



Public Service Commission

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RECORDS AND REPORTING

DATE: NOVEMBER 18, 1999

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (SNIDER, LEE, SAMAAN, MAUREY, CAUSSEAU) *ED TB*
DIVISION OF ELECTRIC AND GAS (BOHRMANN, KUMMER) *ay*
DIVISION OF LEGAL SERVICES (ELIAS) *RUE*

TRD
ALM
JBJ

RE: DOCKET NO. 991617-EI - PETITION BY FLORIDA POWER CORPORATION TO DEFER FILING OF NUCLEAR DECOMMISSIONING COST STUDY UNTIL DECEMBER 29, 2000.

AGENDA: 11/30/1999 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\AFA\WP\991617.RCM

CASE BACKGROUND

Due to public health and safety issues and the amount of money estimated to be necessary to decommission or remove nuclear facilities, the Commission determined in Order No. 10987, issued July 13, 1982, that a funded reserve was necessary for the accumulation of the estimated costs of decommissioning each nuclear unit. This reserve was established to assure that the monies necessary for decommissioning would be available at the expiration of the nuclear facility's operating license. Subsequently, by Order No. 21928, issued on September 21, 1989, the Commission approved the external sinking fund method in accordance with the Nuclear Regulatory Commission's final rule, 10 C.F.R. Section

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50.75, that requires licensees provide reasonable financial assurance that funds will be available for decommissioning.

Recognizing that these estimated decommissioning costs might need revision periodically, the Commission required that the companies file updated decommissioning cost studies at least once every five years. The purpose of these studies is to update cost estimates based on new developments, additional information, technological improvements, and forecasts, to re-evaluate alternative methodologies, and to revise the annual accrual needed to recover the costs.

Accordingly, Florida Power Corporation (FPC) is scheduled to file its next decommissioning cost study on December 30, 1999. On August 23, 1999, FPC's parent, Florida Progress Corporation, and Carolina Power & Light Company (CP&L) announced a transaction whereby Florida Progress would become a subsidiary of a new holding company for CP&L. The transaction is expected to be completed within one year. Subsequently, on October 18, 1999, FPC filed a petition to defer the filing of its nuclear decommissioning cost study for one year, until December 29, 2000. This recommendation addresses FPC's request for deferral.

DISCUSSION OF ISSUES

ISSUE 1: Should FPC's request to defer the filing of its nuclear decommissioning study until December 29, 2000 be approved?

RECOMMENDATION: Yes, FPC should be granted its request for deferral of its nuclear decommissioning cost study filing until December 29, 2000. (SNYDER, LEE)

STAFF ANALYSIS: According to FPC's Petition, during the course of preliminary discussions with CP&L representatives, FPC has become aware that the decommissioning costs for CP&L's nuclear plants are significantly lower on a per unit basis than those indicated for its Crystal River Unit 3 nuclear plant (CR3). FPC has not yet determined the specific reasons for this differential in the two utilities' decommissioning costs, nor whether this lower level of cost is realizable at CR3. However, FPC believes that a substantial portion of the differential may be due to differences in study methodology and/or assumptions or to cost savings achievable from multi-unit economies of scale.

FPC states that the requested deferral in the filing of its decommissioning cost study will allow the Company the time needed to analyze the factors responsible for the cost differential between CR3 and CP&L's nuclear units, and to incorporate the factors appropriate for CR3 in a revised decommissioning cost study. During the deferral period, FPC proposes to continue the currently approved annual accrual of \$20,502,310 to its nuclear decommissioning trust funds.

It is staff's understanding that CP&L has a nuclear decommissioning study currently filed with the North Carolina Public Service Commission (NCPSC). While the NCPSC staff has not yet completed its review of the study, some differences in assumptions have been noted when compared to the last CR3 study. One area that can represent a significant difference between the annual accrual for CR3 and the CP&L units relates to the assumed fund earnings rate used in the decommissioning accrual determination. The assumed fund earnings rate used in FPC's currently approved accrual is 4.90% compared to the 7.75% earnings rate proposed by CP&L in its most recent studies. All other

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assumptions held constant, the higher the assumed fund earnings rate, the lower the indicated annual accrual.

Other assumptions that can have a potentially significant impact on the decommissioning accrual include estimates for low-level radioactive waste disposal, escalation rates, and additional dry storage of spent nuclear fuel due to the Department of Energy's failure to meet its deadline for acceptance of spent nuclear fuel. Staff has requested a copy of the CP&L study in order to review the methodology and assumption differences.

FPC's Petition raises the concern that the currently approved annual decommissioning accrual may be overstated because the decommissioning cost per unit for the CP&L nuclear units are less than the decommissioning cost for CR3. Staff believes that such a conclusion is premature until a thorough review and analysis of the differences is made. In light of this, staff finds FPC's request to defer its decommissioning study until December 29, 2000 to be appropriate.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (ELIAS)

STAFF ANALYSIS: If no person whose substantial interests are affected files a timely request for a Section 120.57, Florida Statutes, hearing within twenty-one days, nor further action will be required and this docket should be closed upon the issuance of a consummating order.

STATE OF FLORIDA

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



DIVISION OF RECORDS & REPORTING
BLANCA S. BAYÓ
DIRECTOR
(850) 413-6770

Public Service Commission

October 21, 1999

James A. McGee, Senior Counsel
Florida Power Corporation
Post Office Box 14042
St. Petersburg, Florida 33733-4042

Re: Docket No. 991617-EI

Dear Mr. McGee:

This will acknowledge receipt of a petition by Florida Power Corporation to defer filing of nuclear decommissioning cost study, which was filed in this office on October 18, 1999 and assigned the above-referenced docket number. Appropriate staff members will be advised.

Mediation may be available to resolve any dispute in this docket. If mediation is conducted, it does not affect a substantially interested person's right to an administrative hearing. For more information, contact the Office of General Counsel at (850) 413-6078 or FAX (850) 413-6079.

Division of Records and Reporting
Florida Public Service Commission