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Matthew M Childs P.A.

December 8, 1997


Ms. Blanca S. Bayó, Director  
Division of Records and Reporting  
Florida Public Service Commission  
4075 Esplanade Way, Room 110  
Tallahassee, FL 32399

RE: DOCKET NO. 970410-EI

Dear Ms. Bayó:


Enclosed please find an original and fifteen (15) copies  
of Florida Power & Light Company's Brief in the above  
referenced docket.

Very truly yours,



Matthew M. Childs, P.A.

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AFA  Enclosure  
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CAF \_\_\_\_\_ cc: All Parties of Record  
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Proposal to Extend Plan for )  
the Recording of Certain Expenses )  
for the Years 1998 and 1999 for )  
Florida Power & Light Company )  

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DOCKET NO. 970410-EI  
FILED: DECEMBER 8, 1997

BRIEF OF FLORIDA POWER & LIGHT COMPANY

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Proposal to Extend Plan for )  
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DOCKET NO. 970410-EI  
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FLORIDA POWER & LIGHT COMPANY  
BRIEF ON THE MERITS

Florida Power & Light Company ("FPL"), hereby submits this Brief in support of Proposed Agency Action Order No. PSC-97-0499-FOF-EI which was entered in this docket on April 29, 1997 and most specifically, in support of the authorization set forth in Attachment A to that Proposed Agency Action Order.

General Background Of This Docket.

The Proposed Agency Action Order authorized FPL 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 FPL's "most likely" sales forecast for 1996 as filed in Docket No. 950359-EI. The additional retail expenses which FPL was authorized to record by the PAA Order are to be directed toward the six items identified on Attachment A to that Order. As shown by Mr. Gower's document HAG-2 (Exhibit 1), the two largest items of reserve deficiencies or regulatory assets to be addressed are the unamortized loss on reacquired debt and the nuclear decommissioning reserve deficiency.

After considering the Petition and Protest of AmeriSteel Corporation, this Commission scheduled a public hearing for November 25 and November 26, 1997 and issued a List of Issues to be addressed at that hearing. The proposal which was set forth in the Proposed Agency Action Order had previously been accepted by Florida Power & Light Company.

By Order No. PSC-96-0461-FOF-EI entered in Docket No. 950359-EI on April 2, 1996, the Commission required FPL to book additional 1995 depreciation expense to the nuclear production reserve deficiency, record an annual \$30 million dollar nuclear amortization commencing in 1996 and, subject to final determination by the Commission, to record additional expense in 1996 and 1997 based upon differences between actual and forecasted revenues. In various places, the authorization contained in the Proposed Agency Action Order has been described as a continuation of the direction and authorization set forth in the April 2, 1996 Order. In FPL's view, there is no continuation in the sense of there being a "continuing docket" by this Commission. Nevertheless, there is a continuation in the sense that the Commission's prior Order recognized and addressed the propriety of recording additional expenses.

FPL has been and continues to be able to accept the direction and authorization to record additional expenses because of its continued efforts to reduce its total cost of operations and to maintain stable yet low rates.

FPL has not had an increase in base rates since 1985 and, in

1990, base rates were reduced based upon the 1988 test period. (Tr. 34). To give some perspective as to the costs and changes in cost that FPL has faced since base rates were set, Mr. Gower explained that since 1988 FPL has constructed more than \$7 billion dollars of new plant facilities which represents 45% of the total current plant investment and noted that this has resulted in a consequent significant increase in depreciation and related costs. (Tr. 34). Not only have these costs been absorbed by FPL without an increase in rates, FPL has been able to reduce its operations and maintenance expenses by more than 20% and decreased its capital costs 12% resulting in the savings of millions of dollars each year. (Tr. 34).

The efforts by FPL to control and reduce its costs include the absorption of \$228 million dollars in restructuring costs in 1991 and 1993 in order to achieve lower operations and maintenance expenses in the future. (Tr. 34 and Tr. 40). The magnitude of the O&M cost reductions that FPL has been able to achieve has been substantial. This Commission is well aware of the use of the "O&M benchmark" as a tool to review the reasonableness of utility O&M expenses. Not only has this Commission applied the O&M benchmark to FPL, it has applied it to a number of other utilities as well over the years. Since 1988, the test year for the 1990 reduction in FPL's rates, had FPL's operations and maintenance expenses increased at the rate of inflation as measured by the CPI, FPL's O&M expenses would have been more than \$450 million dollars greater. (Tr. 34). Stated differently, FPL's efforts to control

costs have resulted in FPL's total O&M expenses being more than \$450 million below the O&M benchmark. This is even without recognition of the escalator of customer growth which the benchmark methodology permits to be applied to also escalate O&M costs in the production category. This effort to control costs clearly has reduced upward pressure on rates charged FPL's customers and has made possible the implementation of further efforts to continue to reduce the future upward pressure on retail cost of service. The Proposed Agency Action Order specifically addressed the methodology for the determination of allowable amounts of expense as well as the items to which the expensing would apply and the priority thereof. This was all set forth in Appendix A to the PAA Order. In its approval of the actions set forth in said Appendix A, the Commission stated:

"We believe that this Plan is appropriate because it mitigates past deficiencies with Commission prescribed depreciation, dismantlement and nuclear decommissioning accruals. The Plan also brings FPL's 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."

Addressing The Nuclear Decommissioning Reserve Deficiency And The Loss On Reacquired Debt Is Particularly Appropriate Regulatory Action.

At this point, FPL is directing its attention to the nuclear decommissioning reserve deficiency and the loss on reacquired debt

because of their relative size. For instance, as shown by Mr. Gower's document HAG-2 (Exhibit 1), the nuclear decommissioning reserve deficiency balance at January 1, 1997 represents approximately 60% of the total remaining cost underrecovery addressed by Docket No. 970410-EI. By addressing these two categories, the appropriate basis for recovery as authorized by the Commission can be fully explored.

#### A. Decommissioning Reserve Deficiencies

This Commission has periodically reviewed the costs necessary for the decommissioning of FPL nuclear units after they are retired and removed from service. By Order No. PSC-95-1531-FOF-EI issued in Docket No. 941350-EI on December 12, 1995, this Commission increased the annual expense accrual for decommissioning FPL's four nuclear units from \$37.5 million dollars to \$84 million dollars. (95 FPSC 12:165 at 177). This accrual was expressly "...included in...cost of service for ratemaking purposes." The prior increase in the accrual of decommissioning expenses which had been addressed by Commission Order No. 21928 issued in Docket No. 870098 on September 21, 1989 was also included in FPL's cost of service but, because it followed the reduction in FPL's rates based on a 1988 test year it also was not included in setting rates charged to customers.

Order No. PSC-95-1531-FOF-EI reflects that the estimated future cost of decommissioning FPL's nuclear units stated in 1994 dollars is in excess of \$7.3 billion dollars. The cost of

decommissioning will be very substantial. As pointed out by the Commission, its requirement for a separate funded reserve for decommissioning costs "ensures that the money necessary for decommissioning will be available at the expiration of each nuclear facility's operating license." See Order No. 10987, issued July 13, 1982. Similarly, the funds which are used to address the decommissioning reserve deficiency will likewise be placed in the separate funded reserve (on an after tax basis).

As explained by Mr. Gower, reserve deficiencies mean that FPL should have been recording and recovering substantially higher depreciation expenses in prior years to recover the cost of using up the generating plant assets serving customers and the cost of retiring those assets at the end of their useful lives in compliance with regulatory or other requirements (Tr. 24). In the case of the decommissioning reserve deficiency as of January 1, 1997, that amount was estimated to be \$484,440,000 dollars. As Mr. Gower explained, while FPL's nuclear units have on average been in service for approximately 50% of their estimated useful lives, at December 31, 1996 the decommissioning reserve amounted to less than 12% of the estimated total future expenditures to be made for decommissioning costs. (Tr. 401).

FPL submits that the decommissioning reserve deficiency portion of the plan is, as the Commission found in its PAA Order, appropriate to mitigate past deficiencies with the Commission's prescribed nuclear decommissioning accruals. The level of past accruals, although they have increased significantly over the



previously established levels, nevertheless left a reserve deficiency in excess of \$400 million dollars. It is appropriate to be able to address that reserve deficiency with contributions to the separate decommissioning reserve fund without increasing the rates charged customers.

Loss On Reacquired Debt.

The amortization of the loss on reacquired debt, as authorized by the Commission in its Proposed Agency Action Order, is similarly an appropriate regulatory action. Since 1984, FPL's aggressive effort to reacquire high cost debt has resulted in reducing interest expense by \$907,722,000 which, when compared to the total loss associated with reacquiring that debt of \$397,029,000, has produced a total savings through 1996 of \$510,693,000. (Exhibit 7 at p. 047 - FPL Response to Staff Interrogatory No. 14). The annual interest expense savings resulting from the reacquisitions by FPL of its high cost debt is estimated to be in excess of \$145 million dollars in 1997 or approximately \$5 million dollars more than in 1996. (Page 046 of Exhibit 7 - FPL Response to Staff Interrogatory No. 12). FPL estimates that as of January 1, 1998 approximately \$177 million dollars of unamortized loss on reacquired debt will remain. (Tr. 414). These figures reflect that the cost of service has already been reduced by more than two times the capitalized cost of effecting those savings. (\$907 million divided by \$397 million). In addition, these figures

reflect that the estimated additional annual interest savings commencing in 1997 of approximately \$145 million dollars is fairly close to the total remaining unamortized cost on reacquiring debt. Since the proposal approved by the Commission in its Proposed Agency Action Order is for the period 1998 and 1999, it should also be apparent that the additional savings for the three year period ending in 1999 will be nearly two and one half times the remaining unamortized balance of the loss on reacquired debt. (\$145 million x 3 divided by \$177 million).

Under these circumstances, FPL submits that it is very appropriate to implement the Commission's proposal to permit the amortization of the loss on reacquired debt. Certainly, this action is reasonable and consistent with the Commission's conclusion that the plan would bring FPL's accounting in line with non-regulated companies and facilitate the establishment of a level "accounting" playing field.

The Commission's Proposed Accounting Directives Are Fair And A Proper Exercise Of The Commission's Authority.

The Commission's authority as conferred by the Florida Statutes, and specifically Section 350.115, is quite broad and the Commission has routinely exercised that authority. (Tr. 21). As pointed out by Mr. Gower, the Commission's prior decisions contain ample precedents for correcting prior cost underrecoveries without affecting rates and the Commission has directed the recovery of invested capital over relatively short periods without affecting

rates. (Tr. 21, 22).

Because the correction of prior cost underrecoveries reduces the amount of investors' capital needed, it is in the customers best interest to complete this correction as quickly as possible. (Tr. 22).

The method directed by the Proposed Agency Action Order is fair to customers. Service to customers for which capital was invested and costs were incurred has already been provided, but the prices paid for service at that time did not cover the full cost of service. (Tr. 27). The method is also fair because it will lower costs in the long run -- and, moreover, most customers will have little or no ability to avoid the possible future cost increases which could result from postponing correction of past cost underrecoveries. (Tr. 27 and 28). The impact of reducing prior costs underrecoveries so as to provide the lowest long-run cost to customers has been recognized by this Commission. For instance, the Commission directed the absorption of costs "...as quickly as economically practicable." (Order No. PSC-95-0340-FOF-EI dated March 13, 1995) and that increasing the reserve for depreciation "...is appropriate because a reduction in rate base can be more favorable to customers...because there will be less investment for the customers to support." (Order 12149 dated June 17, 1983). (Tr. 28).

In addition, the Commission directives will promote rate stability (Tr. 28) and avoid the risk of future uncertainty so as to diminish the adverse impact on the Company's financial integrity

and ability to attract capital. (Tr. 29). The concept of "intergenerational equity" suggests that the previously incurred costs (for instance, the reserve deficiencies) should be recovered as quickly as possible. (Tr. 30).

The cost to reacquire the high cost debt, thereby reducing interest expense, represents previously incurred costs that are in a category different from the others addressed in the Proposed Agency Action Order. As already pointed out, however, the net reduction in cost of service which has already been realized (the net savings) and the continuing and future reductions to cost of service from the avoidance of the high interest expense exceed by several times the outstanding balance of the loss incurred to reacquire that high cost debt. Under these circumstances, and recognizing that the earlier expensing of this capitalized loss will provide additional benefit to customers who will be served by FPL for the longer term (Tr. 31), the proposed treatment is reasonable and appropriate.

The Arguments Of AmeriSteel In Opposition To The Directives Of The Proposed Agency Action Order Are Without Merit.

Mr. Cicchetti testifies as to the application of the Uniform System of Accounts to the actions authorized by the Commission in this Docket and as to the Commission's "normal accounting practices" but, he does so without any prior qualification as an expert. (Tr. 295). Moreover, on cross-examination he admitted that the Commission has the discretion to vary the regulatory treatment from that set forth by the Uniform System of Accounts (Tr. 296)

and that he has no specific reference to Commission "normal accounting practices." (Tr. 305).

Mr. Cicchetti then asserts, and without foundation, that the accounting directives authorized in this Docket deviate from "generally accepted ratemaking treatment" but, Mr. Cicchetti acknowledged on cross-examination that by "ratemaking treatment" he did not mean changing rates so as to suggest that the Commission was in fact setting rates in this Docket - instead, by "ratemaking" he meant "balancing the interest of shareholders and ratepayers" (Tr. 307 - 309), but, then agreed that he had no authoritative source to support his definition of "ratemaking" (Tr. 310) which, as applied by Mr. Cicchetti, is a rather vague and useless term.

Despite acknowledging that the net savings realized on the reacquisition of high cost debt is in excess of \$500 million dollars, Mr. Cicchetti maintains that the treatment proposed in this Docket violates his concept of intergenerational equity. (Tr. 310, 311). In discussing intergenerational equity and the impact on customers, Mr. Cicchetti indulges somewhat in a "verbal slight of hand." For instance, he characterizes expensing the loss on reacquired debt as requiring ratepayers "...to have to pay" (Tr. 312) while for the savings from reacquiring that high cost debt, Mr. Cicchetti states "...there hasn't been an actual reduction of rates to share that good fortune with ratepayers." (Tr. 313). It is obvious Mr. Cicchetti has some "flexibility" and inconsistency here for he has no difficulty recognizing that future ratepayers will enjoy benefits of reduced interest expense (Tr. 269) but, that

seems to fit with the argument he was making at the moment.

Most clearly, Mr. Cicchetti's attempt at inaccurate argument appears in his rebuttal testimony where he states:

"To allow FPL to charge almost \$300 million of unamortized loss on reacquired debt to ratepayers over a two-year period places an unfair burden on ratepayers in those years."

(Tr. 286). Mr. Cicchetti cannot have it both ways so that the recording of an expense becomes the "charging of ratepayers" while the savings of interest expense is not the opposite. More importantly, Mr. Cicchetti's assertion is absolutely wrong - recording an expense is not the same as charging customers for that expense as if customer rates had been changed.

Mr. Cicchetti pursues another line in support of his "intergenerational equity" argument. That is, he pursues it until he reaches the point where his argument is shown to be inconsistent both with the justification for the rate for service under which AmeriSteel takes service and the policy of this Commission in implementing conservation goals. Clearly, the reacquisition of high cost debt has and will continue to reduce interest expense. Moreover, expensing the capitalized loss on reacquired debt will reduce the revenue requirements through the rate of return on that loss. When asked, however, about how a rate for service that is reduced today to reflect future benefits as well as how conservation goals based upon the avoidance of future costs conformed to his concept of "intergenerational equity," Mr. Cicchetti suddenly "did not understand." (Tr. 321-325) Obviously, a rate for service that contains a discount from the actual cost to

serve in anticipation of future benefits cannot be justified under Mr. Cicchetti's pronouncement that intergenerational equity mandates "...that each generation of customer should pay its share of the cost related to the service from which they are benefiting. (Tr. 320). AmeriSteel is on an interruptible rate that provides a discount now for future benefits to the system.

Finally, Mr. Cicchetti's acknowledged fabrication of an equity ratio for FPL to support his assertion that FPL significantly exceeds the equity ratio benchmark for a AA rated electric utility with a Business Position of 1, 61.1% versus 53%" (Emphasis added, (Tr. 268) is improper. Mr. Cicchetti indulged this fiction in order to support his conclusion:

"by not addressing these factors, the Plan is allowing FPL to increase allowed expenses while disregarding decreased costs and imprudently incurred costs."

(Tr. 268). Mr. Cicchetti was cross-examined on this point beginning on transcript page 332. Mr. Cicchetti's allegations that FPL's equity ratio has risen to a level much greater than required is based upon his Exhibit 4. His Exhibit 4 is entitled "STANDARD & POOR'S FINANCIAL BENCHMARKS FOR DOUBLE AA RATING" and he states that the source is Standard & Poor's utility financial statistics. Although representing that the source of and conclusions concerning his data was Standard & Poor's, that was not the case. The footnote for the column on Exhibit 4 entitled "Equity Ratio" said that it was the complement of the "Total Debt to Total Capital Benchmark." Thus, in looking at Exhibit 4 one would see that the "equity ratio" shown of 58% would correspond to the total



debt/total capital [ratio] shown of 42% so that the total of the two would equal 100%. Therefore, when Mr. Cicchetti asserted that FPL's equity ratio benchmark was 61.1% (Tr. 268), it would mathematically follow that the "complement" total debt/total capital [ratio] would be 38.9% (100% - 61.1%).

In fact, none of the numbers, nor the conclusion supported by Mr. Cicchetti are accurate. What he shows on his Exhibit 4 "Equity Ratio" was not, as misrepresented, a ratio used by or even calculated by Standard & Poor's. Instead, Standard & Poor's provides a total debt to total capital ratio (Tr. 334). Moreover, Mr. Cicchetti ignored actual Standard & Poor's data and calculated the 61.1% equity ratio based upon data in the surveillance reports. (Tr. 335). In fact, not one number that Mr. Cicchetti has used with reference to FPL is consistent with the Standard & Poor's method of calculation. As already noted, Mr. Cicchetti's method calculated a 38.9% total debt to total capital [ratio] for FPL. However, the June 1996 Standard & Poor's Rating Service publication for FPL (Exhibit 17), which Mr. Cicchetti agreed is the same credit report to which he referred in his direct testimony (Tr. 338), shows that FPL's actual debt ratio was 48%. (Exhibit 17 and Tr. 338). Moreover, quite the contrary of Mr. Cicchetti's characterization of its financial position and its "increasing of allowed expense," based on his inaccurate calculations Exhibit 17 reflects Standard & Poor's view to be:

"The stable outlook for FPL is based on projections of continued strong growth in the service territory and expectations that management will continue to control costs and



improve the Company's financial structure to meet increasing competition in the industry."

Mr. Cicchetti's representations are totally incorrect and based solely upon his own fabrications which are contradicted directly by the source upon which he states he relied.

Mr. De Ward also indulged in the "slight of hand" concerning the circumstances under which customers would be benefitted or harmed. On the one hand, Mr. De Ward's "bottom-line point" was that "if rates are not changed, there's no benefit to be passed on to customers." (Tr. 187) In almost the next breath however, Mr. De Ward asserted that he could not agree that "if rates are not changed that there's no detriment to be passed on to customers." (Tr. 187). As with Mr. Cicchetti, this "one-way street" approach makes argument much easier.

For instance, Mr. De Ward refers to the potential for competition (Tr. 169, lines 10-13) to support his argument that future benefit from the Commission's actions in this Docket may not be realized. However, when asked whether the potential for competition could have a similar effect upon the assumed future benefit flowing from a rate design that called for a current discount (Tr. 196), Mr. De Ward was quick to point out that he was not a rate design expert and "I don't know what would happen." (Tr. 196).

One of the recurring themes of Mr. De Ward's testimony is the lack of certainty as to the costs for decommissioning and that even if there is a decommissioning reserve deficiency today it might be a different amount in the future. Therefore, his position is

attempting to eliminate that reserve deficiency is not appropriate. In support of this position, Mr. De Ward references SFAS 106 and its implementation. First, he presents an analogy to establish that the implementation by some companies of SFAS 106 relied upon incorrect estimates which, had they been correct, would have produced substantially different results (i.e. lower accruals). (Tr. 170 and 171). Specifically, Mr. De Ward referred to the experience of General Motors taking what he characterized to be a "tremendous one-time charge against earnings for the transition benefit obligation." under SFAS 106 (Tr. 170). He also points out that it was not uncommon to see estimates for the escalation and the cost of healthcare in the range of 15 to 17 percent in the early 1990's. (Tr. 171). Subsequently, Mr. De Ward points out that there have been "dramatic changes" in the annual increases of healthcare costs and that the increases are now under 10%. (Tr. 171). Then, Mr. De Ward concludes that had this, that is the lower actual increase in the escalation rate for healthcare costs been known at the time of the original estimate of the transition benefit obligation, the results would have been dramatically different. (Tr. 171). However, upon cross-examination, it was clear that Mr. De Ward knew virtually nothing about the facts as opposed to the allegations in his testimony. (Tr. 200-201). For instance, Mr. De Ward admitted to the following:

"And you do not know the specifics or the generalities as to whether the cost to service for utility companies would have been lower, as you testify on page 4, line 20 of your testimony, as that assertion relates to Florida utilities?" (Tr. 201).

In addition, although Mr. De Ward's testimony (beginning on page 2, line 5 of his prefiled testimony) addresses the "telecommunication industry and telecommunication companies in Florida" basically, Mr. De Ward's "experience", was for "GTE Florida." (Tr. 202).

Mr. De Ward's prefiled testimony presents SFAS 106 as an example where financial reporting differs from regulatory accounting. (Tr. 170). However, upon cross-examination Mr. De Ward acknowledged that the Florida Public Service Commission had adopted for accounting purposes and implemented SFAS 106 in Florida and that he did not know that when his testimony had been filed in this Docket. (Tr. 203). Further, Mr. De Ward acknowledged that because SFAS 106 had been adopted in Florida, utilities would be permitted to reflect the transition benefit obligation as a one-time charge for accounting purposes. (Tr. 209). Thus, although Mr. De Ward seeks to rely upon the "uncertainty of costs" as a basis for their "non-recognition" and references this uncertainty of SFAS 106 costs as a basis not to proceed with the action authorized in this Docket, the facts are quite the contrary of Mr. De Ward's position. Not only has the Florida Public Service Commission adopted SFAS 106 as a rule, (Exhibit 10) but, it expressly acknowledged and was aware of the lack of certainty with the costs associated with Other Post-Retirement Benefits. For instance, paragraph 9 of the final order of the hearing examiner in Case 92-5717RP (Exhibit 11) where the validity of the Commission's proposed rule adopting SFAS 106

was challenged states:

"The basic tenet SFAS 106 is that while it requires the use of some variables that are difficult to measure, recognition and measurement of the overall liability of the employer to provide OPEBs is best done through accrual accounting. The use of estimates is superior to implying, by failure to accrue, that no cost or obligation exists prior to the actual cash payment of benefits to retirees." (Exhibit 11).

Interestingly, Exhibit 11 also provides insight on the suggestion by AmeriSteel's witnesses that the recognition of the expenses as authorized by the Commission in this Docket would constitute ratemaking. (Paragraph 20 of the Final Order - Exhibit 11), states in material part as follows:

"A utility recovers accrued OPEB expenses through rates only when the Commission takes action to change rates, and that action always takes place in the context of a rate case which is subject to a Section 120.57(1) evidentiary hearing."

Just as the hearing examiner found with respect to the accrual for OPEB expenses under SFAS 106, the same holds true for the accounting directives of the Commission in this Docket.

In fact, prior Commission activities with respect to the implementation of SFAS 106 in Florida show that the arguments by the witnesses of AmeriSteel concerning the lack of certainty or the need for verifiability before costs may be expensed are without merit. For instance, in Order No. PSC-92-0708-FOF-TL, this

Commission considered the use of SFAS 106 for ratemaking purposes (this was prior to the adoption of the rule). In this Order (Exhibit 9) the Commission stated:

"OPC [Office of Public Counsel] offers several arguments against using SFAS 106 for ratemaking purposes. First, OPC contends that the Commission is not obligated to adopt SFAS 106. We agree that this Commission is not obligated to adopt SFAS 106. Next, OPC asserts that many of the costs included in SFAS 106 are speculative in nature. United also shares this concern. OPC states that for a cost to be included in rates it must be certain. We believe when rates are set, the costs included are based upon the best estimate of what will occur in the first year the rates will be in effect and no costs are certain. OPC's argument could also be applied to depreciation expense, the cost of equity, nuclear decommissioning or any other expense based upon estimates. We would be [sic] note that SFAS 106 contains a mechanism to encompass changes in the underlying assumptions and plan terms.

(Exhibit 9). It seems apparent, that just as the Commission made a policy decision with respect to its adoption of SFAS 106 for accounting purposes, the Commission has made a policy decision in this Docket. The facts support the reasonableness of that decision and establish that it is appropriate for many reasons for the Commission to authorize the accounting directives contained in Appendix A to the Proposed Agency Action Order.

**CONCLUSIONS**

For the reasons set out above and is more fully developed in the record of this proceeding, the Commission should conclude that the accounting directives set forth in Appendix A to Proposed Agency Action Order PSC-97-0499-FOF-EI should be approved.

Respectfully submitted,

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By:   
Matthew M. Childs, P.A.

**CERTIFICATE OF SERVICE  
DOCKET NO. 970410-EI**

**I HEREBY CERTIFY** that a true and correct copy of Florida Power & Light Company's Brief has been furnished by Hand Delivery (\*), U.S. Mail and Courier (\*\*), and U.S. Mail (\*\*\*) this 8th day of December, 1997, to the following:

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