

M E M O R A N D U M

MARCH 17, 1999

95711111

RECORD
REC'D

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (ELIAS) **RVE**

RE: DOCKET NO. 990067-EI - PETITION BY THE CITIZENS OF THE
STATE OF FLORIDA FOR A FULL REVENUE REQUIREMENTS RATE
CASE FOR FLORIDA POWER & LIGHT COMPANY

Attached is an Order Approving Stipulation and Settlement,
with attachment, to be issued in the above-referenced docket.
(Number of pages in order - 11)

PLEASE ISSUE TODAY
ORDER NO. PSC-99-0519-AS-EI
THANK YOU

RVE/js

Attachment

cc: Division of Electric and Gas (Ballinger, Bass, Kummer)
Division of Auditing and Financial Analysis (Slemkewicz,
Causseaux, Iyamu, Lee, Maurey, Stallcup)
I:990067or.rve

ATTACHMENT(S) NOT ON-LINE

3:30

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by the Citizens
of the State of Florida for a
full revenue requirements rate
case for Florida Power & Light
Company.

DOCKET NO. 990067-EI
ORDER NO. PSC-99-0519-AS-EI
ISSUED: MARCH 17, 1999

The following Commissioners participated in the disposition of
this matter:

JOE GARCIA, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JULIA L. JOHNSON
E. LEON JACOBS, JR.

ORDER APPROVING STIPULATION AND SETTLEMENT

BY THE COMMISSION:

On January 20, 1999, the Office of Public Counsel (OPC) filed a Petition to "have the Florida Public Service Commission conduct a full revenue requirements rate case and establish reasonable rates and charges" for Florida Power & Light Company. The Florida Industrial Power Users Group and the Coalition for Equitable Rates have intervened in the proceeding.

On March 10, 1999, the parties filed a Joint Motion for Approval of Stipulation and Settlement together with the Stipulation and Settlement (Stipulation) in the above-referenced docket that will resolve all issues raised in OPC's Petition. A copy of the Stipulation and Settlement is attached to this Order as Attachment A and is incorporated herein by reference. Among other things, this Stipulation provides for a \$350 million annual rate reduction. It provides immediate and substantial benefits for customers of Florida Power & Light Company. Therefore, we find that the Stipulation should be approved.

DOCUMENT NUMBER-DATE

03441 MAR 17 99

FPSC-RECORDS/REPORTING

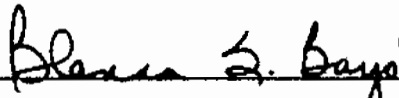
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Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Stipulation and Settlement, attached to this Order as Attachment A and incorporated herein by reference, filed by the Office of Public Counsel, Florida Power & Light Company, the Florida Industrial Power Users Group, and the Coalition for Equitable Rates is approved. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 17th day of March, 1999.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

RVE

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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.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, 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 and/or wastewater utility by filing a notice of appeal with the Director, Division of Records and reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for a full revenue)
requirements rate case for) DOCKET NO. 990067-EI
Florida Power & Light Company)
_____)

STIPULATION AND SETTLEMENT

WHEREAS, the Office of Public Counsel of the State of Florida ("OPC") has petitioned the Florida Public Service Commission to initiate and conduct a full revenue requirements base rate proceeding for Florida Power & Light Company ("FPL"). In its Petition, the OPC, among other matters, alleges that, while long-term benefits for both FPL and its customers may have been achieved by the "Plans" approved by the Florida Public Service Commission in Dockets Nos. 950359-EI and 970410-EI, the time has now come for the customers to share in the benefits;

WHEREAS, The Florida Industrial Power Users Group ("FIPUG") and The Coalition For Equitable Rates ("Coalition") have petitioned for and been granted leave to intervene;

WHEREAS, a base rate proceeding can be costly, time consuming, lengthy and disruptive to efficient and appropriate management and regulatory efforts; and,

WHEREAS, the Parties to this Stipulation and Settlement have undertaken to resolve the matters raised in the Petition so as to

effect a current and prompt reduction in base rates charged customers and achieve a degree of stability to the base rates and charges;

NOW THEREFORE, in consideration of the foregoing and the covenants contained herein, the Parties hereby stipulate and agree:

1. This Stipulation and Settlement will become effective on the day following the vote by the Florida Public Service Commission approving this Stipulation and Settlement which will be reflected in a final Order. The starting date for the three-year term of this Stipulation and Settlement will be 30 days following the vote and will be referred to as the "Implementation Date."

2. The continued amortization and booking of expenses and other cost recognition authorized and required by the Florida Public Service Commission in Dockets Nos. 950359-EI and 970410-EI will terminate on the day before the Implementation Date. Beginning on the Implementation Date, FPL is authorized to record an amortization amount of up to \$100 million at the discretion of the Company per year for each twelve months of the term of this Stipulation and Settlement which shall be applied to reduce nuclear and/or fossil production plant in service. The amortization will be separate and apart from normal depreciation, and existing depreciation practices and resulting depreciation rates will not be adjusted, either before, during or after the term hereof to eliminate the effect of the additional amortization amount

recorded.

3. FPL will reduce its base rates by \$350 million. The base rate reduction will be reflected on FPL's customer bills by reducing the base rate energy charge by .420 cents per kWh. FPL will begin applying the lower base rate energy charge required by this Stipulation and Settlement to meter readings made on and after the Implementation Date.

4. Effective on the Implementation Date, FPL's authorized return on equity range on a prospective basis will be 10.00% to 12.00% with a midpoint of 11.00% for all regulatory purposes; it being understood that during the term of this Stipulation and Settlement the achieved return on equity may, from time to time, be outside the authorized range and the sharing mechanism herein described is intended to be the appropriate and exclusive mechanism to address that circumstance. FPL's adjusted equity ratio will be capped at 55.83% as included in FPL's projected 1998 Rate of Return Report for surveillance purposes. The adjusted equity ratio equals common equity divided by the sum of common equity, preferred equity, debt and off-balance sheet obligations. The amount used for off-balance sheet obligations will be calculated per the Standard & Poor's methodology as used in its August 1998 credit report.

5. No party to this Stipulation and Settlement will request, support, or seek to impose a change in the application of any

provision hereof. OPC, FIPUG and the Coalition will neither seek nor support any additional reduction in FPL's base rates and charges, including interim rate decreases, to take effect for three years from the Implementation Date unless such reduction is initiated by FPL. FPL will not petition for an increase in its base rates and charges, including interim rate increases, to take effect before three years from the Implementation Date. Other than with respect to the environmental cost recovery clause as herein addressed, FPL will not use the various cost recovery clauses to recover new capital items which traditionally and historically would be recoverable through base rates.

6. During the term of this Stipulation and Settlement revenues which are above the levels stated herein will be shared between FPL and its retail electric utility customers--it being expressly understood and agreed that the mechanism for earnings sharing herein established is not intended to be a vehicle for "rate case" type inquiry concerning expenses, investment and financial results of operations. For the first 12 months beginning with the Implementation Date, FPL's retail base rate revenues in excess of \$3.400 billion up to \$3.556 billion will be shared between FPL and its customers on a one-third/two-thirds basis, one-third to be retained by FPL and two-thirds to be refunded to its customers. Retail base rate revenues above \$3.556 billion for the first 12-month period will be refunded to FPL's customers. For the

second 12-month period, retail base rate revenues in excess of \$3.450 billion up to \$3.606 billion will be subject to the same one-third/two-thirds sharing between FPL and its customers. Retail base rate revenues above \$3.606 billion for the second 12-month period will be refunded to FPL customers. For the third and final 12-month period, retail base rate revenues in excess of \$3.500 billion up to \$3.656 billion will be subject to the same one-third/two-thirds sharing between FPL and its customers. Retail base rate revenues above \$3.656 billion for the third 12-month period will be refunded to FPL's customers. Because implementation of this Stipulation and Settlement may not begin on the first day of a calendar month, the three resulting 12 month periods used to calculate potential refunds may each include two partial calendar months. Revenues for these two partial calendar months will be calculated by multiplying total revenues for the full calendar month by the ratio of days the Stipulation and Settlement is in effect in the partial calendar month, or days to complete the applicable twelve month period, as the case may be, to the total days in that calendar month.

All refunds will be paid with interest at the 30-day commercial paper rate as specified in Rule 25-6.109, Florida Administrative Code, to customers of record during the last three months of each applicable 12-month period based on their proportionate share of kWh usage for the 12-month period. For

purposes of calculating interest only, it will be assumed that revenues to be refunded were collected evenly throughout the preceding 12-month period at the rate of one-twelfth per month. All refunds with interest will be in the form of a credit on the customers' bills beginning with the first day of the first billing cycle of the second month after the end of the applicable twelve month period. Refunds to former customers will be completed as expeditiously as reasonably possible.

7. FPL's recovery of costs through the environmental cost recovery docket will be phased out over a three-year period beginning January 1, 2000. FPL will be allowed to recover its otherwise eligible and prudent environmental costs, including true-up amounts, in 2000 up to \$12.8 million. For 2001, FPL will be allowed to recover its otherwise eligible and prudent environmental costs, including true-up amounts, up to \$6.4 million. For 2002, FPL will not be allowed to recover any costs through the environmental cost recovery docket. FPL may, however, petition to recover in 2003 prudent environmental costs incurred after the expiration of the three-year term of this Stipulation and Settlement in 2002.

8. During the term of this Stipulation and Settlement, accruals for nuclear decommissioning and fossil dismantlement expense will be capped at the level previously approved by the Commission in Order No. PSC-95-1531-POF-EI in Dockets Nos. 941350-

EI and 941352-EI as amended by Order No. PSC-95-1531A-FOF-EI and Order No. PSC-95-1532-FOF-EI in Docket No. 941343-EI. In addition, the Protests or Petitions on Proposed Agency Action by FIPUG and the Coalition of Order No. PSC-99-0073-FOF-EI will be withdrawn and that Order will be made final. Thereafter, depreciation rates as addressed in Order No. PSC-99-0073-FOF-EI will not be exceeded for the term of this Stipulation and Settlement.

9. The construction costs associated with the Ft. Myers and Sanford plant repowering projects will be treated as CWIP in rate base and AFUDC will not be accrued on these projects.

10. This Stipulation and Settlement is contingent on approval in its entirety by the Florida Public Service Commission. This Stipulation and Settlement will resolve all matters in this Docket pursuant to and in accordance with Section 120.57(4), Florida Statutes (1997). This Docket will be closed effective on the date the Florida Public Service Commission Order approving this Stipulation and Settlement is final.

11. This Stipulation and Settlement, dated as of March 10, 1999, may be executed in counterpart originals and a facsimile of an original signature shall be deemed an original.

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ATTACHMENT A

In Witness Whereof, the Parties evidence their acceptance and agreement with the provisions of this Stipulation and Settlement by their signature.

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Miami, Florida 33174

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Tallahassee, FL 32399

Steel Hector & Davis LLP

By: 
Matthew M. Childs, P.A.

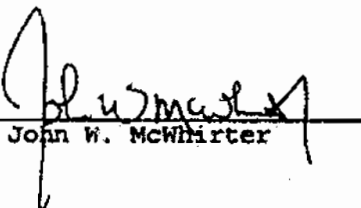
By: 
Jack Shreve

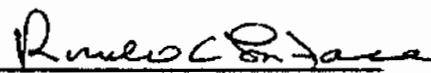
Florida Industrial
Power Users Group

The Coalition for
Equitable Rates

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