**FLORIDA PUBLIC SERVICE COMMISSION**

 **Capital Circle Office Center 2540 Shumard Oak Boulevard**

 **Tallahassee, Florida 32399-0850**

 **M E M O R A N D U M**

 **APRIL 2, 1997**

**TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)**

**FROM: DIVISION OF AUDITING & FINANCIAL ANALYSIS (LEE, SLEMKEWICZ)**

 **DIVISION OF ELECTRIC & GAS (JENKINS)**

 **DIVISION OF LEGAL SERVICES (ELIAS)**

**RE: DOCKET NO. 970410-EI - FLORIDA POWER & LIGHT COMPANY - PROPOSAL TO EXTEND PLAN FOR THE RECORDING OF CERTAIN EXPENSES FOR THE YEARS 1998 AND 1999 FOR FLORIDA POWER & LIGHT COMPANY**

**AGENDA: O4/14/97 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE**

**CRITICAL DATES: NONE**

**SPECIAL INSTRUCTIONS: S:\PSC\AFA\WP\970410.RCM**

 **CASE BACKGROUND**

 In Docket No. 950359-EI, the Commission approved a proposal by Florida Power & Light Company (FPL) that resolved all of the identified issues regarding FPLs petition to establish a nuclear amortization schedule. Per Order No. PSC-96-0461-FOF-EI, issued April 2, 1996, FPL was required (1) to book additional 1995 depreciation expense to the reserve deficiency in nuclear production; (2) to record, commencing in 1996, an annual $30 million in nuclear amortization, subject to final determination by the Commission as to the accounts to which it is to be booked; and (3) to record an additional expense in 1996 and 1997 based on differences between actual and forecasted revenues, to be applied to specific items in a specific order.

 In the instant case, FPL, the Office of Public Counsel, and the Staff met to discuss a continuation of the plan approved in Docket No. 950359-EI. AmeriSteel, Inc., an FPL customer, also participated in the review of the plan as an interested person. The current proposal (Attachment A) would extend and modify the plan through 1998 and 1999.

 **DISCUSSION OF ISSUES**

**ISSUE :** Should the Commission approve the proposal (Attachment A) that extends and modifies the previously approved FPL plan for 1996 and 1997 concerning the recording of certain additional expenses for the years 1998 and 1999?

**RECOMMENDATION:** Yes, the Commission should approve the proposal to modify and extend the previously approved plan for 1996 and 1997 for the years 1998 and 1999. [LEE, SLEMKEWICZ]

**STAFF ANALYSIS:** In general, the proposal extends the currently approved plan for 1996 and 1997 for an additional two years through 1999. Essentially, FPL proposes to continue to record additional retail expense equal to 100% of the base rate revenues produced by actual retail sales between its low band and most likely sales forecast and at least 50% of the base rate revenues produced by actual retail sales above FPLs most likely sales forecast forecasted for 1996 as filed in Docket No. 950359-EI. This provision remains the same.

 However, there are some differences between the items to which the additional expense will be applied as well as a modification of their priority. The first priority will be to correct any depreciation reserve deficiency quantified in an approved depreciation study order. Previously, the correction of the nuclear depreciation reserve deficiency had been given the first priority. The priority of the other items in the previously approved plan remains the same.

 Several additional items have been added to the list. Item 4 involves the correction of any reserve deficiency in FPLs fossil dismantlement reserves. Item 5 is the correction of any reserve deficiency in FPLs nuclear decommissioning reserves. In the event that any revenues remain to be disposed of, they are to be recorded as an expense in an unspecified depreciation reserve account for production plant to be allocated to specific accounts at a later date by the Commission.

 Although it is not specifically addressed in the proposal, FPL is still obligated to record an additional $30 million annually in nuclear amortization until such time as the Commission orders otherwise per the terms of the plan approved in Order No. PSC-96-0461-FOF-EI. In addition, all amounts remain subject to review and audit by the Commission. This plan neither precludes an earnings review nor a review of the plan during the context of a proceeding to reset base rates. In the event that any legislative, administrative, or judicial action authorizing retail wheeling or deregulating the retail electric market is approved for Florida, the terms of this proposal may be altered or terminated upon the Commissions own motion or by the approval of a petition filed with the Commission.

 The Staff believes that this plan is appropriate because it mitigates past deficiencies with Commission prescribed depreciation, dismantlement, and nuclear decommissioning accruals. The plan also brings FPLs accounting in line with non-regulated companies by eliminating regulatory assets such as deferred refinancing costs and the assets associated with previously flowed through taxes. These accounting adjustments will facilitate the establishment of a level accounting playing field between FPL and possible non-regulated competitors.

**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** Yes. If no substantially affected person files a protest to the proposed agency action within 21 days of the issuance of this order, the docket should be closed. [SLEMKEWICZ, ELIAS]

**STAFF ANALYSIS:** This docket should be closed if no substantially affected person files a protest within the 21 day protest period.

 Attachment A

FPL 1998 and 1999 Plan

 FPL shall record an additional retail expense in 1998 and 1999 equal to 100% of the base rate revenues produced by retail sales between its "low band" ($3.1409 billion) and "most likely sales forecast" ($3.2241 billion) and at least 50% of the base rate revenues produced by retail sales above FPL's "most likely sales forecast" forecasted for 1996 as filed in Docket No. 950359-EI. Any additional retail expense recorded as a result of this provision will be applied to the retail portion of the following listed in priority order:

1. Correction of any depreciation reserve deficiency resulting from an approved depreciation study order;

2. Writing off the net amounts of book-tax timing differences that were flowed through in prior years and remain to be turned around in future periods;

3. Writing off the Unamortized Loss on Reacquired Debt;

4. Correction of the reserve deficiency, if any, existing in FPL's fossil dismantlement reserves;

5. Correction of the reserve deficiency, if any, existing in FPL's nuclear decommissioning reserves. Any additional expenses recorded under this plan for nuclear decommissioning shall be funded on an after tax basis. Effective January 1, 1998, all debit deferred taxes resulting from amounts contained in decommissioning funds shall be excluded for surveillance purposes;

6. In the event revenues from the forecast bands are greater than the expenses identified herein, the remaining expenses shall be recorded in an unspecified depreciation reserve to be allocated at a later date.

 A comprehensive fossil dismantlement study and a comprehensive nuclear decommissioning study shall be filed by October 1, 1998.

 Upon the Commissions own motion or a petition filed with the Commission, the recording of the additional expense under this plan may be altered or terminated by the Commission in the event that legislative, administrative or judicial action authorizing retail wheeling or deregulating the retail electric market is approved for Florida.