATED this 30th day of June, 1997.

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