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Public Service Commission

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COMMISSION

-M-E-M-O-R-A-N-D-U-M- CLERK

DATE: August 25, 2006
TO: Blanca S. Bayó, Commission Clerk and Administrative Services Director
FROM: Kathryn D. Lewis, Regulatory Analyst III, Division of Economic Regulation
RE: Docket No. 060508-EI - Rule 25-6.0423

KDL

Staff received the attached comments on its draft proposed rule from Progress Energy on August 14, 2006. Please place in the above docket file.

KDL
Attachment

- CMP _____
- COM _____
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- SEC 1
- OTH _____

DOCUMENT NUMBER-DATE
07835 AUG 25 06
FPSC-COMMISSION CLERK

1 25-6.0423 Nuclear Power Plant Cost Recovery.

2 (1) The purpose of this rule is to establish cost recovery mechanisms that
3 promote electric utility investment in nuclear power plants and allow for the
4 recovery in rates of all costs prudently incurred in the siting, design, licensing,
5 and construction of a nuclear power plant.

6 (2) Costs incurred during the "Preconstruction" period, as defined in
7 Section 366.93(1)(d), Florida Statutes, shall be afforded deferred accounting
8 treatment and shall accrue a carrying charge equal to the utility's allowance for
9 funds used during construction (AFUDC) rate until recovered in rates.

10 (3) For nuclear power plant petitions for determination of need pursuant
11 to Section 403.519, Florida Statutes, submitted on or before December 31, 2010,
12 the associated carrying costs shall be equal to the pretax AFUDC in effect on June
13 19, 2006. For nuclear power plant need petitions submitted after December 31,
14 2010, the utility's pretax AFUDC rate in effect at the time the petition for
15 determination of need is filed is presumed to be appropriate unless the
16 Commission determines otherwise in its need determination Order.

17 (4) After the Commission has issued a final order granting a determination
18 of need pursuant to Section 403.519, Florida Statutes:

19 (a) A utility may petition the Commission for cost recovery as permitted
20 under this rule;

21 (b) In its annual report filed pursuant to Rule 25-6.135, a utility shall
22 include the budgeted and actual costs as compared to the estimated in-service cost
23 of the nuclear power plant until commercial operation of the nuclear power plant
24 begins;

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CODING: Words underlined are additions; words in ~~struck through~~ type
are deletions from existing law.

1 (c) A utility is entitled to recover, through the Capacity Cost Recovery
2 Clause, all prudently incurred preconstruction costs and the carrying costs on the
3 utility's annual projected construction cost balance associated with the nuclear
4 power plant, without regard to whether construction of the nuclear power plant is
5 completed. Such costs shall be recovered on an annual basis based on the utility's
6 projections.

Deleted: Such costs shall be recovered over a period equal to the period during which the costs were incurred or 5 years, whichever is greater. The unrecovered balance during the recovery period will accrue interest at the utility's actual overall weighted average midpoint cost of capital on a FPSC Adjusted basis as reported by the utility in its Earnings Surveillance Report filed in December of the prior year.

7 (d) The difference between actual and projected cost as filed will be
8 included for cost recovery purposes in the following year's cost recovery
9 proceeding for the Capacity Cost Recovery Clause.

10 (e) In the event the utility elects not to complete or is precluded from
11 completing construction of the nuclear power plant, the utility shall be allowed to
12 recover all prudent preconstruction and construction costs incurred. The utility
13 shall recover such costs through the capacity cost recovery clause over a period
14 equal to the period during which the costs were incurred or 5 years, whichever is
15 greater. The unrecovered balance during the recovery period will accrue interest
16 at the utility's actual overall weighted average midpoint cost of capital on a FPSC
17 Adjusted basis as reported by the utility in its Earnings Surveillance Report filed
18 in December of the prior year.

19 (5) After a nuclear power plant is placed in commercial service:

Deleted: may file for a limited proceeding to

20 (a) The utility shall be allowed to increase its base rate charges by the
21 projected annual revenue requirements for the nuclear power plant based on the
22 jurisdictional annual revenue requirements for the plant for the first 12 months of
23 operation and at such time as plant is included in base rates, recovery through the
24 clause will cease;

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1 **(b) The rate of return on capital investments shall be calculated using the**
2 **utility's most recent actual overall weighted average rate of return on a**
3 **FPSC Adjusted basis as reported by the utility in its Earnings Surveillance**
4 **Report using the midpoint of the return on equity range last approved by the**
5 **Commission prior to the commercial inservice date of the nuclear power plant;**

6 **(c) The net book value of any existing generating plant that is retired as a**
7 **result of operation of the nuclear plant shall be recovered through an increase in**
8 **base rate charges over a period not to exceed 5 years;**

Deleted: (d) At the end of the recovery period base rates shall be reduced by the amount associated with the recovery.

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10 **Specific Authority 350.127(2), 366.05(1). Law Implemented 366.93 FS.**

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