

STATE OF FLORIDA

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Public Service Commission

September 22, 2003

Mr. Carroll Webb
Joint Administrative Procedures
Committee
Room 120 Holland Building
Tallahassee, FL 32399-1300

RE: Docket No. 030714-EI - Proposed Adoption of Rule 25-6.04364, F.A.C., Electric Utilities Dismantlement Studies

Dear Mr. Webb:

Enclosed is an original copy of the following materials concerning the above referenced proposed rule:

1. A copy of the rule.
2. A copy of the F.A.W. notice.
3. A statement of facts and circumstances justifying the proposed rule.
4. A federal standards statement.
5. No statement of estimated regulatory costs was prepared.

If there are any questions with respect to this rule, please do not hesitate to call me.

Sincerely,

Christiana T. Moore
Christiana T. Moore
Associate General Counsel

ADM04364.CTM

Enclosures

cc: Division of the Commission Clerk
and Administrative Services

DOCUMENTAL SERVICES UNIT
09080 SEP 22 03
FPSC-COMMISSION CLERK

1 25-6.04364 Electric Utilities Dismantlement Studies

2 (1) Each utility that owns a fossil fuel generating unit is
3 required to establish a dismantlement accrual as approved by the
4 Commission to accumulate a reserve that is sufficient to meet all
5 expenses at the time of dismantlement. The purpose of the study
6 required by (3) is to obtain sufficient information to update cost
7 estimates based on new developments, additional information,
8 technological improvements, and forecasts; to evaluate alternative
9 methodologies; and to revise the annual accrual needed to recover
10 the costs.

11 (2) For the purpose of this rule, the following definitions
12 shall apply:

13 (a) "Contingency Costs." A specific provision for
14 unforeseeable elements of cost within the defined project scope.

15 (b) "Dismantlement." The process of safely managing,
16 removing, demolishing, disposing, or converting for reuse the
17 materials and equipment that remain at the fossil fuel generating
18 unit following its retirement from service and restoring the site
19 to a marketable or useable condition.

20 (c) "Dismantlement Costs." The costs for the ultimate
21 physical removal and disposal of plant and site restoration, minus
22 any attendant gross salvage amount, upon final retirement of the
23 site or unit from service.

24 (3) Each utility shall file a dismantlement study for each
25 generating site once every 4 years from the submission date of the

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through type are deletions from existing law.

1 previous study unless otherwise required by Commission order. The
2 study shall be site-specific unless a showing is made by the
3 utility that a site-specific study is not possible. A utility may
4 file a study sooner than 4 years. Each utility's dismantlement
5 study shall include:

6 (a) A narrative describing each fossil fuel generating unit,
7 including the in-service date and estimated retirement date.

8 (b) A list of all entities owning an interest in each
9 generating unit and the percentage of ownership by each entity.

10 (c) The dismantlement study methodology.

11 (d) A summary of the major assumptions used in the study.

12 (e) The methodology selected to dismantle each generating unit
13 and support for the selection.

14 (f) The methodology and escalation rates used in converting
15 the current estimated dismantlement costs to future estimated
16 dismantlement costs and supporting documentation and analyses.

17 (g) The total utility and jurisdictional dismantlement cost
18 estimates in current dollars for each unit.

19 (h) The total utility and jurisdictional dismantlement cost
20 estimates in future dollars for each unit.

21 (i) For each year, the estimated amount of dismantlement
22 expenditures.

23 (j) The projected date each generating unit will cease
24 operations.

25 (k) For each site, a comparison of the current approved annual

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1 dismantlement accruals with those proposed. Current accruals shall
2 be identified as to the effective date and proposed accruals to the
3 proposed effective date.

4 (1) A summary and explanation of material differences between
5 the current study and the utility's last filed study including
6 changes in methodology and assumptions.

7 (m) Supporting schedules, analyses, and data, including the
8 contingency allowance, used in developing the dismantlement cost
9 estimates and annual accruals proposed by the utility. Supporting
10 schedules shall include the inflation analysis.

11 (4) The dismantlement annual accrual shall be calculated
12 using the current cost estimates escalated to the expected dates of
13 actual dismantlement. The future costs less amounts recovered to
14 date shall then be discounted in a manner that accrues the costs
15 over the remaining life span of the unit.

16 (5) Dismantlement accruals shall be recorded monthly to
17 assure that the costs for dismantlement have been provided for at
18 the time the production unit or site ceases operations.

19 (6) A utility shall not establish a new annual dismantlement
20 accrual, revise its annual dismantlement accrual, or transfer a
21 dismantlement reserve without prior Commission approval.

22 (7) The annual dismantlement accrual shall be a fixed dollar
23 amount and shall be based on a 4-year average of the accruals
24 related to the years between the dismantlement study reviews.

25 (8) The accumulated dismantlement reserve and accruals shall

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1 be maintained in a subaccount of Account 108 "Accumulated
2 Depreciation" and separate from the accumulated depreciation
3 reserve and expenses. Subsidiary records shall include sufficient
4 detail to allow for separate site or unit reporting.

5 Specific Authority: 350.127(2), 350.115, F.S.

6 Law Implemented: 366.041, 366.06(1), F.S.

7 History: New _____.

8 Rule25-6.04364.ctm

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NOTICE OF PROPOSED RULEMAKING

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 030714-EI

RULE TITLE:

RULE NO.:

ELECTRIC UTILITIES DISMANTLEMENT STUDIES

25-6.04364

PURPOSE AND EFFECT: The purpose of this rule is to set forth the requirement for determination of the annual dismantlement accrual, for filing dismantlement studies, and for information to be included in the studies.

SUMMARY: The rule requires the filing of a dismantlement study at least once every four years and also sets forth the information to be included in the study.

Any person who wishes to provide information regarding the statement of estimated regulatory costs, or to provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

SPECIFIC AUTHORITY: 350.127(2), 350.115, F.S.

LAW IMPLEMENTED: 366.041, 366.06(1), F.S.

WRITTEN COMMENTS OR SUGGESTIONS ON THE PROPOSED RULE MAY BE SUBMITTED TO THE FPSC, DIVISION OF THE COMMISSION CLERK AND ADMINISTRATIVE SERVICES, WITHIN 21 DAYS OF THE DATE OF THIS NOTICE FOR INCLUSION IN THE RECORD OF THE PROCEEDING.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING

WILL BE SCHEDULED AND ANNOUNCED IN THE FAW.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS:

Christiana T. Moore, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, Florida 32399-0862, (850) 413-6245.

THE FULL TEXT OF THE PROPOSED RULE IS:

25-6.04364 Electric Utilities Dismantlement Studies

(1) Each utility that owns a fossil fuel generating unit is required to establish a dismantlement accrual as approved by the Commission to accumulate a reserve that is sufficient to meet all expenses at the time of dismantlement. The purpose of the study required by (3) is to obtain sufficient information to update cost estimates based on new developments, additional information, technological improvements, and forecasts; to evaluate alternative methodologies; and to revise the annual accrual needed to recover the costs.

(2) For the purpose of this rule, the following definitions shall apply:

(a) "Contingency Costs." A specific provision for unforeseeable elements of cost within the defined project scope.

(b) "Dismantlement." The process of safely managing, removing, demolishing, disposing, or converting for reuse the materials and equipment that remain at the fossil fuel generating

unit following its retirement from service and restoring the site to a marketable or useable condition.

(c) "Dismantlement Costs." The costs for the ultimate physical removal and disposal of plant and site restoration, minus any attendant gross salvage amount, upon final retirement of the site or unit from service.

(3) Each utility shall file a dismantlement study for each generating site once every 4 years from the submission date of the previous study unless otherwise required by Commission order. The study shall be site-specific unless a showing is made by the utility that a site-specific study is not possible. A utility may file a study sooner than 4 years. Each utility's dismantlement study shall include:

(a) A narrative describing each fossil fuel generating unit, including the in-service date and estimated retirement date.

(b) A list of all entities owning an interest in each generating unit and the percentage of ownership by each entity.

(c) The dismantlement study methodology.

(d) A summary of the major assumptions used in the study.

(e) The methodology selected to dismantle each generating unit and support for the selection.

(f) The methodology and escalation rates used in converting the current estimated dismantlement costs to future estimated

dismantlement costs and supporting documentation and analyses.

(g) The total utility and jurisdictional dismantlement cost estimates in current dollars for each unit.

(h) The total utility and jurisdictional dismantlement cost estimates in future dollars for each unit.

(i) For each year, the estimated amount of dismantlement expenditures.

(j) The projected date each generating unit will cease operations.

(k) For each site, a comparison of the current approved annual dismantlement accruals with those proposed. Current accruals shall be identified as to the effective date and proposed accruals to the proposed effective date.

(l) A summary and explanation of material differences between the current study and the utility's last filed study including changes in methodology and assumptions.

(m) Supporting schedules, analyses, and data, including the contingency allowance, used in developing the dismantlement cost estimates and annual accruals proposed by the utility. Supporting schedules shall include the inflation analysis.

(4) The dismantlement annual accrual shall be calculated using the current cost estimates escalated to the expected dates of actual dismantlement. The future costs less amounts recovered

to date shall then be discounted in a manner that accrues the costs over the remaining life span of the unit.

(5) Dismantlement accruals shall be recorded monthly to assure that the costs for dismantlement have been provided for at the time the production unit or site ceases operations.

(6) A utility shall not establish a new annual dismantlement accrual, revise its annual dismantlement accrual, or transfer a dismantlement reserve without prior Commission approval.

(7) The annual dismantlement accrual shall be a fixed dollar amount and shall be based on a 4-year average of the accruals related to the years between the dismantlement study reviews.

(8) The accumulated dismantlement reserve and accruals shall be maintained in a subaccount of Account 108 "Accumulated Depreciation" and separate from the accumulated depreciation reserve and expenses. Subsidiary records shall include sufficient detail to allow for separate site or unit reporting.

Specific Authority: 350.127(2), 350.115, F.S.

Law Implemented: 366.041, 366.06(1), F.S.

History: New _____.

NAME OF PERSON ORIGINATING PROPOSED RULE: Pat Lee

NAME OF SUPERVISOR OR PERSONS WHO APPROVED THE PROPOSED RULE:

Florida Public Service Commission.

DATE PROPOSED RULE APPROVED: September 16, 2003

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAW: Volume 29, Number 8, February 21, 2003.

If any person decides to appeal any decision of the Commission with respect to any matter considered at the rulemaking hearing, if held, a record of the hearing is necessary. The appellant must ensure that a verbatim record, including testimony and evidence forming the basis of the appeal is made. The Commission usually makes a verbatim record of rulemaking hearings.

Any person requiring some accommodation at this hearing because of a physical impairment should call the Division of the Commission Clerk and Administrative Services at (850) 413-6770 at least 48 hours prior to the hearing. Any person who is hearing or speech impaired should contact the Florida Public Service Commission by using the Florida Relay Service, which can be reached at: 1-800-955-8771 (TDD).

Rule 25-6.04364
Docket No. 030714-EI

**STATEMENT OF FACTS AND CIRCUMSTANCES
JUSTIFYING RULE**

The Commission's policy regarding the dismantlement studies and resulting accruals are set forth in its orders. The rule will codify that policy.

STATEMENT ON FEDERAL STANDARDS

There is no federal standard on the same subject.