

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval of revised fossil dismantlement accrual by Florida Power & Light Company.      DOCKET NO. 070378-EI  
ORDER NO. PSC-07-0641-PCO-EI  
ISSUED: August 7, 2007

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman  
MATTHEW M. CARTER II  
KATRINA J. McMURRIAN  
NANCY ARGENZIANO  
NATHAN A. SKOP

ORDER APPROVING PRELIMINARY IMPLEMENTATION  
OF REVISED ANNUAL DISMANTLEMENT ACCRUALS

BY THE COMMISSION:

BACKGROUND

By Order No. 24741, issued July 1, 1991, in Docket No. 890186-EI, the Commission established the methodology for accruing the costs of dismantlement for fossil-fueled production plants. Subsequently, the methodology and dismantlement study procedures were codified in Rule 25-6.04364, Florida Administrative Code (F.A.C.), by Order No. PSC-03-1393-FOF-EI, issued December 11, 2003, in Docket No. 030714-EI, In re: Proposed adoption of Rule 25-6.04364, F.A.C., Electric Utilities Dismantlement Studies. The methodology is dependent on three factors: estimated base costs for dismantlement, projected inflation, and a contingency factor. The rule requires electric companies to file site specific dismantlement studies at least once every four years from the submission date of the previous study unless otherwise required by Commission order. We approved FPL's current fossil dismantlement accruals by Order No. PSC-04-0203-CO-EI, issued February 23, 2004, in Docket No. 030558-EI. The annual accruals were effective January 1, 2003. On June 21, 2007, Florida Power & Light Company (FPL or company) filed its revised fossil dismantlement site-specific cost studies. FPL requests preliminary implementation of its proposed revised annual dismantlement accruals, effective January 1, 2007.

On March 22, 2005, the parties in Docket No. 050045-EI, In Re: Petition for rate increase by Florida Power and Light Company; and in Docket 050188-EI, In Re: 2005 comprehensive depreciation study by Florida Power and Light Company, filed a Stipulation and Settlement (Stipulation) that extended FPL's existing revenue sharing plan through the end of 2009. We approved the Stipulation by Order No. PSC-05-0902-S-EI, issued September 14, 2005. The Stipulation precludes the revision of FPL's depreciation rates for the term of the Stipulation, but does not preclude the revision of FPL's dismantlement accruals.

DOCUMENT NUMBER-DATE

06804 AUG-7 07

FPSC-COMMISSION CLERK

This Order addresses the company's request for preliminary implementation of its revised dismantlement accruals. We have jurisdiction in this matter pursuant to Sections 366.04, 366.05, 366.06, and 366.07, Florida Statutes.

DECISION

We approve FPL's proposed annual dismantlement accruals, as shown on Attachment A and B to this Order, on a preliminary basis. FPL's proposal decreases dismantlement expenses by an estimated \$3,323,514 for 2007 and \$3,124,256 from 2008 through 2010. On May 1, 2007, Turkey Point Unit 5 was placed in service, and the company is requesting a half year's dismantlement accrual for 2007 and a full year's dismantlement accrual beginning 2008 through 2010. The expenses should be trued-up when we take final action on FPL's proposal in December 2007. According to FPL, the annual accrual net decrease is attributable to a change in Global Insight's<sup>1</sup> methodology in establishing the current inflation factors, from the methodology used in the last fossil dismantlement study.

Since FPL's 2003 dismantlement study, base cost estimates for the various dismantlement activities have changed as shown below:

| FOSSIL DISMANTLEMENT BASE COST ESTIMATES |            |            |
|--|------------|------------|
|  | 2003 Study | 2007 Study |
|  | (\$)       | (\$)       |
| Cape Canaveral                           | 12,698,822 | 12,953,491 |
| Cutler                                   | 7,890,950  | 8,035,610  |
| Fort Lauderdale                          | 21,013,706 | 18,956,572 |
| Ft. Myers                                | 19,659,288 | 22,877,762 |
| Manatee                                  | 38,735,568 | 53,698,856 |
| Martin                                   | 57,422,630 | 57,337,705 |
| Port Everglades                          | 36,502,177 | 52,594,168 |
| Putnam                                   | 7,774,579  | 9,403,254  |
| Riviera                                  | 17,066,500 | 13,583,544 |
| Sanford                                  | 27,356,897 | 28,650,916 |
| Scherer                                  | 25,868,542 | 37,391,063 |

<sup>1</sup> Global Insight is a provider of forecasted information and software to monitor and interpret economic, energy, survey, financial, industry and sector data used in analysis of various markets, industries, securities and strategic consulting.

| <b>FOSSIL DISMANTLEMENT BASE COST ESTIMATES</b> |                    |                    |
|---|--------------------|--------------------|
|   | 2003 Study         | 2007 Study         |
|   | (\$)               | (\$)               |
| St. Johns River Power Park                      | 17,652,261         | 19,548,345         |
| Turkey Point                                    | 24,277,678         | 18,323,729         |
| <b>Total</b>                                    | <b>313,919,598</b> | <b>353,355,015</b> |

Both the 2003 study cost estimates and the 2007 study cost estimates include a 16% contingency factor. The company states that the contingency percentage covers costs associated with delays occurring after dismantlement begins, due to such causes as equipment failure and weather delays. Also, the net increase in cost estimates is attributable to an increase in labor rates, value of scrap metals, disposal costs, and the impact of extension of the recovery periods.

FPL requests a January 1, 2007, implementation date for its revised annual dismantlement accruals. All data and calculations support this date. We accept the January 1, 2007, implementation date as the earliest practicable date for utilizing the revised dismantlement accruals.

This Order only addresses the preliminary booking of FPL's proposed dismantlement accruals beginning January 1, 2007, with a provision subject to true-up of the resulting expenses when we take final action on the proposal in December 2007. That decision will be issued as Proposed Agency Action, affording a point of entry for all substantially affected persons.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Petition for approval of revised fossil dismantlement accrual by Florida Power & Light Company is approved on a preliminary basis, beginning January 1, 2007. It is further

ORDERED that this docket shall remain open pending final action on the petition.

By ORDER of the Florida Public Service Commission this 7th day of August, 2007.



---

ANN COLE  
Commission Clerk

( S E A L )

MCB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

FLORIDA POWER AND LIGHT COMPANY  
PRELIMINARY IMPLEMENTATION  
DISMANTLEMENT ACCRUAL FOR 2007

| Plant Site                    | Current Annual<br>Accrual | Proposed Annual<br>Accrual | Change in Annual<br>Accrual |
|-------------------------------|---------------------------|----------------------------|-----------------------------|
|                               | (\$)                      | (\$)                       | (\$)                        |
| Cape Canaveral                | 695,862                   | 520,131                    | (175,731)                   |
| Cutler                        | 300,103                   | 286,673                    | (13,430)                    |
| Fort Lauderdale               | 1,566,221                 | 1,082,262                  | (483,959)                   |
| Fort Myers                    | 1,071,886                 | 1,141,833                  | 69,947                      |
| Manatee                       | 2,777,116                 | 2,357,769                  | (419,347)                   |
| Martin                        | 3,642,936                 | 2,607,319                  | (1,035,617)                 |
| Port Everglades               | 2,342,270                 | 1,938,010                  | (404,260)                   |
| Putnam                        | 392,208                   | 382,623                    | (9,585)                     |
| Riviera                       | 703,713                   | 476,263                    | (227,450)                   |
| Sanford                       | 1,427,946                 | 1,428,622                  | 676                         |
| Scherer                       | 1,523,894                 | 1,637,679                  | 113,785                     |
| St. Johns River Power Park    | 960,630                   | 835,972                    | (124,658)                   |
| Turkey Point*                 | 1,269,610                 | 655,725                    | (613,885)                   |
| Total Dismantlement Provision | 18,674,395                | 15,350,881                 | (3,323,514)                 |

\*Annual Accrual for Turkey Point Unit 5 is based upon the company's request for a half year's dismantlement accrual for 2007. Turkey Point Unit 5 went into service May 1, 2007.

FLORIDA POWER AND LIGHT COMPANY  
PRELIMINARY IMPLEMENTATION  
DISMANTLEMENT ACCRUAL FOR 2008 THROUGH 2010

| Plant Site                    | Current Annual<br>Accrual | Proposed Annual<br>Accrual | Change in Annual<br>Accrual |
|-------------------------------|---------------------------|----------------------------|-----------------------------|
|                               | (\$)                      | (\$)                       | (\$)                        |
| Cape Canaveral                | 695,862                   | 520,131                    | (175,731)                   |
| Cutler                        | 300,103                   | 286,673                    | (13,430)                    |
| Fort Lauderdale               | 1,566,221                 | 1,082,262                  | (483,959)                   |
| Fort Myers                    | 1,071,886                 | 1,141,833                  | 69,947                      |
| Manatee                       | 2,777,116                 | 2,357,769                  | (419,347)                   |
| Martin                        | 3,642,936                 | 2,607,319                  | (1,035,617)                 |
| Port Everglades               | 2,342,270                 | 1,938,010                  | (404,260)                   |
| Putnam                        | 392,208                   | 382,623                    | (9,585)                     |
| Riviera                       | 703,713                   | 476,263                    | (227,450)                   |
| Sanford                       | 1,427,946                 | 1,428,622                  | 676                         |
| Scherer                       | 1,523,894                 | 1,637,679                  | 113,785                     |
| St. Johns River Power Park    | 960,630                   | 835,972                    | (124,658)                   |
| Turkey Point*                 | 1,269,610                 | 854,983                    | (414,627)                   |
| Total Dismantlement Provision | 18,674,395                | 15,550,139                 | (3,124,256)                 |

\* Annual Accrual for Turkey Point Unit 5 established on a full year basis beginning January 1, 2008 through 2010.