



Public Service Commission

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RECORDS AND REPORTING

DATE: FEBRUARY 17, 2000

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

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (LEE, MAILHOT) DM
DIVISION OF ELECTRIC AND GAS (KUMMER)
DIVISION OF LEGAL SERVICES (ELIAS) RVE [signature] RLT

RE: DOCKET NO. 990324-EI - DISPOSITION OF FLORIDA POWER & LIGHT COMPANY'S ACCUMULATED AMORTIZATION PURSUANT TO ORDER PSC-96-0461-FOF-EI

AGENDA: 02/29/00 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\AFA\WP\990324.RCM

CASE BACKGROUND

By Order No. PSC-96-0461-FOF-EI, issued on April 2, 1996 in Docket No. 950359-EI, Florida Power & Light Company (FPL or company) was authorized to record nuclear amortization expense of \$30 million per year, beginning January 1, 1996. Subsequently, Order No. PSC-99-0073-FOF-EI, issued on January 8, 1999 in Docket No. 971660-EI, deferred a decision regarding the allocation of the nuclear amortization accumulated through year-end 1998 until after a final decision in Docket No. 981390-EI, In Re: Investigation into the Equity Ratio and Return on Equity of Florida Power and Light Company. However, at the February 16, 1999 Agenda Conference, the Commission decided to close Docket No. 981390-EI and pursue the related issues in Docket No. 990067-EI, In Re: Petition for a Full Revenue Requirements Rate Case for Florida Power & Light Company.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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On March 10, 1999, the parties of Docket No. 990067-EI filed a Joint Motion for Approval of Stipulation and Settlement together with the Stipulation and Settlement (Stipulation). By Order No. PSC-99-0519-AS-EI, issued March 17, 1999, the Stipulation was approved. The Stipulation resolved all issues in Docket No. 990067-EI and terminated the previously authorized annual nuclear amortization expense. However, the Stipulation did not address the disposition of the nuclear amortization accumulated through April 13, 1999, the day before the Implementation Date of the Stipulation. The instant docket was opened to address this issue.

This recommendation was originally scheduled for the January 18, 2000 Agenda Conference. At FPL's request, the item was deferred so parties could meet. FPL, the Office of Public Counsel, and staff met on January 25 and again on January 27 to discuss the subject matter. The Florida Industrial Power Users Group was notified of the meetings but were not present. No consensus was reached. At this time, staff is ready to proceed with its recommendation.

DISCUSSION OF ISSUES

ISSUE 1: What is the appropriate disposition of the accumulated balance of nuclear amortization?

RECOMMENDATION: Staff recommends that the \$98,666,667 million jurisdictional (\$99,404,247 total company) of nuclear amortization accumulated from January 1, 1996 through April 13, 1999, the day prior to the Implementation Date of the Stipulation, be transferred to FPL's nuclear decommissioning reserve. These decommissioning expenses should be funded on an after tax basis and all associated debit deferred taxes should be excluded for surveillance purposes. Further, FPL should be required to submit its proposed journal entries to accomplish the transfer with the surveillance report for December 31, 1999. (LEE)

STAFF ANALYSIS: As part of Order No. PSC-96-0461-FOF-EI, FPL was authorized to record an annual \$30 million in nuclear amortization expense, beginning January 1, 1996. The expense amount was final; however, the account(s) to which the accumulated amount was to be booked remained subject to determination by the Commission in a future proceeding such as a generic stranded cost docket. In accordance with the Stipulation approved in Docket No. 990067-EI, the company continued to record a monthly \$2.5 million (\$30 million annually) in nuclear amortization through April 13, 1999, at which time the amortization ceased. The accumulated amount of nuclear amortization to be made account-specific is \$98,666,667 million on a jurisdictional basis.

Reserve deficiencies identified in FPL's last depreciation study in Docket No. 971660-EI for its steam and nuclear production accounts were corrected by Order No. PSC-99-0073-FOF-EI. Additionally, there has been no stranded cost docket opened. Therefore, staff has considered other accounts that indicate a need for these monies.

By Order No. PSC-98-0027-FOF-EI, issued January 5, 1998 in Docket No. 970410-EI, the Commission approved a plan (Plan) for FPL to record certain expenses for 1998 and 1999 to address identified under recoveries. The amount of the expenses recorded would be based on FPL's 1996 revenue forecast benchmark. Among the under recoveries identified was the nuclear decommissioning deficiency. FPL was allowed to record additional nuclear decommissioning expense, on an after tax basis, to correct its identified reserve deficiency. That order stated that the Commission had found sufficient evidence demonstrating the existence of a historic

nuclear decommissioning deficiency that represented a failure of the past to adequately provide for the cost of decommissioning.

In accord with the Plan approved by the Commission by Order No. PSC-98-0027-FOF-EI, FPL filed a nuclear decommissioning study on October 1, 1998 in Docket No. 981246-EI, identifying reserve deficiencies of about \$536 million. Subsequently, the Stipulation approved by Order No. PSC-99-0519-AS-EI, issued on March 17, 1999 in Docket No. 990067-EI, capped the annual nuclear decommissioning accrual at the 1995 prescribed level through the term of the Stipulation (1999-2002) and ceased the Plan.

Staff is still in the process of reviewing FPL's decommissioning study, however, based on an initial review, FPL's quantification of its reserve deficiencies appears to be above the amount being considered by this recommendation. For this reason, staff recommends that the accumulated amortization be transferred to the nuclear decommissioning reserve to help correct its inherent historic reserve deficiency identified in Docket No. 981246-EI. These expenses should be funded on an after tax basis. Additionally, all debit deferred taxes resulting from these amounts contained in the decommissioning fund should be excluded for surveillance purposes. Finally, FPL should submit its proposed journal entries to accomplish the transfer of the accumulated nuclear amortization to the nuclear decommissioning reserve with the surveillance report for December 31, 1999.

Allocating the nuclear amortization to the nuclear decommissioning reserve will effectively increase FPL's rate base and commits the company to using cash outlay. Additionally, this action will result in a future ratepayer benefit by reducing the net amount of estimated decommissioning costs to be recovered. Further, as stated in FPL's Basic Statement of Position in Docket No. 970410-EI, FPL has considered correcting the decommissioning historic reserve deficiency to be appropriate and in the best interest of its customers.

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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 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.