



**Florida
Power**
CORPORATION

July 12, 1982
#3F-0782-04
File: 3-0-3-a-3

Mr. Harold R. Denton, Director
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Subject: Crystal River Unit 3
Docket No. 50-302
Operating License No. DPR-72
Annual Financial Reports for Florida Power Corporation and Participants

Dear Mr. Denton:

In our letter of May 12, 1982, Florida Power Corporation (FPC) submitted the 1981 Annual Financial Reports for Florida Power Corporation and Participants (co-owners of Crystal River Unit 3). At that time, FPC had yet to receive the 1981 Annual Financial Report for Sebring Utilities Commission. FPC has now received this information and hereby submits the aforementioned report in compliance with 10CFR50.71(b) and Regulatory Guide 10.1 "Compilation of Reporting Requirements for Persons Subject to NRC Regulations."

Should you have any questions concerning this submittal, please contact this office.

Very truly yours,

David G. Mardis

David G. Mardis
Acting Manager
Nuclear Licensing

BAH:mm

Enclosure

cc: Mr. J. P. O'Reilly, Regional Administrator
Office of Inspection & Enforcement
U.S. Nuclear Regulatory Commission
101 Marietta Street N.W., Suite 3100
Atlanta, GA 30303

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WICKS, BROWN & WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

SEBRING UTILITIES COMMISSION
SEBRING, FLORIDA
REPORT OF EXAMINATION
AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 1981 AND 1980

Certified Public Accountants

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Sebring Utilities Commission
Sebring, Florida

We have examined the balance sheets of Sebring Utilities Commission as of September 30, 1981 and 1980, and the related statements of retained earnings, sources of funds used for construction, and income for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 10 to the financial statements, the Commission has included in income for 1981 and 1980 cash settlements which may be required to be repaid if certain conditions are met. Management and counsel believe that the requirement of such repayment in a substantial amount is unlikely, but the ultimate outcome of this uncertainty cannot presently be determined. No provision for any liability that may result has been made in the financial statements.

In our report dated January 30, 1981, our opinion on the 1980 financial statements was qualified as being subject to the effects on the 1980 financial statements of such adjustments, if any, as might have been required had the outcome of the events described in Note 10 - Power Project been known. The sale of the 1981 bond issue provided the financing necessary to ultimately realize the value of the assets. Accordingly, our present opinion on the 1980 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, subject to the the effects on the 1981 and 1980 financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the second paragraph been known, the financial statements examined by us present fairly the financial position of the Sebring Utilities Commission at September 30, 1981 and 1980, and the results of its operations and sources of funds used for construction for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Wicks, Brown, Williams & Co.
Wicks, Brown & Williams & Co.

January 29, 1982

SEBRING UTILITIES COMMISSION
BALANCE SHEETS
SEPTEMBER 30, 1981 AND 1980

ASSETS	<u>1981</u>	<u>1980</u>
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Property, plant and equipment in service	\$ 21,246,715	\$19,702,282
Less: Accumulated depreciation	(7,180,024)	(6,453,154)
Total	<u>14,066,691</u>	<u>13,249,128</u>
Construction work in progress	6,765,531	55,421
Nuclear fuel, at amortized cost	346,368	281,229
Total property, plant and equipment	<u>21,178,590</u>	<u>13,585,778</u>
RESTRICTED ASSETS:		
Bond service fund	23,903,425	-
Reserve account	10,542,643	-
Emergency & facilities account	902,528	-
Construction fund	42,748,000	7,842
Sinking fund	-	786,388
Renewal and replacement fund	-	391,300
Accrued interest receivable	3,538,152	1,874
Total restricted assets	<u>81,634,748</u>	<u>1,187,404</u>
CURRENT ASSETS:		
Cash	26,748	113,938
Accounts receivable, net of allowance for doubtful accounts of \$59,550 for 1981 and \$42,583 for 1980	1,048,684	903,896
Inventories of fuel and materials	506,748	469,934
Prepaid expenses	60,954	52,677
Total current assets	<u>1,643,134</u>	<u>1,540,445</u>
DEFERRED CHARGES:		
Unamortized bond expense	4,171,904	173,880
Other deferred charges	-	426,901
Total deferred charges	<u>4,171,904</u>	<u>600,781</u>
TOTAL ASSETS	<u>\$108,628,376</u>	<u>\$16,914,408</u>

	<u>1981</u>	<u>1980</u>
LIABILITIES AND CAPITALIZATION		
CAPITALIZATION:		
Long-term debt:		
Revenue bonds payable	\$ 92,750,000	\$ 8,160,000
Unamortized discount	(2,776,240)	(99,603)
Revenue certificate payable, less amount due currently	100,000	150,000
Customer deposits	521,632	476,434
Obligation under capital lease	65,886	82,792
Accrued interest	5,775,846	-
Total long-term debt	<u>96,437,124</u>	<u>8,769,623</u>
Equity:		
Contributed by City of Sebring	712,648	712,648
Retained earnings	8,474,941	4,840,170
Total equity	<u>9,187,589</u>	<u>5,552,818</u>
Contributions in aid of construction	984,833	747,580
Total capitalization	<u>106,609,546</u>	<u>15,070,021</u>
CURRENT LIABILITIES:		
Current portion of revenue certificate	100,000	50,000
Current obligation under capital lease	35,673	21,598
Accounts payable	1,468,227	1,110,366
Accrued pension liability	199,549	62,232
Other accrued expenses	215,381	100,191
Total	<u>2,018,830</u>	<u>1,344,387</u>
Bond anticipation revenue certificate	-	500,000
Total current liabilities	<u>2,018,830</u>	<u>1,844,387</u>
TOTAL LIABILITIES AND CAPITALIZATION	<u>\$108,628,376</u>	<u>\$16,914,408</u>

The notes to the financial statements are an integral part of this statement.

SEBRING UTILITIES COMMISSION
STATEMENTS OF RETAINED EARNINGS
FOR THE YEARS ENDED SEPTEMBER 30, 1981 AND 1980

	<u>1981</u>	<u>1980</u>
RETAINED EARNINGS - BEGINNING OF YEAR:		
As previously reported	\$4,840,170	\$4,548,097
Adjustment (Note 3)	-	(97,687)
As restated	<u>4,840,170</u>	<u>4,450,410</u>
Net income for the year	<u>4,102,641</u>	<u>804,945</u>
Transfers to the City of Sebring:		
Cash	215,000	200,000
Receivables balances	<u>252,870</u>	<u>215,185</u>
	<u>467,870</u>	<u>415,185</u>
RETAINED EARNINGS - END OF YEAR	<u>\$8,474,941</u>	<u>\$4,840,170</u>

The notes to the financial statements are an integral part of this statement.

SEBRING UTILITIES COMMISSION
STATEMENTS OF SOURCES OF FUNDS USED FOR CONSTRUCTION
FOR THE YEARS ENDED SEPTEMBER 30, 1981 AND 1980

	<u>1981</u>	<u>1980</u>
SOURCE OF FUNDS:		
Funds derived from operations:		
Net income for the year	\$ 4,102,641	\$ 804,945
Add: Items charged to net income not requiring (providing) cash outlay		
Gain on refunding bonds	(2,181,567)	-
Depreciation	738,834	628,860
Amortization of nuclear fuel	84,480	36,605
Bond expense and discount amortization	17,550	35,107
Total funds derived from operations	<u>2,761,938</u>	<u>1,505,517</u>
Decrease in net current assets	<u>21,754</u>	<u>842,760</u>
Funds from financing and other sources:		
Net proceeds from sale of revenue bonds	85,801,856	-
Accrued interest on bonds payable	5,775,846	-
Obligation under capital lease, less current portion	(16,906)	82,792
Bonds redeemed	(7,904,067)	(120,000)
Repayment of revenue certificate	-	(50,000)
Decrease in deferred charges	426,901	(349,614)
Net (increase) decrease in restricted assets	(80,447,344)	282,436
Payments and commitments to the City of Sebring	(467,870)	(415,185)
Contributions in aid of construction	237,253	133,650
Customer deposits	45,198	49,835
Gain on refunding bonds	2,181,567	-
	<u>5,632,434</u>	(386,086)
FUNDS USED FOR CONSTRUCTION	<u>\$ 8,416,126</u>	<u>\$1,962,191</u>
CHANGES IN NET CURRENT ASSETS:		
Increase (decrease) in current assets:		
Cash	(\$ 87,190)	\$ 76,149
Accounts receivable	144,788	147,756
Inventories of fuel and materials	36,814	66,553
Prepaid expenses	8,277	6,504
Decrease (increase) in current liabilities:		
Current obligation under capital lease	(14,075)	(21,598)
Accounts payable	(357,861)	(553,549)
Accrued pension liability	(137,317)	(34,642)
Other accrued expenses	(115,190)	(29,933)
Bond anticipation revenue certificate	<u>500,000</u>	<u>(500,000)</u>
DECREASE IN NET CURRENT ASSETS	<u>(\$ 21,754)</u>	<u>(\$ 842,760)</u>

The notes to the financial statements are an integral part of this statement.

SEBRING UTILITIES COMMISSION
STATEMENTS OF INCOME
FOR THE YEARS ENDED SEPTEMBER 30, 1981 AND 1980

	<u>1981</u>	<u>1980</u>
OPERATING REVENUE:		
Sales	\$9,220,435	\$7,539,473
Gas supplier recovery	137,520	310,494
Other	107,622	159,287
Total operating revenue	<u>9,465,577</u>	<u>8,009,254</u>
OPERATING EXPENSES	<u>8,443,129</u>	<u>6,767,449</u>
OPERATING INCOME	1,022,448	1,241,805
INTEREST INCOME (After credit to construction costs of \$1,400,525 in 1981 and \$9,097 in 1980)	3,579,138 <u>4,601,586</u>	101,748 <u>1,343,553</u>
INTEREST EXPENSE (After charge to construction costs of \$2,428,232 in 1981 and \$42,543 in 1980)	<u>2,680,512</u>	<u>538,608</u>
INCOME BEFORE EXTRAORDINARY ITEM	1,921,074	804,945
EXTRAORDINARY ITEM:		
Gain on refunding bonds	<u>2,181,567</u>	<u>-</u>
NET INCOME	<u><u>\$4,102,641</u></u>	<u><u>\$ 804,945</u></u>

The notes to the financial statements are an integral part of this statement.

SEBRING UTILITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - The Sebring Utilities Commission is an independent special district that is incorporated under the laws of the State of Florida.

Note 2 - Summary of Significant Accounting Policies:

The financial statements have been prepared on the accrual basis of accounting based upon the Uniform System of Accounts prescribed for electric utilities by the Federal Energy Regulatory Commission and upon the Uniform System of Accounts for Water Utilities issued by the National Association of Regulatory Utility Commissioners.

Property, plant and equipment are stated at cost. Construction costs include payroll and the related costs, such as taxes, pensions and other fringe benefits, and allocation of indirect charges for engineering, supervision and transportation expenses. Construction period interest is capitalized. The assets are depreciated over estimated useful lives ranging from 5 to 50 years, using the straight-line method of depreciation. A summary of property, plant and equipment and accumulated depreciation is included in Note 11.

Maintenance is charged with the cost of repairs of property, and the plant accounts are charged with the cost of renewals and replacements.

Nuclear fuel is carried in the electric plant accounts at cost, net of estimated energy consumed. The amount consumed is charged to nuclear fuel expense. Amortization of energy consumed has been determined by the unit-of production method, based on engineering estimates. Nuclear fuel expense does not include a provision for salvage value nor a provision for future disposition costs.

Restricted fund investments are carried at cost.

Unbilled utility revenues are accrued based on the estimated usage between the last meter reading dates and year end.

Inventories are stated at the lower of cost or market. Cost is determined generally on an average cost method, except for fuel inventory costs, which are determined using the last-in, first-out (LIFO) method. Reusable materials that have been removed from service are included in inventories at the carrying value of similar new materials.

Issuance discount and expenses related to the bonds payable are deferred and amortized over the life of the bonds on the bonds outstanding method.

SEBRING UTILITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

Note 3 - Prior Period Adjustments:

Due to a mathematical error in computing unbilled water revenue at September 30 1979, a prior period adjustment to retained earnings has been recorded. The effect of the adjustment is a \$97,687 decrease in retained earnings as of October 1, 1979.

Note 4 - Long-Term Debt:

Revenue bonds outstanding at September 30, are as follows:

	1981	1980
Series of 1978, 5.5% to 6.8% due serially to 2000	-	\$8,160,000
Series of 1981, 8.25% to 11.25% due in varying amounts from 1981 through 2011	\$92,750,000	\$ -

In September, 1978, the Commission provided for advance refunding on the Series 1964, 1973 and 1975 revenue bonds (Refunded Bonds) by the sale of \$8,400,000 Utilities System Revenue Bonds (Series 1978) and Utilities System Special Obligation Bonds (Series 1978A). From the proceeds of the sale of the two issues, and other sources, sufficient monies were deposited into irrevocable escrow accounts, and invested in United States obligations that will provide sufficient funds for the payment of the maturing principal and interest on the Series 1964, 1973 and 1975 outstanding revenue bonds. In March 1981, the Series 1981 Bonds were issued and a portion of the proceeds was used to refund the Series 1978 Bonds in same manner that the 1978 Bonds refunded prior issues, as described above. The Refunded Bonds have been treated as extinguished debts.

The Utilities System Revenue Bonds (Series 1978) and the Series 1981 Bonds are secured by a pledge of the net revenues of the Commission. The Utilities System Special Obligation Bonds (Series 1978A) are secured by a pledge on the interest to be paid on the escrow funds.

SEBRING UTILITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

Note 4 - Long-Term Debt (Continued):

The maturity schedule for the Utilities System Revenue Bonds (Series 1981) is as follows:

Year Ending October 1	Principal Amount	Interest	Total Principal and Interest
1981	\$ 35,000	\$ 5,775,000	\$ 5,810,000
1982	35,000	9,897,000	9,932,000
1983	40,000	9,894,000	9,934,000
1984	640,000	9,891,000	10,531,000
1985	695,000	9,837,000	10,532,000
1986	755,000	9,775,000	10,530,000
1987	825,000	9,706,000	10,531,000
1988	905,000	9,628,000	10,533,000
1989	990,000	9,541,000	10,531,000
1990	1,090,000	9,443,000	10,533,000
1991	1,200,000	9,333,000	10,533,000
1992	1,320,000	9,210,000	10,530,000
1993	1,460,000	9,071,000	10,531,000
1994	1,625,000	8,907,000	10,532,000
1995	1,805,000	8,724,000	10,529,000
1996	2,010,000	8,521,000	10,531,000
1997	2,235,000	8,295,000	10,530,000
1998	2,490,000	8,043,000	10,533,000
1999	2,765,000	7,763,000	10,528,000
2000	3,080,000	7,542,000	10,523,000
2001	3,415,000	7,113,000	10,528,000
2002	3,795,000	6,738,000	10,533,000
2003	4,210,000	6,320,000	10,530,000
2004	4,675,000	5,857,000	10,532,000
2005	5,190,000	5,343,000	10,533,000
2006	5,760,000	4,772,000	10,532,000
2007	6,395,000	4,138,000	10,533,000
2008	7,095,000	3,435,000	10,530,000
2009	7,875,000	2,654,000	10,529,000
2010	8,745,000	1,788,000	10,533,000
2011	9,595,000	936,000	10,531,000
	<u>\$92,750,000</u>	<u>\$227,890,000</u>	<u>\$320,541,000</u>

The revenue certificate is payable \$50,000 annually, plus interest at 7.25%. The certificate is subordinate to the revenue bonds.

The bond anticipation revenue certificate was payable March 29, 1981, plus interest at 7%. The certificate was subordinate to the revenue bonds and revenue certificate. Proceeds from the 1981 bond issue were used to pay off the certificate.

SEBRING UTILITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Employee Pension Plan:

The Commission has a pension plan covering the majority of its employees. Pension expense amounted to \$211,173 and \$87,471 in 1981 and 1980, respectively, including amortization of prior service costs over forty years. At September 30, 1981 and 1980, the actuarial value of assets of the pension fund is in excess of the actuarially computed value of vested benefits. Unfunded prior service cost is approximately \$358,700 and \$353,700 at September 30, 1981 and 1980, respectively.

Note 6 - Capital Leases:

During 1980, the Commission leased computer equipment under a capital lease which expires in 1985. During 1981, the Commission leased a word processor under a capital lease which expires in 1985. Subsequent to September 30, 1981, the Commission purchased the leased computer equipment for an additional cost of \$118,213. The balance owed on the lease at the time of purchase was \$82,792. Following is a schedule of future minimum lease payments for the word processor by years:

<u>Fiscal Year</u>	<u>Minimum Payment</u>
1982	\$ 8,858
1983	8,858
1984	8,858
1985	8,858
Total	<u>35,432</u>
Less: Amount representing interest	16,665
Present value of minimum lease payments	<u>\$18,767</u>

Depreciation of leased property under capital leases is \$18,627 and \$3,600 in 1981 and 1980, respectively, and interest expense is \$12,127 and \$1,327 for 1981 and 1980, respectively. The plant accounts include \$131,448 and \$107,990 capitalized cost and \$22,227 and \$3,600 accumulated depreciation as of September 30, 1981 and 1980 respectively.

Note 7 - Insurance in Force:

<u>Coverage</u>	<u>Limits</u>
Workmen's Compensation & Employer's Liability	\$ 100,000
Automobile	
Bodily Injury - Each Person	\$1,000,000
- Each Occurrence	\$1,000,000
Property Damage - Each Occurrence	\$ 100,000
General Liability	
Bodily Injury - Each Occurrence	\$1,000,000
Property Damage - Each Occurrence	\$ 100,000
Fire, Lightning and Extended Coverages	
Listed Items - 80% Co-Insurance	\$4,626,000
Listed Items - 100% Co-Insurance	\$2,558,050
Boiler and Machinery - Each Accident	\$8,000,000

SEBRING UTILITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Budget Analyses:

	1981		1980	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Operating revenue	\$9,330,000	\$9,328,057	\$6,728,400	\$8,009,254
Operating expense	6,514,590	7,553,695	4,791,567	6,101,984
Net interest (income) expense	<u>613,500</u>	<u>(151,396)</u>	<u>437,600</u>	<u>401,753</u>
Net income before depreciation and amortization	<u>\$2,201,910</u>	<u>\$1,925,758</u>	<u>\$1,499,233</u>	<u>\$1,505,517</u>
Variance over (under) budget		<u>(\$ 276,152)</u>		<u>\$ 6,284</u>

Note 9 - Rate Revisions:

The Commission increased electric rates 2 mills effective December 1, 1979, and 9 mills effective January 1, 1981. Water rates were increased 25% effective November 1, 1979. Water and electric rates were again raised effective June 1, 1981 in accordance with newly adopted rate schedules.

Note 10 - Contingencies and Commitments:

Gas Supplier Recovery - The Commission, together with seven other municipal utilities, asserted a joint claim against a natural gas supplier for damages resulting from breach of agreements to supply natural gas. The damages were incurred during several prior fiscal years. As a result of a settlement, the Commission received \$137,520 in fiscal 1981 and \$310,494 in fiscal 1980 which is included in income for the respective years. Under the settlement agreement, if the supplier provides sufficient gas deliveries prior to certain dates, the Commission may have to repay all or part of the cash received. Management and counsel believe that the requirement of such repayment in a substantial amount is unlikely. No provision for any liability that may result has been made in the financial statements.

Power Project - Included among other deferred charges in the balance sheet as of September 30, 1980, are investments in a large slow-speed diesel generation plant amounting to approximately \$363,000. The investments are primarily in design, engineering and contract procurement. The ultimate realization of the \$363,000 invested at September 30, 1980, and similar advance costs incurred subsequent to that date was contingent on the successful sale of the 1981 bond issue. In March of 1981, the revenue bonds were sold. The Commission estimates the total direct construction cost of the installation will amount to approximately \$60,000,000.

SEBRING UTILITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

Note 11 - Property, Plant and Equipment in Service:

	September 30,			
	1981		1980	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 218,250	\$ -	\$ 218,250	\$ -
Electric generation plants	7,938,089	3,303,557	7,817,089	3,106,631
Electric transmission system	2,049,853	270,851	1,876,494	206,671
Electric distribution system	6,302,503	1,610,478	5,490,222	1,406,437
Water system	3,535,279	1,428,661	3,338,647	1,296,268
Equipment	1,097,865	531,572	857,987	407,363
Storage buildings	104,438	34,905	103,593	29,784
	<u>\$21,246,277</u>	<u>\$7,180,024</u>	<u>\$19,702,282</u>	<u>\$6,453,154</u>

SUPPLEMENTARY FINANCIAL INFORMATION

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules of income for the electric and water systems are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examinations of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wicks, Brown, Williams & Co.
Wicks, Brown, Williams & Co.

January 29, 1981

SEBRING UTILITIES COMMISSION
SUPPLEMENTARY SCHEDULES OF INCOME
ELECTRIC SYSTEM
FOR THE YEARS ENDED SEPTEMBER 30, 1981 AND 1980

	<u>1981</u>	<u>1980</u>
OPERATING REVENUE:		
Sale of electricity	\$8,220,880	\$6,772,968
Interdepartmental sales	77,990	70,547
Gas supplier recovery	137,520	310,494
Miscellaneous sales and service	94,575	79,719
Total operating revenue	<u>8,530,965</u>	<u>7,233,728</u>
OPERATING EXPENSES:		
Generation and transmission:		
Fuel	2,087,715	1,929,347
Purchased power	2,666,394	2,360,021
Operation and maintenance	1,034,273	993,675
Transmission system operation and maintenance	401,466	75,667
Distribution system operation and maintenance:		
Operating expenses	107,158	34,415
Maintenance expenses	193,358	141,843
Depreciation	285,591	212,264
General and administrative expenses	836,103	439,751
State utility taxes	98,814	72,791
Total operating expenses	<u>7,710,872</u>	<u>6,259,774</u>
OPERATING INCOME	<u>\$ 820,093</u>	<u>\$ 973,954</u>

SEBRING UTILITIES COMMISSION
SUPPLEMENTARY SCHEDULES OF INCOME
WATER SYSTEM
FOR THE YEARS ENDED SEPTEMBER 30, 1981 AND 1980

	<u>1981</u>	<u>1980</u>
OPERATING REVENUE:		
Sale of water	\$921,565	\$766,505
Interdepartmental sales	900	3,300
Miscellaneous sales and service	12,147	5,721
Total operating revenue	<u>934,612</u>	<u>775,526</u>
OPERATING EXPENSES:		
Production operation and maintenance:		
Electricity for pumping	77,990	70,547
Operating expenses	56,707	53,884
Maintenance expenses	12,634	26,903
Transmission and distribution operation and maintenance:		
Operating expenses	28,959	21,931
Maintenance expenses	90,258	47,034
Depreciation	154,070	131,258
General and administrative expenses	311,639	156,118
Total operating expenses	<u>732,257</u>	<u>507,675</u>
OPERATING INCOME	<u>\$202,355</u>	<u>\$267,851</u>