

State of Florida



Public Service Commission  
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TALLAHASSEE, FLORIDA 32399-0850

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DEC - 5 AM 7:35  
COMMISSION CLERK

DATE: DECEMBER 5, 2002

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK &  
ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (SLEMKEWICZ) IS DM  
OFFICE OF THE GENERAL COUNSEL (STERN) MKS WCH

JDJ

RE: DOCKET NO. 021164-EI - PETITION FOR AUTHORIZATION TO  
INCREASE RESERVE FOR STORM DAMAGE BY MAKING ONE-TIME  
EXPENSE ACCRUAL TO RESERVE BEFORE DECEMBER 31, 2002, BY  
FLORIDA POWER & LIGHT COMPANY.

AGENDA: 12/17/02 - REGULAR AGENDA - PROPOSED AGENCY ACTION -  
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\021164.RCM

CASE BACKGROUND

On November 18, 2002, Florida Power & Light Company (FPL) filed a petition to make a one-time expense accrual of between \$25 million to \$35 million to its Reserve for Storm Damage by December 31, 2002. In its Petition, FPL also requests that the Commission render a decision on this matter before December 31, 2002.

DOCUMENT NUMBER-DATE

13266 DEC-58

FPSC-COMMISSION CLERK

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the Commission approve Florida Power & Light Company's (FPL) petition for authorization to make a one-time expense accrual of between \$25 million to \$35 million to increase its Reserve for Storm Damage before December 31, 2002?

**RECOMMENDATION:** Yes, the Commission should approve FPL's petition for authorization to make a one-time expense accrual of between \$25 million to \$35 million to increase its Reserve for Storm Damage by December 31, 2002. (SLEMKEWICZ)

**STAFF ANALYSIS:** Per Order No. PSC-95-1588-FOF-EI, issued December 17, 1995, FPL was authorized to increase its annual storm fund accrual to \$20.3 million commencing January 1, 1995. The annual accrual amount of \$20.3 million was reaffirmed in Order No. PSC-98-0953-FOF-EI, issued July 14, 1998. This order also established that a reasonable level for the reserve was \$370 million in 1997 dollars. Although FPL did not specifically request any rate increase in Docket No. 001148-EI, the MFRs filed in that docket included an annual accrual of \$50.3 million to the Reserve for Storm Damage, a \$30 million increase over the currently authorized accrual amount. A Stipulation and Settlement was filed in Docket No. 001148-EI and was approved in Order No. PSC-02-0501-AS-EI, issued April 11, 2002. In Paragraph 13 of the Stipulation and Settlement, FPL withdrew its request for an increase in the annual accrual to the Reserve for Storm Damage.

FPL requests that it be authorized to make a one-time accrual of an additional \$25 million to \$35 million for 2002 to the Reserve for Storm Damage over and above the normal annual accrual of \$20.3 million. This additional one-time accrual would not increase customer rates nor would it affect either the revenue sharing thresholds or any potential refunds to FPL's customers under the Stipulation and Settlement. The current level of the Reserve for Storm Damage is \$261.6 million as of November 30, 2001.

Staff believes that FPL's request to make an additional one-time accrual of between \$25 million to \$35 million is reasonable given that it does not affect the customers' rates or any potential refunds that might be due to them. In addition, there is a long term benefit to this one-time accrual because it will increase the amount of the reserve. This increase should help to reduce the amount of any future upward adjustments to the authorized annual

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accrual based on any future storm damage studies filed. Simply using CPI to inflate the target level, the reserve target would be approximately \$416 million in 2002 dollars. At the current annual accrual of \$20.3 million, it will take FPL approximately seven and a half years to reach the target reserve level of \$416 million, assuming that FPL does not sustain any significant storm damage during that time. The additional one-time expense accrual could shorten the time necessary to reach the target level by up to approximately one and a half years. Staff, therefore, recommends that the Commission approve FPL's request to make a one-time expense accrual of between \$25 million to \$35 million to the Reserve for Storm Damage.

**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 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (STERN)

**STAFF ANALYSIS:** At the conclusion of the protest period, if no protest is filed, this docket should be closed upon the issuance of a consummating order.