

State of Florida



Public Service Commission

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DATE: JULY 2, 2003

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

FROM: DIVISION OF ECONOMIC REGULATION (P. LEE, HAFF, LESTER)
OFFICE OF THE GENERAL COUNSEL (BROWN)

Handwritten initials: PSL, MSA, JDJ, JS, DM, MCB, WAT

RE: DOCKET NO. 030558-EI - REQUEST FOR APPROVAL OF REVISED
FOSSIL DISMANTLEMENT STUDIES, BY FLORIDA POWER & LIGHT
COMPANY.

AGENDA: 07/15/03 - REGULAR AGENDA - INTERESTED PERSONS MAY
PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\030558.RCM

CASE BACKGROUND

By Order No. 24741, issued July 1, 1991, in Docket No. 890186-EI, the Commission established the methodology for accruing the costs of dismantlement for fossil fueled production plants. The methodology is dependent on three factors: estimated base costs for dismantlement, projected inflation, and a contingency factor. The Order required electric companies to file site specific dismantlement studies at least once every four years in connection with their comprehensive depreciation studies. On June 20, 2003, Florida Power & Light Company (FPL or company) filed its revised fossil dismantlement site-specific cost studies. FPL requests preliminary implementation of its proposed revised annual dismantlement accruals, effective January 1, 2003.

The Commission approved FPL's current fossil dismantlement accruals by Order No. PSC-00-0293-PAA-EI, issued February 14, 2000, in Docket No. 981166-EI. The annual accruals were effective

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January 1, 1999. In that Order, the Commission directed FPL to file its next regularly scheduled fossil dismantlement site-specific studies no later than September 17, 2002. In Order No. PSC-01-2376-PAA-EI, issued December 10, 2001, in Docket No. 011088-EI, the Commission granted FPL an extension until April 30, 2004 to file its updated fossil dismantlement studies. FPL needed the extension of time because of staffing limitations brought about by the review of its retail rates in Docket No. 001148-EI. In approving the extension of time, the Commission stated that in the event of a settlement in Docket No. 001148-EI, the filing date should be revisited.

On March 14, 2002, the parties in Docket No. 001148-EI, In Re: Review of the Retail Rates of Florida Power & Light Company, filed a Stipulation and Settlement (Stipulation) that extended FPL's existing revenue sharing plan through the end of 2005. The Commission approved the Stipulation by Order No. PSC-02-0501-AS-EI, issued April 11, 2002. The Stipulation precludes the revision of FPL's depreciation rates for the term of the Stipulation, but does not preclude the revision of FPL's dismantlement accruals. As a result of the Settlement, FPL has filed its dismantlement studies one year earlier than anticipated in Order No. PSC-01-2376-PAA-EI.

This recommendation addresses FPL's request for preliminary implementation of its proposed annual dismantlement accruals. The Commission has jurisdiction in this matter pursuant to Sections 366.04, 366.05, 366.06, and 366.07 Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve FPL's proposed annual dismantlement accruals on a preliminary basis?

RECOMMENDATION: Yes, FPL's proposed annual dismantlement accruals as shown on Attachment A should be approved on a preliminary basis. The effect of this proposal would increase dismantlement expenses by an estimated \$918,000 for 2003. The expenses should be trued-up when final action, expected to occur in November 2003, is taken by the Commission in this docket. (P. LEE)

STAFF ANALYSIS: FPL requests that it be allowed to implement its proposed provision for dismantlement on a preliminary basis. The expenses should be trued-up when final Commission action is taken in November 2003.

Preliminary implementation does not imply that upon completion of the review of the company's filed study staff will be in full agreement with company proposals. Staff is only recommending preliminary implementation of the proposed dismantlement provision shown on Attachment A because it is likely to result in more appropriate expenses than the current dismantlement accruals. In either case, of course, accruals should be trued-up upon final Commission action in this docket.

Since the FPL's 1998 dismantlement study, base cost estimates for the various dismantlement activities have changed as shown below:

FOSSIL DISMANTLEMENT BASE COST ESTIMATES		
	1998 Study	2003 Study
	(\$)	(\$)
Cape Canaveral	11,310,465	12,698,822
Cutler	7,204,220	7,890,950
Fort Lauderdale	16,234,272	21,013,706
Ft. Myers	23,015,656	19,659,288
Manatee	30,454,351	38,735,568
Martin	48,610,494	57,422,630

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FOSSIL DISMANTLEMENT BASE COST ESTIMATES		
	1998 Study	2003 Study
	(\$)	(\$)
Port Everglades	29,028,327	36,502,177
Putnam	7,821,728	7,774,579
Riviera	15,323,103	17,066,500
Sanford	27,583,232	27,356,897
Scherer	19,144,381	25,868,542
St. Johns River Power Park	16,136,613	17,652,261
Turkey Point	22,577,038	24,277,678
Total	274,443,880	313,919,598

Both the 1998 cost estimates and the resulting 2003 study cost estimates include a 16% contingency factor. According to FPL, the net increase in cost estimates is due in part to changes in labor rates, an extension of the recovery periods to recognize the repowering of certain units, the addition of the simple cycle Martin Unit 8, and an increase in burial costs at Manatee, Fort Lauderdale, and Port Everglades.

Staff expects to complete its review and bring the final recommendation addressing FPL's fossil dismantlement study to Agenda in November 2003. Staff recommends that FPL be allowed to implement its proposed revised dismantlement accruals shown on Attachment A on a preliminary basis.

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ISSUE 2: What should be the implementation date for the revised annual dismantlement accruals?

RECOMMENDATION: Staff recommends a January 1, 2003, implementation date for FPL's proposed dismantlement provision. (P. LEE)

STAFF ANALYSIS: FPL requests a January 1, 2003, implementation date for its revised annual dismantlement accruals. All data and calculations about this date. Staff recommends acceptance of FPL's requested January 1, 2003, implementation date as the earliest practicable date for utilizing the revised dismantlement accruals.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: No. This docket should remain open, pending final Commission action on FPL's proposed annual dismantlement accruals. (BROWN)

STAFF ANALYSIS: The recommendation addresses the preliminary booking of FPL's proposed dismantlement accruals beginning January 1, 2003, with a provision for a true-up of resulting expenses when final Commission action is taken. The issue regarding the appropriate dismantlement provision cannot be resolved until staff has thoroughly reviewed and analyzed the company's filed study. Staff expects to bring a recommendation to the Commission for final action on this request in November 2003. The Order reflecting the Commission's decision on the final dismantlement provision will be issued as Proposed Agency Action, affording a point of entry for substantially affected persons.

**FLORIDA POWER AND LIGHT COMPANY
PRELIMINARY IMPLEMENTATION**

Plant Site	Current Annual Accrual	Proposed Annual Accrual	Change in Annual Accrual
Steam Production	(\$)	(\$)	(\$)
Cape Canaveral	641,593	606,925	(34,668)
Cutler	374,541	269,549	(104,992)
Ft. Myers Units 1 & 2	1,243,132	0	(1,243,132)
Manatee	1,638,834	2,543,323	904,489
Martin Units 1 & 2	2,029,877	2,359,945	330,068
Port Everglades	1,688,214	2,129,323	441,109
Riviera	853,591	629,946	(223,645)
Sanford	1,490,155	195,558	(1,294,597)
Scherer	1,155,529	1,276,972	121,443
St. Johns River Power Park	867,729	776,659	(91,070)
Turkey Point	1,230,794	1,106,183	(124,611)
Total Steam Production	13,213,989	11,894,383	(1,319,606)
Other Production			
Fort Lauderdale	1,044,362	1,386,450	342,088
Putnam	442,534	349,433	(93,101)
Martin CC Units 3, 4, & 8	685,841	902,683	216,842
Ft. Myers CC Unit 2	0	787,337	787,337
Sanford CC Units 4 & 5	0	1,004,179	1,004,179
Port Everglades GTs	29,961	19,564	(10,397)
Ft. Lauderdale GTs	20,347	34,554	14,207
Ft. Myers GTs	136,981	112,952	(24,029)
Total Other Production	2,360,026	4,597,152	2,237,126
Total Dismantlement Provision	15,574,015	16,491,535	917,520