

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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RECORDS AND REPORTING

DATE: JANUARY 6, 2000

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

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (DRAPER, LEE, LESTER, SNYDER)
DIVISION OF ELECTRIC AND GAS (BOHRMANN) TB
DIVISION OF LEGAL SERVICES (ELIAS) RVE
[Handwritten signatures and initials]

RE: DOCKET NO. 981166-EI - REQUEST FOR APPROVAL OF REVISED FOSSIL DISMANTLEMENT EXPENSE ACCRUALS, EFFECTIVE 1/1/99, BY FLORIDA POWER & LIGHT COMPANY.

AGENDA: 01/18/00 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\AFA\WP\981166.RCM

CASE BACKGROUND

By Order No. PSC-95-1532-FOF-EI, issued on December 11, 1995 in Docket No. 941343-EI, Florida Power and Light Company (FPL or company) was required to file its fossil dismantlement studies on December 29, 1999. Subsequently, by Order No. PSC-98-0027-FOF-EI, issued on January 22, 1998 in Docket No. 970410-EI, FPL was directed to file its fossil dismantlement studies no later than October 1, 1998. FPL's request for approval of a revised fossil dismantlement accrual resulting from its updated site-specific dismantlement studies was received by the Commission on September 17, 1998.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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In accordance with the Stipulation and Settlement (Stipulation) approved by Order No. PSC-99-0519-AS-EI, on March 17, 1999 in Docket No. 990067-EI, FPL's current dismantlement annual accruals are capped through the term of the Stipulation (1999-2002). The current annual dismantlement accruals are \$16,962,106 and were approved in Order No. PSC-95-1532-FOF-EI in Docket No. 941343-EI. This recommendation addresses staff's review of FPL's submitted fossil dismantlement studies.

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ISSUE 1: Should any reserve allocations be made?

RECOMMENDATION: Yes. The company and staff recommend the reserve allocations shown on Attachment A, page 9, to correct identified reserve deficiencies. These allocations relate to the additional dismantlement expense recorded in accord with Order No. PSC-98-0027-FOF-EI, issued January 15, 1998. (LEE)

STAFF ANALYSIS: By Order No. PSC-98-0027-FOF-EI, issued on January 15, 1998 in Docket No. 970410-EI, FPL recorded \$37,515,232 jurisdictional (\$38,150,825 Total System) to the dismantlement reserve to correct the calculated historical deficiency brought about by failure in the past to adequately provide for the cost of dismantlement. Attachment A shows the company recommended allocation of this additional dismantlement expense amount to each production unit. The allocations are based on calculated reserves that are in accord with generally accepted theoretical reserve calculations and should be approved.

ISSUE 2: What is the appropriate annual provision for dismantlement?

RECOMMENDATION: As shown on Attachment B, page 10, the appropriate annual Total System provision is \$15,574,015, effective January 1, 1999. This is a decrease of \$1,388,091 from the 1994 approved annual accrual. Costs were determined on a site-specific basis using the latest DRI inflation forecasts and a contingency factor of 16%. (LEE, DRAPER, LESTER)

STAFF ANALYSIS: The updated annual provision for dismantlement of \$15.6 million was developed using the corrected dismantlement reserve position discussed in Issue 1, company updated dismantlement cost estimates, a contingency factor of 16%, and the latest inflation forecasts for all fossil plant sites. The decrease in the annual provision is due, primarily, to correction of the reserve deficiency and changes in the DRI forecasts.

Updated dismantlement cost estimates of \$282,163,825 are based on site-specific studies and reflect an increase of about 16% over the 1994 estimates of \$243,199,381. The increase is due primarily to increased labor rates based on the 1998 Means Union wages adjusted to reflect the geographical location of each site, increased disposal costs for concrete and non-hazardous insulation based on current landfill fees and hauling charges, and a general decrease in salvageable material values.

FPL's current approved dismantlement accruals are based on cost estimates assuming a 16% weighted average contingency factor. Inherent in its updated cost estimates, FPL continues use of the same contingency factor. The factor is based on applying specific contingency factors as recommended by the Atomic Industrial Forum/National Environmental Studies Project report AIF/NESP-036, "Guidelines for Producing Commercial Nuclear Power Plant Decommissioning Cost Estimates" to individual cost categories that are applicable to fossil dismantlement. Additionally, a 20% contingency factor was assumed for asbestos removal since the report does not include specific factors for this cost category. Staff recommends the continued use of a 16% weighted average contingency factor to determine the total estimated costs for the dismantlement of FPL's fossil-fueled generating stations.

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FPL's originally filed dismantlement study indicated revised annual dismantlement accruals based on DRI inflation forecasts from the Fall/Winter 1997-1998 publication. Staff updated the DRI inflation factors using the latest available data from the DRI Summer 1999 publication. The effect of the DRI update is a decrease in the annual accrual of \$1,787,166.

The total dismantlement annual accrual based on FPL's current site-specific dismantlement study cost estimates, the DRI Summer 1999 inflation factors, and using a dismantlement book reserve position is \$22,562,448. However, correction of the reserve deficiencies as authorized by Order No. PSC-98-0027-FOF-EI, results in a total annual dismantlement accrual is \$15,574,015.

ISSUE 3: Should FPL's currently approved annual dismantlement accruals be revised?

RECOMMENDATION: Yes. Effective January 1, 1999, staff recommends that FPL's annual dismantlement accrual be \$15,574,015. (LEE)

STAFF ANALYSIS: In accordance with the Stipulation approved by Order No. PSC-99-0519-AS-EI, issued March 17, 1999 in Docket No. 990067-EI, FPL's annual dismantlement accrual cannot increase during the period of the settlement (1999-2002). However, the Stipulation does not prohibit the Commission from decreasing the annual accrual, if warranted. Recognizing the corrected dismantlement reserve, updated dismantlement cost estimates, and most recent DRI inflation forecasts, the current approved annual accrual should decrease by \$1,388,091.

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ISSUE 4: When should FPL be required to file its next fossil dismantlement site-specific studies?

RECOMMENDATIONS: Staff recommends that FPL be required to file its next site-specific dismantlement studies no later than September 17, 2002. (LEE)

STAFF ANALYSIS: By Order No. PSC-95-1532-FOF-EI, issued on December 12, 1995 in Docket No. 941343-EI, the Commission approved FPL's request to file updated fossil dismantlement studies on a four-year cycle beginning December 29, 1994. Subsequently, by Order No. PSC-98-0027-FOF-EI, issued on January 22, 1998 in Docket No. 970410-EI, FPL was required to file its fossil dismantlement study no later than October 1, 1998. In accordance with this order, FPL filed its current studies on September 17, 1998. The next regularly scheduled fossil dismantlement site-specific studies should therefore be filed no later than September 17, 2002. This date is after the expiration of the Stipulation period of April 15, 2002.

ISSUE 5: 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 by the proposed agency action files a timely request for a Section 120.57, Florida Statutes, hearing within twenty-one days, no further action will be required and this docket should be closed upon the issuance of a consummating order.

FLORIDA POWER AND LIGHT COMPANY
 FOSSIL DISMANTLEMENT
 RESERVE ALLOCATION

	<u>BOOK RESERVE</u>	<u>THEORETICAL RESERVE</u>	<u>RECOMMENDED RESERVE ALLOCATION</u>	<u>RESTATED RESERVE</u>
Steam Production				
Cutler	5,808,799	7,696,376	(1,887,577)	7,696,376
Port Everglades	24,454,523	29,011,920	(4,557,397)	29,011,920
Palatka	5,765,660		5,765,660	0
Ft. Myers	12,459,712	19,637,953	(7,178,241)	19,637,953
Cape Canaveral	10,830,889	10,550,543	280,346	10,550,543
Riviera	10,226,413	16,116,358	(5,889,945)	16,116,358
Manatee	21,427,179	24,395,247	(2,968,068)	24,395,247
Sanford	16,708,770	24,330,578	(7,621,808)	24,330,578
Turkey Point	12,656,277	20,372,473	(7,716,196)	20,372,473
Martin 1&2	24,108,930	28,784,913	(4,675,983)	28,784,913
Riviera 2		1,936,013	(1,936,013)	1,936,013
Sanford 1&2		503,486	(503,486)	503,486
SJRPP	15,572,153	7,767,997	7,804,156	7,767,997
Scherer	6,306,906	9,191,728	(2,884,822)	9,191,728
Total Steam Production	166,326,211	200,295,585	(33,969,374)	200,295,585
Other Production				
Ft. Lauderdale	3,672,910	4,951,750	(1,278,840)	4,951,750
Putnam	3,975,193	6,630,947	(2,655,754)	6,630,947
Martin 3 & 4	2,798,907	2,561,464	237,443	2,561,464
Port Everglades GTs	275,618	432,060	(156,442)	432,060
Ft. Lauderdale GTs	247,122	289,139	(42,017)	289,139
Ft. Myers GTs	1,751,654	2,037,495	(285,841)	2,037,495
Total Other Production	12,721,404	16,902,855	(4,181,451)	16,902,855
Total Dismantlement Provision	179,047,615	217,198,440	(38,150,825)	217,198,440

FLORIDA POWER AND LIGHT COMPANY
 FOSSIL DISMANTLEMENT
 ANNUAL ACCRUAL COMPARISON

	CURRENT ANNUAL ACCRUAL (\$)	RECOMMENDED ACCRUAL (\$)	CHANGE IN ANNUAL ACCRUAL (\$)
Steam Production			
Cutler	277,892	374,541	96,649
Port Everglades	2,234,289	1,688,214	(546,075)
Palatka			0
Ft. Myers	1,748,233	1,243,132	(505,101)
Cape Canaveral	952,728	641,593	(311,135)
Riviera	905,038	853,591	(51,447)
Manatee	1,487,314	1,638,834	151,520
Sanford	1,905,504	1,490,155	(415,349)
Turkey Point	1,428,657	1,230,794	(197,863)
Martin 1 & 2	2,328,245	2,029,877	(298,368)
SJRPP	598,872	867,729	268,857
Scherer	985,485	1,155,529	170,044
Total Steam Production	14,852,257	13,213,989	(1,638,268)
Other Production			
Ft. Lauderdale	919,652	1,044,362	124,710
Putnam	420,865	442,534	21,669
Martin 3 & 4	636,869	685,841	48,972
Port Everglades GTs	13,448	29,961	16,513
Ft. Lauderdale GTs	16,415	20,347	3,932
Ft. Myers GTs	102,600	136,981	34,381
Total Other Production	2,109,849	2,360,026	250,177
Total Dismantlement Provision	16,962,106	15,574,015	(1,388,091)