

VOTE SHEET

DECEMBER 17, 2001

RE: Docket No. 981246-EI - Petition by Florida Power & Light Company for approval of annual accrual for Turkey Point and St. Lucie nuclear decommissioning unit costs.

Docket No. 001835-EI - Petition for approval of revised annual accrual for nuclear decommissioning costs by Florida Power Corporation.

Docket No. 990324-EI - Disposition of Florida Power & Light Company's accumulated amortization pursuant to Order PSC-96-0461-FOF-EI.

Docket No. 991931-EI - Determination of appropriate method of recovery for the last core of nuclear fuel for Florida Power & Light Company and Florida Power Corporation.

ISSUE 1: Should the currently approved annual nuclear decommissioning accruals for Florida Power & Light Company (FPL) and Florida Power Corporation (FPC) be revised?

RECOMMENDATION: Yes. A review of FPL's and FPC's site specific decommissioning cost studies indicate that currently prescribed annual accrual levels should be revised to recognize developments and changes impacting decommissioning cost estimates. Such changes consider factors including additional information, improvements in technology, and regulatory changes that have transpired since the 1994 studies.

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Anthony A. Pallesi

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

15690 DEC 17 01

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Staff believes that disposition of this issue will satisfy the IRS requirements regarding projected dates each nuclear unit will no longer be included in rate base for ratemaking purposes and the methodologies to be utilized by FPL and FPC to decommission their nuclear units.

MODIFIED *Portion of issue concerned with FPL was approved. Portion concerned with FPC was modified based on decision in Issue 4, with staff to make fall-out adjustments as required.*

ISSUE 2: Should a contingency allowance be applied to the estimated cost of decommissioning, and if so, what should the percentage be?

RECOMMENDATION: Yes. A contingency allowance should be applied to the costs of decommissioning nuclear units. The weighted average contingency factors listed below for each of the five nuclear units are reasonable and should be approved:

FPC:

CR3 17.22%

FPL:

TP3 19.59%

TP4 19.39%

SL1 20.51%

SL2 20.79%

MODIFIED *FPL's portion of issue approved; FPC's modified based on decision in Issue 4, with staff to make any fall-out adjustments.*

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ISSUE 3: Should the total estimated cost of nuclear decommissioning include a provision for on-site storage of spent fuel beyond the termination of the operating licenses of each nuclear unit?

RECOMMENDATION: Yes. It is prudent for the total estimated costs of nuclear decommissioning to include the costs for interim storage of spent fuel incurred after the retirement of each nuclear unit. However, these amounts should continue to be reviewed in subsequent decommissioning studies to determine the prudence of their inclusion.

MODIFIED

FPL's portion of issue approved; FPC's modified based on decision in Issue 4, with staff to make any fall-out adjustments.

ISSUE 4: What is the appropriate annual accrual in equal dollar amounts necessary to recover future decommissioning costs over the remaining life of each nuclear power plant for Florida Power & Light Company and Florida Power Corporation?

RECOMMENDATION: The appropriate jurisdictional annual accrual amounts necessary to recover future decommissioning costs over the remaining life of each nuclear power plant are:

	<u>Recommended Annual Accrual</u>
FPL:	
TP3	\$21,815,173
TP4	25,220,424
SL1	18,683,743
SL2	<u>12,797,597</u>
Total	<u>\$78,516,937</u>
FPC:	
CR3	<u>\$18,144,708</u>

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For FPL, staff's recommended total accrual amount represents a decrease of \$0.8 million compared to the total amount indicated in FPL's study and a decrease of \$5.5 million compared to the total amount approved in Order No. PSC-95-1531-FOF-EI (Order No. 95-1531), which established FPL's current nuclear decommissioning accrual levels. For FPC, staff's recommended amount represents an increase of \$9.5 million over the amount requested in FPC's study and a decrease of \$2.4 million compared to the amount approved in Order No. 95-1531.

Staff believes that disposition of this issue will satisfy the IRS requirements regarding the current and future cost to decommission each nuclear unit, the years in which the accumulated decommissioning funds will be expended, the escalation rates, the assumed fund earnings rate, and the annual accrual amounts.

MODIFIED

Staff's recommendation concerning FPL was approved. For FPC, the base accrual on projected earnings level will be 6%^{rate},

with the company to justify if the rate is the higher of the inflation or 4.7%. FPC will file an earnings report 12/31/03, with the understanding the PSC may or may not take action based on the report.

ISSUE 5: Should the unrecovered value of Materials and Supplies inventories that will exist at the nuclear site following shut down be recovered through an unfunded reserve?

RECOMMENDATION: Yes. The unrecovered value of Materials and Supplies (M&S) inventories existing at the nuclear site following permanent shut down should be amortized over the remaining life span of each nuclear site. The resulting jurisdictional annual expense is \$1.7 million for TP, \$0.7 million for SL, and \$1.5 million for CR3. The accounting treatment for these expenses should consist of a debit to nuclear maintenance expense with a credit to an unfunded Account 228 reserve. Further, the amortization of EOL M&S inventories should be included in subsequent

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decommissioning studies so the related annual accruals can be revised, if warranted. Moreover, in the event of industry restructuring, treatment of these established unfunded reserves should follow the same treatment afforded nuclear decommissioning.

MODIFIED *FPL's portion of issue approved; FPC's modified based on decision in Issue 4, with staff to make any fall-out adjustments.*

ISSUE 6: What is the appropriate recovery mechanism for the cost of the last core of nuclear fuel?

RECOMMENDATION: The existence of the last core of nuclear fuel (Last Core) is the direct result of unit shut down, and there are numerous uncertainties surrounding the timing of unit shut down, actual costs associated with the Last Core, and future regulatory environment. Therefore, staff recommends that the associated costs be considered a base rate future obligation with recovery afforded through an established unfunded reserve. The recommended accounting treatment consists of a debit to base rate fuel expense with a credit to an unfunded Account 228 reserve. The resulting annual jurisdictional expenses for FPL are about \$5.5 million; for FPC, the resulting annual jurisdictional expenses are \$1.1 million. Additionally, FPL and FPC should address the costs associated with the Last Core in subsequent decommissioning studies so the related annual accruals can be revised, if warranted. Further, in the event of industry restructuring, treatment of the Last Core unfunded reserve should follow the same treatment afforded nuclear decommissioning.

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ISSUE 7: What is the appropriate disposition of the accumulated balance of nuclear amortization?

RECOMMENDATION: Staff recommends that the \$98,666,667 million 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 a regulatory liability account and amortized over the remaining life of the nuclear units. The unamortized amount of the regulatory liability will be included in working capital as a reduction to rate base. The amortization expense will be recorded as a credit to Account 407.4, Regulatory Credits. The resulting annual jurisdictional amortization expense is about \$6.9 million. Further, in the event of industry restructuring, treatment of the Last Core unfunded reserve should follow the same treatment afforded nuclear decommissioning.

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ISSUE 8: What should be the effective date for adjusting the annual decommissioning accrual amounts, amortization of nuclear EOL M&S inventories, and amortization of the costs associated with the Last Core?

RECOMMENDATION: The effective date for revised decommissioning accruals, amortization of nuclear EOL M&S inventories, and amortization of the costs associated with the Last Core as shown below should be January 1, 2001 for FPC; the effective date for FPL should be May 1, 2002, when its governing Stipulation ends. Additionally, the effective date for FPL to begin the amortization of the nuclear regulatory liability discussed in Issue 7 should be May 1, 2002. Further, contributions to the decommissioning trust funds should be made on a monthly basis.

(Million)

FPL:

Nuclear decommissioning accruals	\$78.5 (Issue 4)
Amortization of EOL M&S	2.4 (Issue 5)
Amortization of Last Core	<u>5.5 (Issue 6)</u>
Total	86.4

Less

Amortization of nuclear regulatory liability	<u>(6.9) (Issue 7)</u>
Total expense	<u>79.5</u>

FPC:

Nuclear decommissioning accruals	\$18.1 (Issue 4)
Amortization of EOL M&S	1.5 (Issue 5)
Amortization of Last Core	<u>1.1 (Issue 6)</u>
Total expense	<u>20.7</u>

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ISSUE 9: When should FPL and FPC file their next nuclear decommissioning studies?

RECOMMENDATION: The next decommissioning cost studies for FPL and FPC should be filed no later than January 1, 2006 and December 29, 2005, respectively, in accordance with Rule 25-6.04365, Florida Administrative Code. The studies should include an update of the amortizations of EOL M&S inventories and the Last Core.

APPROVED

ISSUE 10: Should these dockets be closed?

RECOMMENDATION: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, these dockets should be closed upon the issuance of a consummating order.

APPROVED