

1 **BEFORE THE**
2 **FLORIDA PUBLIC SERVICE COMMISSION**

2

3 :
4 In the Matter of : **DOCKET NO. 950359-EI**
5 Petition to establish :
6 amortization schedule for :
7 nuclear generating units to :
8 address potential for :
9 stranded investment by :
10 Florida Power & Light :
11 Company. :
12 -----

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10 **PROCEEDINGS: HEARING**

11

12 **BEFORE: CHAIRMAN SUSAN F. CLARK**
13 **COMMISSIONER J. TERRY DEASON**
14 **COMMISSIONER JULIA L. JOHNSON**
15 **COMMISSIONER DIANE K. KIESLING**
16 **COMMISSIONER JOE GARCIA**

14

15 **DATE: Wednesday, March 13, 1996**

16 **TIME: Commenced at 9:30 a.m.**

17 **PLACE: Betty Easley Conference Center**
18 **Room 148**
19 **4075 Esplanade Way**
20 **Tallahassee, Florida**

19

20 **REPORTED BY: JOY KELLY, CSR, RPR**
21 **Chief, Bureau of Reporting**
22 **(904) 413-6732**

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FLORIDA PUBLIC SERVICE COMMISSION

1 APPEARANCES:

2 MATTHEW M. CHILDS, Steel, Hector & Davis,
3 215 South Monroe Street, Suite 601, Tallahassee,
4 Florida 32301, Telephone No. (904) 224-7595, appearing
5 on behalf of Florida Power & Light Company.

6 VICKI JOHNSON, Florida Public Service
7 Commission, Division of Legal Services, 2540 Shumard
8 Oak Boulevard, Tallahassee, Florida 32399-0870,
9 Telephone No. (904) 413-6199, appearing on behalf of
10 the Commission Staff.

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

2 (Hearing convened at 9:35 a.m.)

3 CHAIRMAN CLARK: We'll call the hearing to
4 order.

5 Ms. Johnson, would you please read the
6 notice.

7 MS. JOHNSON: By notice issued November 9,
8 1995, the hearing was set in Docket No. 950359-EI,
9 petition to establish amortization schedule for
10 nuclear generating units to address potential for
11 stranded investment by Florida Power and Light
12 Company. The purpose of the hearing is set out in the
13 notice.

14 CHAIRMAN CLARK: Thank you. We'll take
15 appearances. Mr. Child.

16 MR. CHILDS: My name is Matthew Childs. I
17 represent Florida Power & Light Company.

18 MS. JOHNSON: Vicki Johnson, representing
19 the Commission Staff.

20 CHAIRMAN CLARK: Ms. Johnson, are there some
21 preliminary matters we need to take up at this time?

22 MS. JOHNSON: Yes, Chairman Clark.

23 As noted in the Prehearing Order in Issue 1
24 there is a stipulation in this case. If the

25 stipulation in Issue 1 is approved, all of the

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1 remaining issues are moot. You may choose to take up
2 that issue at this time.

3 CHAIRMAN CLARK: Okay. Commissioners, I
4 hope you've all had an opportunity to review the
5 Prehearing Order, and I'll entertain a motion to
6 approve the stipulation on Issue 1.

7 COMMISSIONER KIESLING: Could I just ask one
8 question?

9 CHAIRMAN CLARK: Yes.

10 COMMISSIONER KIESLING: In the prehearing,
11 under "position", it indicates that if we adopt the
12 stipulation on Issue 1, that Issues 2 through 5, 7
13 through 9 and 11 and 12 will become moot, but that
14 doesn't tell me what to do with 10.

15 MS. JOHNSON: Thank you, Commissioner
16 Kiesling.

17 There was an error in the Prehearing Order
18 that should be "if this proposal is approved Issues 2
19 through 5 and 7 through 12 are moot."

20 COMMISSIONER KIESLING: Okay.

21 MS. JOHNSON: As noted in the second
22 sentence, Issue 6, which relates to the reserve
23 deficiency, is also stipulated. Both the Company and
24 the Staff are in agreement on that issue.

COMMISSIONER KIESLING: Okay. Thank you. I

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1 wasn't sure what to do with 10.

2 COMMISSIONER DEASON: I have a question.

3 Item 2 specifying the 30 million accrual -- and my

4 question is for what time period does that apply?

5 MS. JOHNSON: The time period that that

6 applies to --

7 COMMISSIONER DEASON: It says it will

8 commence in 1996. Is it indefinite?

9 MS. JOHNSON: It's indefinite as noted in

10 the position until the Commission makes some

11 determination in a future docket. And we noted that

12 one such docket could be a generic stranded cost

13 docket. But it's anticipated at this point that it

14 will be indefinite until the Commission decides how to

15 dispose of those dollars.

16 COMMISSIONER DEASON: Okay. Now, it refers

17 to -- the account to which it would be booked would be

18 at the discretion of the Commission, and it would be

19 deferred until some future determination. But it

20 doesn't specify -- until the Commission, for some

21 reason, would specify that annual amortization amount

22 should cease, FPL is agreeing to continue that

23 indefinitely?

24 MS. JOHNSON: That's correct.

25 COMMISSIONER DEASON: Okay. Then the other

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1 question I had concerning Item 2 was that amount, the
2 booking of that is going to be at the discretion of
3 the Commission.

4 MS. JOHNSON: That's correct.

5 COMMISSIONER DEASON: Okay.

6 My concern is that if in some future
7 proceeding -- and who knows what the future is going
8 to hold -- but if we find ourselves in a position of
9 having to charge exit fees to customers who may choose
10 to leave the system if in the future they have that
11 opportunity, would we be able to charge those exit
12 fees even though there may be a huge sum of money
13 sitting out there that someone would argue that that's
14 supposed to be utilized to offset exit fees?

15 MR. JENKINS: Commissioner Deason, I don't
16 have a answer to that question. We've thought about
17 that question. I just don't know. I think we're
18 going to have to have that generic stranded cost
19 docket.

20 The question you asked is somewhat in the
21 context of whether you're going to, as we recommended
22 for wholesale, charge the cost causer for switching
23 suppliers, or we're going to do like California and
24 some other states are doing, have this grandiose

25 independent system operator and charge everybody, but

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1 give everybody the option for retail access. I surely

2 cannot answer that question now.

3 COMMISSIONER DEASON: Mr. Childs, does the

4 Company have any thought about that at all?

5 MR. CHILDS: If I understood your question

6 as it relates to the potential charging of exit fees,

7 the way I would understand that this recording of the

8 \$30 million each year would be, is it would simply

9 reduce the investment in the nuclear assets. I would

10 assume that if at a later time this Commission took up

11 the issue of exit fees it would address the amount of

12 exit fees on the basis of the investment, which was

13 associated with serving that customer. If in the

14 aggregate -- I mean, obviously, in the aggregate the

15 annual \$30 million expense is going to reduce the

16 investment. So I would assume that it would have some

17 impact on what the amount of the fee would be, the

18 exit fee. But I don't think that it would make the

19 exit fee go away, because we're talking about the

20 nuclear investment in the billions of dollars and this

21 is 30 million a year.

22 COMMISSIONER DEASON: Okay. Thank you.

23 And the last question I have pertains to

24 Item 3 in the prioritization of the utilization of the

25 funds. And the third priority pertains to write-off

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1 of book tax timing differences. And I just need some
2 further clarification as to exactly what that is.

3 MS. SALAK: Basically, Commissioner, there
4 was a time when this Commission was not fully
5 normalized, that it was only partially normalized.
6 And because of that there's always a piece that's a
7 flow-through piece, if you will. It's a piece that's
8 been expensed for tax purposes a long time ago, and,
9 thus, it increases current income tax expense. But
10 because we weren't fully normalized, there's not that
11 deferred tax on the books that offsets the increase in
12 current income tax expense.

13 So what this does, the way this will work,
14 is that basically we're going to take care of that
15 problem by creating deferred income taxes and putting
16 them as if we were fully normalized always. So there
17 will be that current income tax expense that we now --
18 that now increases rates -- will be offset now by the
19 reversal of deferred income taxes over future periods.

20 COMMISSIONER DEASON: It was determined that
21 that should have a higher priority than the
22 unamortized loss and reacquired debt? It seems to me
23 that the tax situation is something that's been around
24 for an awful long time. The loss in the reacquired

25 debt is something of a newer vintage, I would think.

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1 Did Staff give any consideration as to why those

2 priorities were set the way they were?

3 MS. SALAK: It's not -- those are somewhat

4 equal. Loss on reacquired debt has been around a long

5 time also. It's never been an issue per se, like the

6 flow through versus full normalization was, but

7 there's always been a balance there.

8 COMMISSIONER DEASON: Obviously you're

9 comfortable with it.

10 MS. SALAK: We're comfortable with it. But

11 if it were to flip it wouldn't be a heartbreaker for

12 us.

13 COMMISSIONER DEASON: Well, it just struck

14 me that -- now that you have clarified what the book

15 tax timing difference was, and it seems to me that has

16 really been around for a long time.

17 MS. SALAK: It has been. I'll just add one

18 more thing. There's a lesser dollar amount associated

19 with the book tax timing difference and it's a problem

20 that we might be able to get rid of totally as opposed

21 to just partially. So, as you get rid of things, you

22 know, you take care of the smaller things first, and

23 then you can start, you know, at least seeing that

24 you've accomplished something; getting rid of

25 regulatory assets and liabilities per se.

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1 COMMISSIONER DEASON: Now, what's the dollar
2 amount that it would take to totally reverse that, get
3 everything back in sync?

4 MS. SALAK: The book tax piece?

5 COMMISSIONER DEASON: Yes.

6 MS. SALAK: The revenue requirement
7 associated with that is approximately 125 million at
8 the end of '95.

9 COMMISSIONER DEASON: And what about the
10 loss on reacquired debt?

11 MS. SALAK: 295 million at the end of '95.

12 COMMISSIONER DEASON: Basically you'd be
13 putting deferred taxes back on the books as a result
14 of this adjustment.

15 MS. SALAK: Yes.

16 COMMISSIONER DEASON: And those would be
17 just like any other differed taxes, they would be
18 treated the same for --

19 MS. SALAK: We'd lose that identity of any
20 book tax timing difference -- they would lose the
21 identity of ever having been flow-through items and
22 they'd just fall into sync with everything else.

23 COMMISSIONER DEASON: Madam Chairman, that's
24 all questions I have.

CHAIRMAN CLARK: Is there a motion?

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1 COMMISSIONER KIESLING: Yes. I move the
2 Staff position, the stipulated position on Issue 1.

3 COMMISSIONER DEASON: Second.

4 CHAIRMAN CLARK: Without objection the
5 stipulation on Issue 1 is approved.

6 Issue 6. Is there a motion?

7 COMMISSIONER DEASON: I move Staff.

8 COMMISSIONER KIESLING: Yes.

9 CHAIRMAN CLARK: Without objection the
10 stipulation on Issue is approved.

11 Ms. Johnson, do we need to do anything
12 further?

13 MS. JOHNSON: Yes, Chairman Clark.

14 At the prehearing conference we indicated
15 that the witnesses' testimony and exhibits can be
16 stipulated into the record, and I so move at that
17 time.

18 CHAIRMAN CLARK: You would urge that we
19 stipulate -- that the parties' -- the parties have
20 stipulated the evidence into the record, the
21 testimony. Are there exhibits, too?

22 MS. JOHNSON: Yes, there are. There are six
23 exhibits, which are on Pages 15 and 16, starting with
24 KMD-1 through PSL-3.

25 CHAIRMAN CLARK: Okay. KMD-1 will be

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1 Exhibit 1. KMD-2 will be Exhibit 2. WDS-1 will be
2 Exhibit 3. PSL-1 will be Exhibit 4. PSL-2 will be
3 Exhibit 5, and PSL-3 will be Exhibit 6. And they will
4 be admitted into the record without objection and the
5 prefiled testimony of Witness Davis -- is there
6 rebuttal testimony?

7 MS. JOHNSON: Yes, there is but there were
8 no rebuttal exhibits.

9 CHAIRMAN CLARK: Okay. The prefiled direct
10 and rebuttal testimony of Witness Davis, Steinmeier
11 and Lee will be stipulated into the record.

12 (Exhibit Nos. 1 through 6 marked for
13 identification and received in evidence.)

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1 MS. JOHNSON: One final item to address.
2 Given the stipulation the Commission has approved it
3 at this time. Staff would just request that the
4 Commission vote to close the docket.

5 CHAIRMAN CLARK: All right. Without
6 objection the docket will be closed upon the issuance
7 of the order.

8 MS. JOHNSON: Okay. And I guess the time
9 for appeal has run. Whatever the appropriate time
10 frame, the docket to be closed.

11 Anything further?

12 CHAIRMAN CLARK: This hearing is adjourned.
13 Thank you very much.

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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
DO HEREBY CERTIFY that the Hearing in Docket
5 No. 950359-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 131 pages, constitutes a
9 true transcription of my notes of said proceedings.

10 DATED this 18th day of March, 1996.

11

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JOY KELLY, CSR, RPR
Chief, Bureau of Reporting
Official Commission Reporter
(904) 413-6732

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