

State of Florida



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Public Service Commission

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COMMISSION
CLERK

DATE: August 29, 2006
TO: Blanca S. Bayó, Commission Clerk and Administrative Services Director
FROM: Lawrence D. Harris, Senior Attorney, Office of the General Counsel *LDH*
RE: Docket No. 060508-EI - Rule 25-6.0423

Please file the attached correspondence in the above mentioned docket file.

LDH
Attachment

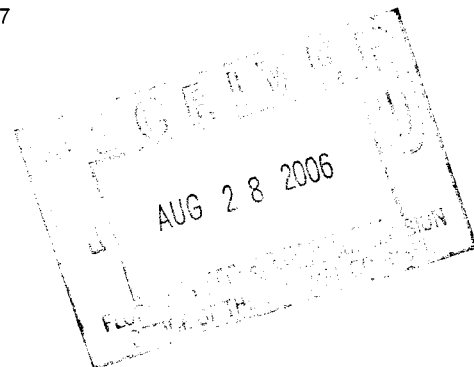
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FPSC-COMMISSION CLERK



WRITER'S DIRECT DIAL NO. (727) 820-5587

August 28, 2006



Mr. Larry Harris, Esq.
Office of the General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Nuclear Power Plant Cost Recovery - Rule 25-6.0423; Undocketed

Dear Mr. Harris:

In preparation for the August 30, 2006 Staff Rule Development Workshop, I am enclosing joint revisions on behalf of Progress Energy Florida, Inc. and Florida Power & Light to the Staff's proposed nuclear cost recovery rule.

Please call me should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Alexander Glenn".

R. Alexander Glenn

RAG/lms
Enclosure

Progress Energy Florida, Inc.
106 E. College Avenue
Suite 800
Tallahassee, FL 32301

1 **25-6.0423 Nuclear Power Plant Cost Recovery.**

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

7 (2) As used in this rule:

8 (a) "Nuclear power plant" or "plant" is an electrical power plant
9 that utilizes nuclear materials as fuel, as defined in section
10 403.503(12), Florida Statutes.

11 (b) "Cost" includes, but is not limited to all capital investments
12 including rate of return, any applicable taxes and all expenses,
13 including operation and maintenance expenses, related to or
14 resulting from the siting, licensing, design, construction of the
15 nuclear power plant.

16 (c) "Preconstruction costs" are costs that are expended in
17 preparation for the construction of a nuclear power plant, incurred
18 up to and including the date the utility completes site clearing
19 work. These costs include, but are not limited to, any and all costs
20 associated with preparing, reviewing and defending a Combined
21 Operating License (COL) application for a nuclear power plant,
22 cost of engineering, designing and permitting the nuclear power
23 plant, or any litigation costs related thereto, costs associated with
24 site and technology selection, clearing, grading and excavation,
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are deletions from existing law.

1 and cost of on-site construction facilities (i.e. construction offices,
2 warehouses, etc.)

3 (d) "Construction costs" are costs that are expended to construct
4 the nuclear power plant including any litigation costs related
5 thereto. These costs include, but are not limited to, constructing
6 nuclear power plant buildings and all associated permanent
7 structures, equipment and systems.

8 (3) Preconstruction costs shall be afforded deferred accounting treatment
9 and shall accrue a carrying charge equal to the utility's allowance for funds used
10 during construction (AFUDC) until recovered in rates.

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

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

15 (b) A utility is entitled to recover, through the Capacity Cost Recovery
16 Clause, its actual and projected preconstruction costs and the related carrying
17 charge. Such costs will be recovered, on an annual basis, based on the utility's
18 projection.

19 (c) A utility is entitled to recover, through the utility's Capacity Cost
20 Recovery Clause, the carrying costs on the utility's annual projected construction
21 cost balance associated with the nuclear power plant. For nuclear power plant
22 need petitions submitted on or before December 31, 2010, the associated carrying
23 costs shall be equal to the pretax AFUDC in effect on June 19, 2006. For nuclear
24 power plant need petitions submitted after December 31, 2010, the utility's pretax
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1 AFUDC rate in effect at the time the petition for determination of need is filed is
2 presumed to be appropriate unless the Commission determines otherwise in its
3 need determination Order.

4 (d) The difference between actual and projected costs as filed in the
5 Capacity Cost Recovery Clause will be included for cost recovery purposes as a
6 component of the over/under recovered balance to be included in the following
7 year's cost recovery proceeding for the Capacity Cost Recovery Clause.

8 (5) In the event the utility elects not to complete or is precluded from
9 completing construction of the nuclear power plant, the utility shall be allowed to
10 recover all prudent preconstruction and construction costs incurred following the
11 commission's issuance of a final order granting a determination of need for the
12 nuclear power plant. The utility shall recover such costs through the Capacity
13 Cost Recovery Clause over a period equal to the period during which the costs
14 were incurred or 5 years, whichever is greater. The amount recovered under this
15 section will be the remaining unrecovered CWIP balance at the time of
16 abandonment and future payment of all outstanding costs. The unrecovered
17 balance during the recovery period will accrue interest at the utility's actual
18 overall weighted average midpoint cost of capital on a FPSC Adjusted basis as
19 reported by the utility in its Earnings Surveillance Report filed in December of the
20 prior year.

21 (6) As operating units or systems associated with the nuclear power plant
22 and the nuclear power plant itself, are placed in commercial service:

23 (a) The utility may calculate and submit for Commission confirmation the
24 increase in base rates resulting from the jurisdictional annual base revenue
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1 requirements for the nuclear power plant in conjunction with the Capacity Cost
2 Recovery Clause projection filing for the year the nuclear power plant is projected
3 to achieve commercial operation. The increase in base rates will be based on the
4 annualized base revenue requirements for the nuclear power plant for the first 12
5 months of operations consistent with the cost projections filed in conjunction with
6 the Capacity Cost Recovery Clause projection filing. At such time as the nuclear
7 power plant is included in base rates, recovery through the Capacity Cost
8 Recovery Clause will cease, except for the difference between actual and
9 projected construction costs as provided in paragraph (4)(d) above.

10 (b) The rate of return on capital investments shall be calculated using the
11 utility's most recent actual overall weighted average rate of return on a FPSC
12 Adjusted basis as reported by the utility in its Earnings Surveillance Report using
13 the midpoint of the return on equity range last approved by the Commission prior
14 to the commercial in service date of the nuclear power plant;

15 (c) The jurisdictional net book value of any existing generating plant that
16 is retired as a result of operation of the nuclear power plant shall be recovered
17 through an increase in base rate charges over a period not to exceed 5 years.

18 (7) On an annual basis following the final determination of need Order
19 and until commercial operation of the nuclear power plant, a utility shall include
20 the budgeted and actual costs as compared to the estimated in-service costs of the
21 nuclear power plant as provided in the petition for need determination in its
22 annual report filed pursuant to Rule 25-6.135. The estimates provided in the
23 petition for need determination are non-binding estimates. Some costs may be
24 higher than estimated and other costs may be lower. A utility shall provide such
25

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1 revised estimated in-service costs as may be necessary in its annual report.

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

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