

Section 1 - Bureau of Records Complete

Docket No. 060508-EI Date Docketed: 07/24/2006 Title: Proposed adoption of new rule regarding nuclear power plant cost recovery.

Company: Electric IOUs

Official Filing Date: _____ Expiration: _____

Last Day to Suspend: _____

Referred to:

CCA CMP ECR (GCL) PIF RCA SCR SGA

("C") indicates OPR

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Section 2 - OPR Completes and returns to CCA in 10 workdays.

Time Schedule

Program Module All(a)

WARNING: THIS SCHEDULE IS AN INTERNAL PLANNING DOCUMENT
IT IS TENTATIVE AND SUBJECT TO REVISION.
FOR UPDATES CONTACT THE RECORDS SECTION: (850) 413-6770

Staff Assignments

OPR Staff

Current CASR revision level

Due Dates
Previous Current

Staff Counsel

OCRs

Recommended assignments for hearing and/or deciding this case:

Full Commission ___ Commission Panel ___
Hearing Examiner ___ Staff ___

Date filed with CCA: _____

Initials OPR _____
Staff Counsel _____

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Section 3 - Chairman Completes

Assignments are as follows:

- Hearing Officer(s)

Commissioners						Hrg Exam	Staff
ALL	ED	DS	AR	CT	TW		

Prehearing Officer

Commissioners					ADM
ED	DS	AR	CT	TW	

Where panels are assigned the senior Commissioner is Panel Chairman: the identical panel decides the case.

Where one Commissioner, a Hearing Examiner or a Staff Member is assigned the full Commission decides the case.

Approved: _____
Date: _____

DOCUMENT NUMBER-DATE

04802 JUN 15 8

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CCA	CMP	ECR	(GCL)	PIF	RCA	SCR	SGA
		X	X				

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FOR UPDATES CONTACT THE RECORDS SECTION: (850) 413-6770

Staff Assignments

OPR Staff	L Harris, C Keating	0	Current CASR revision level	Due Dates	
				Previous	Current
		1.	Staff Rule Development Workshop	NONE	08/30/2006
		2.	Post-Workshop Comments Due	NONE	09/13/2006
		3.	Transcript Due	NONE	09/13/2006
		4.	Revised CASR Due	NONE	09/22/2006
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Staff Counsel	L Harris, C Keating	8.			
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OCRs (ECR)	C Hewitt, C Kummer	11.			
	P Lester, K Lewis	12.			
	B McNulty, J Slemkewicz	13.			
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Recommended assignments for hearing and/or deciding this case:

Full Commission Commission Panel
Hearing Examiner Staff

Date filed with CCA: 08/24/2006

Initials OPR _____
Staff Counsel _____

Section 3 - Chairman Completes

Assignments are as follows:

- Hearing Officer(s)

Commissioners						Hrg Exam	Staff
ALL	ED	DS	AR	CT	TW		
X							

Prehearing Officer

Commissioners					ADM
ED	DS	AR	CT	TW	
			X		

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Where one Commissioner, a Hearing Examiner or a Staff Member is assigned the full Commission decides the case.

Approved: [Signature]
Date: 08/24/2006

Section 1 - Bureau of Records Complete

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Company: Electric IOUs

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Last Day to Suspend: _____

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CCA	CMP	ECR	(GCL)	PIF	RCA	SCR	SGA
		X	X				

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FOR UPDATES CONTACT THE RECORDS SECTION: (850) 413-6770

Staff Assignments

Due Dates

OPR Staff	L Harris	1	Current CASR revision level	Due Dates	
				Previous	Current
		1.	Post-Workshop Comments Due	SAME	09/13/2006
		2.	Transcript Due	SAME	09/13/2006
		3.	Staff Recommendation	NONE	10/12/2006
		4.	Agenda	NONE	10/24/2006
		5.	Revised CASR Due	09/22/2006	11/03/2006
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		7.			
Staff Counsel	L Harris	8.			
		9.			
		10.			
OCRs (ECR)	C Hewitt, C Kummer	11.			
	P Lester, K Lewis	12.			
	B McNulty, J Stenkewicz	13.			
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Recommended assignments for hearing and/or deciding this case:		31.			
		32.			
Full Commission <input checked="" type="checkbox"/> Commission Panel <input type="checkbox"/>		33.			
Hearing Examiner <input type="checkbox"/> Staff <input type="checkbox"/>		34.			
		35.			
Date filed with CCA: <u>09/13/2006</u>		36.			
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Initials OPR _____		38.			
Staff Counsel _____		39.			
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Section 3 - Chairman Completes

Assignments are as follows:

- Hearing Officer(s)

Commissioners						Hrg Exam	Staff
ALL	ED	DS	AR	CT	TW		
X							

Prehearing Officer

Commissioners					ADM
ED	DS	AR	CT	TW	
			X		

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Where one Commissioner, a Hearing Examiner or a Staff Member is assigned the full Commission decides the case.

Approved: ED/PLM
Date: 09/13/2006

Section 1 - Bureau of Records Complete

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Expiration: _____

Last Day to Suspend: _____

Referred to:

CCA CMP ECR (GCL) PIF RCA SCR SGA

("O") indicates OPR

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FOR UPDATES CONTACT THE RECORDS SECTION: (850) 413-6770

Staff Assignments

OPR Staff

L Harris

2 Current CASR revision level

Due Dates
Previous Current

Staff Counsel

L Harris

OCRs (ECR)

C Bulecza-Banks
C Hewitt, C Kummer
P Lester, K Lewis
B McNulty, J Slemkewicz

1.	Revised Staff Rec. (Deferred from 10/24/06 Agen	NONE	11/08/2006
2.	Agenda	NONE	11/21/2006
3.	Revised CASR Due	11/03/2006	11/29/2006
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Recommended assignments for hearing and/or deciding this case:

Full Commission Commission Panel ___
Hearing Examiner ___ Staff ___

Date filed with CCA: 10/24/2006

Initials OPR _____
Staff Counsel _____

Section 3 - Chairman Completes

Assignments are as follows:

- Hearing Officer(s)

Commissioners						Hrg Exam	Staff
ALL	ED	DS	AR	CT	TW		
X							

Prehearing Officer

Commissioners					ADM
ED	DS	AR	CT	TW	
			X		

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Where one Commissioner, a Hearing Examiner or a Staff Member is assigned the full Commission decides the case.

Approved: ED/hw

Date: 10/24/2006

Section 1 - Bureau of Records Completed

Docket No. 060508-EI Date Docketed: 07/24/2006 Title: Proposed adoption of new rule regarding nuclear power plant cost recovery.

Company: Electric IOUs

Official Filing Date: _____ Expiration: _____

Last Day to Suspend: _____

Referred to:

CCA CMP ECR (GCL) PIF RCA SCR SGA

("C") indicates OPR

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Section 2 - OPR Completes and returns to CCA in 10 workdays.

Time Schedule

Program Module All(a)

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IT IS TENTATIVE AND SUBJECT TO REVISION.
FOR UPDATES CONTACT THE RECORDS SECTION: (850) 413-6770

Staff Assignments

OPR Staff	Staff Assignments	4 Current CASR revision level	Due Dates	
			Previous	Current
L Harris				
	1. Revised Staff Rec.(Deferred from 11/21/06)		11/21/2006	12/07/2006
	2. Agenda		12/05/2006	12/19/2006
	3. Revised CASR Due		12/15/2006	01/10/2007
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Staff Counsel	L Harris			
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OCRs (ECR)	C Bulecza-Banks			
	C Hewitt, C Kummer			
	P Lester, K Lewis			
	B McNulty, J Slemkewicz			
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Recommended assignments for hearing and/or deciding this case:

Full Commission Commission Panel
Hearing Examiner Staff

Date filed with CCA: 11/20/2006

Initials OPR _____
Staff Counsel _____

Section 3 - Chairman Completes

Assignments are as follows:

- Hearing Officer(s)

Commissioners						Hrg Exam	Staff
ALL	ED	DS	AR	CT	TW		
X							

Prehearing Officer

Commissioners					ADM
ED	DS	AR	CT	TW	
			X		

Where panels are assigned the senior Commissioner is Panel Chairman: the identical panel decides the case.
Where one Commissioner, a Hearing Examiner or a Staff Member is assigned the full Commission decides the case.

Approved: ED / hms
Date: 11/20/2006

Section 1 - Bureau of Records Completes

Docket No. 060508-EI Date Docketed: 07/24/2006 Title: Proposed adoption of new rule regarding nuclear power plant cost recovery.

Company: Electric IOUs

Official Filing Date: _____

Expiration: _____

Last Day to Suspend: _____

Referred to:

("C") indicates OPR)

CCA	CMP	ECR	(GCL)	PIF	RCA	SCR	SGA
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Section 2 - OPR Completes and returns to CCA in 10 workdays.

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Program Module All(a)

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FOR UPDATES CONTACT THE RECORDS SECTION: (850) 413-6770

Staff Assignments

OPR Staff	L Harris	5	Current CASR revision level		Due Dates	
			Previous	Current	Previous	Current
		1.	Request for Hearing/Comments Due	NONE	01/19/2007	
		2.	Revised CASR Due	01/10/2007	01/31/2007	
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Staff Counsel	L Harris	8.				
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		10.				
OCRs (ECR)	C Bulecza-Banks	11.				
	C Hewitt, C Kummer	12.				
	P Lester, K Lewis	13.				
	B McNulty, J Slemkewicz	14.				
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Recommended assignments for hearing and/or deciding this case:

Full Commission Commission Panel
Hearing Examiner Staff

Date filed with CCA: 01/02/2007

Initials OPR _____
Staff Counsel _____

Section 3 - Chairman Completes

Assignments are as follows:

- Hearing Officer(s)

Commissioners						Hrg Exam	Staff
ALL	ED	AR	CT	TW	LT		
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Prehearing Officer

Commissioners					ADM
ED	AR	CT	TW	LT	
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Where panels are assigned the senior Commissioner is Panel Chairman: the identical panel decides the case.
Where one Commissioner, a Hearing Examiner or a Staff Member is assigned the full Commission decides the case.

Approved: ED/hrs
Date: 01/02/2007

Section 1 - Bureau of Records Complete

Docket No. 060508-EI Date Docketed: 07/24/2006 Title: Proposed adoption of new rule regarding nuclear power plant cost recovery.

Company: Electric IOUs

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Expiration: _____

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CCA CMP ECR (GCL) PIF RCA SCR SGA

("O" indicates OPR)

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Section 2 - OPR Completes and returns to CCA in 10 workdays.

Time Schedule

Program Module All(a)

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 FOR UPDATES CONTACT THE RECORDS SECTION: (850) 413-6770

Staff Assignments

OPR Staff

L Harris

6 Current CASR revision level

Due Dates
 Previous Current

Staff Counsel

L Harris

OCRs (ECR)

C Bulecza-Banks
C Hewitt, C Kummer
P Lester, K Lewis
B McNulty, J Slemkewicz

1.	Staff Recommendation - Rule Adoption	NONE	02/01/2007
2.	Agenda	NONE	02/13/2007
3.	FAW Notice of Change Filed	NONE	02/13/2007
4.	FAW Notice of Change Published	NONE	02/23/2007
5.	Standard Order	NONE	03/16/2007
6.	File Rule With Secretary of State	NONE	03/16/2007
7.	Close Docket or Revise CASR	NONE	03/19/2007
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Recommended assignments for hearing and/or deciding this case:

Full Commission Commission Panel ___
 Hearing Examiner ___ Staff ___

Date filed with CCA: 01/26/2007

Initials OPR _____
 Staff Counsel _____

Section 3 - Chairman Completes

Assignments are as follows:

- Hearing Officer(s)

Commissioners						Hrg Exam	Staff
ALL	ED	AR	CT	MM	LT		
X							

Prehearing Officer

Commissioners					ADM
ED	AR	CT	MM	LT	
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Where panels are assigned the senior Commissioner is Panel Chairman: the identical panel decides the case.
 Where one Commissioner, a Hearing Examiner or a Staff Member is assigned the full Commission decides the case.

Approved: _____
 Date: 01/26/2007

Kay Flynn

060508-EI

From: Larry Harris
Sent: Tuesday, July 25, 2006 8:34 AM
To: Kay Flynn
Subject: RE: rule docket ?

Its going to be in 25-6. It will affect IOUs only. Sorry for not including that info.
:-)

From: Kay Flynn
Sent: Tuesday, July 25, 2006 7:40 AM
To: Larry Harris
Cc: Dorothy Menasco; Matilda Sanders
Subject: rule docket ?

Larry, good morning.

What rule section will this proposed adoption of new rule on nuclear power plant cost recovery fall in?
What utilities should be included on the docket mailing list?

Kay

Please note: Florida has a very broad public records law. Most written communications to or from state officials regarding state business are considered to be public records and will be made available to the public and to the media upon request. Therefore, your e-mail message may be subject to public disclosure.

/25/2006

DOCUMENT NUMBER-DATE

04802 JUN 15 5

FPCO-COMMISSION CLERK

Matilda Sanders

From: Mary Diskerud
Sent: Wednesday, July 26, 2006 12:59 PM
To: CCA - Orders / Notices
Subject: Order / Notice Submitted

Date and Time: 7/26/2006 12:58:00 PM 3
Docket Number: 060508-EI
Filename / Path: Nuclear Power Plant Notice.ldh.doc

Copied to gcorders. Distribution is Electric (EI) (EM) (EC)

Mary

96/7

State of Florida



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: September 14, 2006

TO: Blanca S. Bayó, Director, Division of the Commission Clerk and Administrative Services

FROM: Jane Faurot, Chief, Office of Hearing Reporter Services, Division of the Commission Clerk and Administrative Services

RE: DOCKET NO. 060508-EI, RULE DEVELOPMENT WORKSHOP HELD 08/30/06.

Re: PROPOSED ADOPTION OF NEW RULE REGARDING NUCLEAR POWER PLANT COST RECOVERY.

DOCUMENT No: 08350-06, 09/13/06

The transcript for the above proceedings has been completed and is forwarded for placement in the docket file, including attachments.

Please note that Staff distribution of this transcript was made to:

LEGAL, ECR

Acknowledged BY:

A handwritten signature in black ink, appearing to be "JF", written over a horizontal line.

JF/rlm

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 1, 2006
TO: Blanca S. Bayó, Commission Clerk and Administrative Services Director
FROM: Lawrence D. Harris, Senior Attorney, Office of the General Counsel *LHH*
RE: Docket No. 060508-EI

The attached correspondence was received from Florida Power & Light Company. Please file in the above-referenced docket file.

LDH
Attachment

RECEIVED-PSO
NOV - 1 AM 10:32
COMMISSION
CLERK

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 12, 2006

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Office of the General Counsel (Harris)
Division of Economic Regulation (Hewitt, Kummer, Lester, Lewis, McNulty,
Slemkewicz)

RE: Docket No. 060508-EI – Proposed adoption of new rule regarding nuclear power
plant cost recovery.

AGENDA: 10/24/06 – Regular Agenda – Rule Proposal – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Carter

RULE STATUS: Proposal Should Not Be Deferred

SPECIAL INSTRUCTIONS: Rule must be adopted by December 28, 2006

FILE NAME AND LOCATION: S:\PSC\GCL\WP\060508.RCM.DOC

Case Background

Section 366.93, Florida Statutes, which became law on June 19, 2006, codified the Florida Legislature's desire to promote fuel diversity and supply reliability by promoting utility investment in nuclear power plants. The statute is intended to ensure that investor-owned electric utilities are able to recover the cost of planning and constructing nuclear power plants in a *fair and timely manner*. Section 366.93(2) states "[w]ithin 6 months after the enactment of this act, the commission shall establish, by rule, alternative cost recovery mechanisms for the recovery of costs incurred in the siting, design, licensing, and construction of a nuclear power plant." This recommendation brings specific rule language to the Commission for consideration.

The statute provides that alternative cost recovery mechanisms to allow all prudently incurred costs to be recovered in rates shall include, but are not limited to, recovery through the Capacity Cost Recovery Clause (CCRC) of nuclear plant preconstruction costs and carrying costs on the utility's projected construction cost balance associated with the nuclear power plant. The statute also provides that a utility shall be allowed to increase its base rate charges after the nuclear power plant is placed in commercial service.

Staff is mindful of the Florida legislature's instruction that alternative mechanisms for the recovery of costs associated with nuclear power plant siting, design, licensing and construction are to be established through this rulemaking. The methods the Commission previously used to review and approve costs associated with nuclear power plant construction would not effectively encourage the investment and construction of new nuclear power plants. Construction of a nuclear power plant requires large investments of capital over a long period of time. Therefore, risks must be minimized as much as possible to encourage the necessary investment. Prior to enactment of Section 366.93, F.S., a utility company's concerns about recovering costs may have caused it not to pursue the siting and construction of a nuclear power plant. Because the legislature determined that Florida should increase the diversity of its fuel supply and that doing so would create greater reliability, alternatives to the cost recovery methods the Commission has traditionally used are being established through this rulemaking for investor-owned utilities electing to build new nuclear power plants. With respect to the statutory mandate to establish alternative cost recovery mechanisms, the Commission will be able to consider alternatives during its annual hearing on the capacity cost recovery clause. This may involve a rate structure different than what is traditionally used in this proceeding. Staff considers recovery of preconstruction costs and carrying charges associated with construction work in progress through the capacity cost recovery clause an "alternative cost recovery mechanism." Typically, these costs are included in the cost of the power plant and addressed in a base rate proceeding.

Staff drafted a proposed rule and a notice of rule development workshop was published in the August 4, 2006, Florida Administrative Weekly. Staff held the rule development workshop on August 30, 2006, to discuss the proposed rule and receive comments from interested persons. Progress Energy Florida (PEF) provided written comments in the form of revisions to staff's draft rule in advance of the workshop on August 14, 2006. On August 28, 2006, PEF and Florida Power and Light (FPL) jointly provided joint revised draft rule language for consideration. Representatives of the Office of Public Counsel (OPC), FPL, PEF, Florida Industrial Power Users Group, Florida Retail Federation, Tampa Electric Company, Radey Thomas Yon and Clark law firm, and the Nuclear Energy Institute attended the workshop. Interested persons were also invited to provide written comments after the workshop. On September 13, the Office of Public Counsel filed written comments and PEF and FPL made a joint filing in the form of a revised rule.

This recommendation addresses whether the Commission should propose Rule 25-6.0423, F.A.C., Nuclear Power Plant Cost Recovery, included as Attachment A. The Commission has rulemaking authority pursuant to sections 366.05(1) and 366.93(2), Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission propose Rule 25-6.0423, Florida Administrative Code, Nuclear Power Plant Cost Recovery?

Recommendation: Yes. (Harris, Hewitt, Kummer, Lester, Lewis, McNulty, Slemkewicz)

Staff Analysis: Rule 25-6.0423 establishes alternative cost recovery mechanisms for the siting, design, licensing, and construction of nuclear power plants as required by Section 366.93, Florida Statutes, which was signed into law by Governor Bush on June 19, 2006.

Prior to enactment of Section 363.93, Florida Statutes, the costs of planning and constructing a new nuclear power plant, including an allowance for funds used during construction, would normally be capitalized during the construction period. The costs of the completed plant would not be included in base rates until a subsequent proceeding, such as a base rate proceeding, was concluded. As a result, recovery of costs for a nuclear unit could be delayed for some time, discouraging utilities from pursuing the more expensive investment in nuclear generation.

Summary of Rule 25-6.0423

Subsection (1) sets forth the purpose of the rule: to promote electric utility investment in nuclear power plants and allow for the recovery in rates of all prudently incurred costs; and, to establish alternative cost recovery mechanisms for the recovery of costs incurred in the siting, design, licensing, and construction of nuclear power plants.

Subsection (2) establishes definitions for the terms “nuclear power plant,” “cost,” “preconstruction costs,” and “construction costs.”

Subsection (3) provides for the costs expended in preparation for the construction of a nuclear power plant to be afforded deferred accounting treatment and to accrue a carrying charge equal to the utility’s allowance for funds used during construction (AFUDC) until recovered in rates.

Subsection (4) describes the procedures that the utility shall follow to file for cost recovery after the Commission has issued a final order granting a determination of need pursuant to Section 403.519, Florida Statutes. Subsection (4) also describes the types of costs that are eligible for recovery, the parameters of such recovery, and the method that will be used to accomplish the cost recovery.

Subsection (5) codifies a utility’s ability to recover all prudent preconstruction costs and construction costs in the event that a utility elects not to complete or is precluded from completing construction of a nuclear power plant after the Commission has issued a final order determining need for the nuclear power plant. The Capacity Cost Recovery Clause is identified as the mechanism for cost recovery. The time period during which such recovery shall be accomplished is specified. The method of calculating interest accrual on the unrecovered balance is also specified.

Subsection (6) establishes the procedures that the utility shall follow to file for an increase in its base rates after a nuclear power plant and associated systems are placed in commercial service. The method for calculating the increase in base rates is codified as being based on the annualized base revenue requirements for the nuclear power plant for the first 12 months of operations consistent with the cost projections filed in conjunction with the utility's CCRC projection filing. Once the nuclear power plant is included in rate base, recovery through the CCRC will cease, except for the difference between actual and projected construction costs as provided for in Subsection (4)(d). The method for calculating the rate of return on capital investments is codified as being the utility's rate of return last approved by the Commission prior to the date the nuclear power plant is placed in commercial service. If an existing generating plant is retired as a result of operation of a nuclear power plant, the jurisdictional net book value of the retired plant shall be recovered through an increase in base rate charges over a period not to exceed five years. At the end of the recovery period, base rates shall be reduced by an amount equal to the increase associated with the recovery of the retired generating plant.

Subsection (7) codifies the manner in which a utility shall provide the Commission with the budgeted and actual costs of the nuclear power plant following the final order granting a determination of need and until commercial operation of the plant begins.

Inclusion of Post-Workshop Comments

In consideration of the joint comments provided by Progress Energy Florida, Inc. and Florida Power and Light Company, staff revised the initial draft of the rule and organized the subsections in the sequence suggested by the joint comments for purposes of greater clarity. Other revisions made to the rule as a result of comments made at the workshop and/or post-workshop written comments are discussed below.

At Subsection (2)(c) (Attachment A, p. 7, lines 13-19), the joint comments of PEF/FPL included a definition of "preconstruction costs." OPC recommended that the definition of "preconstruction costs" be limited to those costs incurred after a site has been selected, consistent with the provisions of Section 366.93(1)(d), Florida Statutes. Staff agrees with OPC and has revised the definition to clarify that preconstruction costs are limited to costs incurred after a site has been selected consistent with the way the term "preconstruction" is defined in Section 366.93(1)(d), F.S. Therefore, while the proposed draft includes PEF/FPL's definition of preconstruction costs, wording is now included that limits such costs to those costs incurred after a site has been selected.

At Subsection (2)(c) preconstruction costs, and (2)(d) construction costs, (Attachment A, p. 7, lines 13-19 and 20-22) PEF/FPL's joint comments included "litigation costs" among the costs the utility would be entitled to recover through the CCRC. Litigation costs should not be specifically listed as they will be evaluated just like any other project cost.

Subsection (4)(b) (Attachment A, p. 8, lines 6-22) specifies that a utility is entitled to recover its actual and projected preconstruction costs and the related carrying charge through the CCRC. In its post-workshop written comments, OPC asked that procedural protections be included to ensure all parties are provided an opportunity to review the preconstruction costs and projected construction costs submitted by utilities for approval by the Commission. OPC pointed

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out that the expedited schedule typically used for review of fuel costs, including CCRC, may not be adequate for reviewing nuclear preconstruction costs and carrying costs on projected construction costs which could reach hundreds of millions of dollars. OPC suggested that the rule be written to require utilities to file testimony and supporting cost information, and to respond to discovery requests in the CCRC docket, within a certain time frame (for example, filing testimony and supporting data 60 days before intervenor testimony is due). Staff agrees with OPC that it is important to have sufficient time to conduct a thorough review. However, given the fact that the dates for the fuel hearing change from year to year, staff cannot recommend rule language that includes time requirements without a date certain, given the requirements of the Administrative Procedure Act. Therefore, staff suggests that the pre-hearing officer, when establishing the schedule of events in the CCRC docket, give special consideration to the amount of time available for staff and all interested parties to conduct an adequate review of costs associated with nuclear units, but that this time period not be established in the rule.

At Subsection (6)(a) (Attachment A, p. 10, line 16 - p. 11, line 4), to clarify the process that a utility should use to file for an increase in its base rates after the nuclear plant is placed in commercial service, staff added language that states, "[t]he utility shall file a petition for base rate adjustment to include any and all costs the utility is seeking to put in base rates, whether or not those costs have been previously reviewed by the Commission." Staff recommends that it is not appropriate to adjust base rates through an annual clause proceeding. Although the Commission will have already reviewed most costs in the annual CCRC proceeding, any costs that the utility wishes to place in base rates should be included in a petition if the Commission has not previously reviewed them. OPC concurs with staff's position that some sort of limited proceeding should be held to adjust base rates. The IOUs disagree with this requirement and propose that the Commission simply confirm the utility's calculations as submitted.

At Subsection (6)(c) (Attachment A, p. 11, lines 8-12), the utility is permitted to recover, through an increase in base rate charges, the jurisdictional net book value of any existing generating plant that is retired as a result of the operation of the nuclear power plant. Staff recommends language that requires base rates to be reduced by an equal amount at the end of the recovery period. In staff's view, the utility could potentially recover more than the net book value of a retired generating plant through its base rates if the requirement to reduce base rates at the end of the recovery period is not included. OPC's comments concur with staff's recommended language to reduce base rates at the end of the five-year period. The joint comments filed by PEF and FPL did not include this language.

Statement of Estimated Regulatory Cost

Staff prepared a Statement of Estimated Regulatory Costs which is included as Attachment B. In summary, investor owned utilities (IOUs) should have no significant additional costs because of the new rule. IOUs currently must show that expenditures are reasonable and prudently incurred before cost recovery is allowed. IOUs will receive a significant benefit in knowing beforehand that reasonable and prudent investment in new nuclear plant will be recovered as well as allowed recovery of sunk costs if a plant is not completed. The only estimated additional costs reported by one company would be \$10,000 per year for ongoing costs.

Small businesses, small cities, small counties, and individual customers should benefit if an IOU builds a nuclear plant with lower electricity costs and increased fuel diversity. However, there would be negative impacts on small businesses, small cities, small counties, and individual customers if a nuclear plant was started and not finished and the sunk costs were recovered through their electricity bills.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no requests for hearing or comments are filed, the rule amendments as proposed should be filed for adoption with the Secretary of State and the docket should be closed. (Harris)

Staff Analysis: Unless comments or requests for hearing are filed, the rule as proposed may be filed with the Secretary of State without further Commission action. The docket may then be closed.

1 **25-6.0423 Nuclear Power Plant Cost Recovery**

2 (1) The purpose of this rule is to establish alternative cost recovery mechanisms for the
3 recovery of costs incurred in the siting, design, licensing, and construction of nuclear power
4 plants that promote electric utility investment in nuclear power plants and allow for the recovery
5 in rates of all such prudently incurred costs.

6 (2) As used in this rule:

7 (a) “Nuclear power plant” or “plant” is an electrical power plant that utilizes nuclear
8 materials as fuel, as defined in section 403.503(12)[Verify that this is (12) or (13)], Florida
9 Statutes.

10 (b) “Cost” includes, but is not limited to, all capital investments including rate of return,
11 any applicable taxes and all expenses, including operation and maintenance expenses, related to
12 or resulting from the siting, licensing, design, construction, or operation of the nuclear power
13 plant.

14 (c) “Pre-site selection costs” are costs that are expended prior to the selection of a site.
15 “Preconstruction costs” are costs that are expended after a site has been selected in preparation
16 for the construction of a nuclear power plant, incurred up to and including the date the utility
17 completes site clearing work. Pre-site selection and preconstruction costs include, but are not
18 limited to, any and all costs associated with preparing, reviewing and defending a Combined
19 Operating License (COL) application for a nuclear power plant; cost of engineering, designing,
20 and permitting the nuclear power plant; costs associated with site and technology selection,
21 clearing, grading, and excavation; and cost of on-site construction facilities (i.e., construction
22 offices, warehouses, etc.

23 (d) “Construction costs” are costs that are expended to construct the nuclear power plant

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25 existing law.

1 including, but not limited to, the costs of constructing nuclear power plant buildings and all
2 associated permanent structures, equipment and systems.

3 (3) Preconstruction and pre-site selection costs shall be afforded deferred accounting
4 treatment and shall accrue a carrying charge equal to the utility's allowance for funds used
5 during construction (AFUDC) until recovered in rates.

6 (4) After the Commission has issued a final order granting a determination of need
7 pursuant to Section 403.519, Florida Statutes:

8 (a) A utility may petition the Commission for cost recovery as permitted under this rule;

9 (b) A utility is entitled to recover, through the Capacity Cost Recovery Clause, its actual
10 and projected preconstruction and pre-site selection costs and the related carrying charge. Such
11 costs will be recovered, on an annual basis, based on the utility's projection. A utility shall
12 annually submit as part of its Capacity Cost Recovery projection filing its projected
13 preconstruction expenditures for the subsequent year and a description of the preconstruction
14 work projected to be performed during such year. A utility shall annually submit for
15 Commission review and approval, as part of its Capacity Cost Recovery final true-up filing,
16 information concerning its actual preconstruction expenditures in the prior year in comparison
17 with its previously filed projected preconstruction expenditures for such prior year and a
18 description of the preconstruction work actually performed during such year. The Commission
19 shall, after review, enter in its order with respect to a utility's Capacity Cost Recovery Clause a
20 finding whether or not such preconstruction costs actually expended by the utility are prudent. In
21 making its determination of prudence the Commission shall apply the standard provided for
22 pursuant to Section 403.519(4)(e), Florida Statutes. Actual preconstruction costs incurred by a
23 utility prior to the issuance of a final order granting a determination of need pursuant to Section

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25 existing law.

1 403.519, Florida Statutes, shall be included in the initial filing made by a utility under this
2 section for review, approval, and a finding with respect to prudence.

3 (c) A utility is entitled to recover, through the utility's Capacity Cost Recovery Clause,
4 the carrying costs on the utility's annual projected construction cost balance associated with the
5 nuclear power plant. The actual carrying costs recovered through the Capacity Cost Recovery
6 Clause shall reduce the AFUDC that would otherwise have been recorded as a cost of
7 construction eligible for future recovery as plant in service. For nuclear power plant need
8 petitions submitted on or before December 31, 2010, the associated carrying costs shall be
9 computed based on the pretax AFUDC rate in effect on June 19, 2006. For nuclear power plant
10 need petitions submitted after December 31, 2010, the utility's pretax AFUDC rate in effect at
11 the time the petition for determination of need is filed is presumed to be appropriate unless the
12 Commission determines otherwise in its need determination order. A utility shall annually
13 submit, as part of its Capacity Cost Recovery Clause projection filing, its projected construction
14 expenditures for the subsequent year and a description of the construction work projected to be
15 performed during such year. A utility shall annually submit, for Commission review and
16 approval, as part of its Capacity Cost Recovery Clause final true-up filing, information
17 concerning its actual construction expenditures in the prior year in comparison with its
18 previously filed projected construction expenditures for such prior year and a description of the
19 construction work actually performed during such year. After its review, the Commission shall
20 enter in its order with respect to a utility's Capacity Cost Recovery Clause a finding whether or
21 not such construction costs actually expended by the utility are prudent. In making its
22 determination of prudence, the Commission shall apply the standard provided for pursuant to
23 Section 403.519(4)(e), Florida Statutes.

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25 existing law.

1 (d) The difference between actual and projected costs as filed in the Capacity Cost
2 Recovery Clause will be included for cost recovery purposes as a component of the over/under
3 recovered balance to be included in the following year's cost recovery proceeding for the
4 Capacity Cost Recovery Clause.

5 (5) Following the Commission' issuance of final order granting a determination of need,
6 in the event the utility elects not to complete or is precluded from completing construction of the
7 nuclear power plant, the utility shall be allowed to recover all prudent pre-site selection costs,
8 preconstruction costs, and construction costs. The utility shall recover such costs through the
9 Capacity Cost Recovery Clause over a period equal to the period during which the costs were
10 incurred or 5 years, whichever is greater. The amount recovered under this section will be the
11 remaining unrecovered Construction Work in Progress (CWIP) balance at the time of
12 abandonment and future payment of all outstanding costs. The unrecovered balance during the
13 recovery period will accrue interest at the utility's overall pretax weighted average midpoint cost
14 of capital on a Commission adjusted basis as reported by the utility in its Earnings Surveillance
15 Report filed in December of the prior year, utilizing the midpoint of return on equity (ROE)
16 range or ROE approved for other regulatory purposes, as applicable.

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Deleted: incurred following the Commission's issuance of a final order granting a determination of need for the nuclear power plant

17 (6) As operating units or systems associated with the nuclear power plant and the nuclear
18 power plant itself are placed in commercial service:

19 (a) The utility shall submit for Commission approval the base rate increase, pursuant to
20 section 366.93(4), separate from petitions for clause recovery, that includes any and all costs
21 reflected in such increase, whether or not those costs have been previously reviewed by the
22 Commission; provided, however, that any actual costs previously reviewed and determined to be
23 prudent in the Capacity Cost Recovery Clause shall not be subject to disallowance or further

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25 existing law.

1 prudence review. The utility shall calculate the increase in base rates resulting from the
2 jurisdictional annual base revenue requirements for the nuclear power plant in conjunction with
3 the Capacity Cost Recovery Clause projection filing for the year the nuclear power plant is
4 projected to achieve commercial operation. The increase in base rates will be based on the
5 annualized base revenue requirements for the nuclear power plant for the first 12 months of
6 operations consistent with the cost projections filed in conjunction with the Capacity Cost
7 Recovery Clause projection filing. At such time as the nuclear power plant is included in base
8 rates, recovery through the Capacity Cost Recovery Clause will cease, except for the difference
9 between actual and projected construction costs as provided in paragraph (4)(d) above.

10 (b) The rate of return on capital investments shall be calculated using the utility's rate of
11 return last approved by the Commission prior to the commercial in-service date of the nuclear
12 power plant.

13 (c) The jurisdictional net book value of any existing generating plant that is retired as a
14 result of operation of the nuclear power plant shall be recovered through an increase in base rate
15 charges over a period not to exceed 5 years. At the end of the recovery period, base rates shall
16 be reduced by an amount equal to the increase associated with the recovery of the retired
17 generating plant.

18 (7) On an annual basis following issuance of the final determination of need order and
19 until commercial operation of the nuclear power plant, a utility shall include the budgeted and
20 actual costs as compared to the estimated in-service costs of the nuclear power plant as provided
21 in the petition for need determination in its annual report filed pursuant to Rule 25-6.135. The
22 estimates provided in the petition for need determination are non-binding estimates. Some costs
23 may be higher than estimated and other costs may be lower. A utility shall provide such revised

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25 existing law.

1 estimated in-service costs as may be necessary in its annual report.

2 Specific Authority 350.127(2), 366.05(1).

3 Law Implemented 366.93 FS.

4 History: New

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AUSLEY & MCMULLEN

ATTORNEYS AND COUNSELORS AT LAW

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TALLAHASSEE, FLORIDA 32301
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COMMISSION
CLERK

November 22, 2006

Ms. Kim Pena
Division of Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 060508-EI

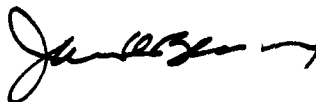
Dear Ms. Pena:

Please substitute Paula K. Brown in place of Brenda Irizarry as the in-house Tampa Electric contact person in the above docket. Paula's contact information is as follows:

Name: Paula K. Brown
Phone: (813) 228-1444
Fax: (813) 228-1770
Email: regdept@tecoenergy.com

Thank you for your assistance in connection with this matter.

Sincerely,



James D. Beasley

JDB/pp

cc: J. Denise Jordan
Paula K. Brown

*Done
11/29/06
KMP*

REQUEST FOR CHANGE TO AGENDA CONFERENCE
HAND DELIVER

RECEIVED #100

Date of Request: 12/7/2006 Date of Agenda Conference: 12/19/2006 Item No. 06 DEC -7 PM 1:44

Docket No.: 060508-EI Brief Title: Proposed Rule for Nuclear Power Plant Cost Recover

Requested by: Staff Other _____ (Name) COMMISSION CLERK

Please attach a copy of the written documentation filed (IF OTHER)

STAFF's Recommendation to Executive Suite (IF OTHER) Approve Request Deny Request

ACTION REQUESTED [see APM 2.11]

- Defer Item to Agenda Scheduled Date: _____
- Change Order of Item or Take Up at Time Certain
- Withdraw Item (not expected to return to Agenda)
- Late Filed Recommendation (must be filed no later than 3:00 p.m. on the date approved for late filing) **A copy of the front page of the recommendation must be provided to CCA by 12 noon on the regular filing date for use as a place-holder during agenda preparation.**
- Add Item to Published Agenda [see Section 120.525(2), F.S.] – Issue an ADDENDUM and give Legal NOTICE
- Add Emergency Item to Published Agenda [see Section 120.525 (3), F.S.] – Issue an ADDENDUM and Give Fair NOTICE

Concise explanation, justification or comments (attach additional sheet if necessary):

Staff requests permission to late file this recommendation by 5:00 on 12/7. Staff has a number of last minute changes, and given the technical nature of the docket, and the need for proposed rule language to be precise, staff requires additional time to file the recommendation.

Signature (Technical Staff): _____

Initials (Division Director or Designee): _____

Signature (Legal Staff): _____

Initials (General Counsel or Designee): _____

EXECUTIVE DIRECTOR:

Recommendation to the Chairman's Office

Approve Request Deny Request

Initials: MBB

Date: 12/7/06

Comments:

CHAIRMAN'S OFFICE:

Approve Request Deny Request

Initials: OPB / Psa

Date: 12/7/06

Executive Suite will send the original to the Division of Commission Clerk & Administrative Services and return copy to the requesting staff after the Chairman's Office takes action on this request. Requesting staff should distribute copies to the Division Directors (OPR & OCR) and Attorney assigned to the docket.

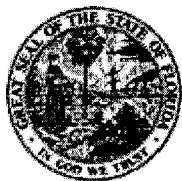
Kimberley Pena

060508

From: Donna Jones
Sent: Friday, December 15, 2006 3:10 PM
To: Commissioners & Staffs; All PSC Staff
Subject: Items of Interest at Upcoming Agenda Conference 12/19/06

A news release was distributed to the daily newspapers this afternoon, 12/15/06, and is now available on the PSC website:

<http://www.psc.state.fl.us/home/news/index.aspx?id=203>



State of Florida

**Public Service
Commission**

NEWS RELEASE

12/15/2006

Contact: 850-413-6482

Items of Interest at Upcoming Agenda Conference 12/19/06

TALLAHASSEE — The following items are among those scheduled for consideration by the Commission at the December 19, 2006, Agenda Conference:

ITEM 5: DOCKET NO. 060508-EI – PROPOSED ADOPTION OF NEW RULE REGARDING NUCLEAR POWER PLANT COST RECOVERY. The Commission will consider a staff recommendation proposing the adoption of a new rule as directed by statute to promote electric utility investment in nuclear power plants by establishing alternative recovery methods for prudently incurred costs associated with the siting, design, licensing, and construction of nuclear power plants.

ITEM 8: DOCKET NO. 060598-TL – PETITION TO RECOVER 2005 TROPICAL SYSTEM RELATED COSTS AND EXPENSES, BY BELLSOUTH TELECOMMUNICATIONS, INC. The Commission will consider a staff recommendation addressing BellSouth's request to implement a charge of \$0.50 per customer line per month for one year for the recovery of 2005 hurricane and severe storm related costs, pursuant to Florida Statute.

###

1 **25-6.0423 Nuclear Power Plant Cost Recovery**

2 (1) Purpose. The purpose of this rule is to establish alternative cost recovery
3 mechanisms for the recovery of costs incurred in the siting, design, licensing, and construction
4 of nuclear power plants in order to promote electric utility investment in nuclear power plants
5 and allow for the recovery in rates of all such prudently incurred costs.

6 (2) Definitions. As used in this rule, the following definitions shall apply:

7 (a) "Nuclear power plant" or "plant" is an electrical power plant that utilizes nuclear
8 materials as fuel, as defined in Section 403.503(13), Florida Statutes and Section 366.93(1)(c).

9 (b) "Cost" includes, but is not limited to, all capital investments including rate of
10 return, any applicable taxes and all expenses, including operation and maintenance expenses,
11 related to or resulting from the siting, licensing, design, construction, or operation of the
12 nuclear power plant as defined in Section 366.93(1)(a).

13 (c) "Site selection." A site will be deemed to be selected upon issuance of a final
14 order granting a petition for a determination of need for a nuclear power plant pursuant to
15 Section 403.519, Florida Statutes.

16 (d) "Site selection costs" are costs that are expended prior to the selection of a site.
17 ~~These costs may include, but are not limited to: any and all costs associated with preparing,~~
18 ~~reviewing and defending a Combined Operating License (COL) application for a nuclear~~
19 ~~power plant; costs of engineering, designing, and permitting the nuclear power plant; and costs~~
20 ~~associated with site and technology selection.~~

21 (e) "Pre-construction costs" are costs that are expended after a site has been selected
22 in preparation for the construction of a nuclear power plant, incurred up to and including the
23 date the utility completes site clearing work. ~~Preconstruction costs may include, but are not~~
24 ~~limited to: any and all costs associated with preparing, reviewing, and defending a Combined~~

25

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1 ~~Operating License (COL) application for a nuclear power plant; costs of engineering,~~
2 ~~designing, and permitting the nuclear power plant; costs of clearing, grading, and excavation;~~
3 ~~and costs of on-site construction facilities (i.e., construction offices, warehouses, etc.).~~

4 (f) Site Selection costs and pre-construction costs may include, but are not limited to:
5 any and all costs associated with preparing, reviewing and defending a Combined Operating
6 License (COL) application for a nuclear power plant; costs associated with site and technology
7 selection; costs of engineering, designing, and permitting the nuclear power plant; costs of
8 clearing, grading, and excavation; and costs of on-site construction facilities (i.e., construction
9 offices, warehouses, etc.).

10 (gf) "Construction costs" are costs that are expended to construct the nuclear power
11 plant including, but not limited to, the costs of constructing nuclear power plant buildings and
12 all associated permanent structures, equipment and systems.

13 (3) Deferred Accounting Treatment. Site selection and pre-construction costs shall be
14 afforded deferred accounting treatment and shall, except for projected costs recovered on a
15 projected basis in one annual cycle, accrue a carrying charge equal to the utility's allowance
16 for funds used during construction (AFUDC) rate until recovered in rates.

17 (4) Site Selection Costs. After the Commission has issued a final order granting a
18 determination of need for a nuclear power plant pursuant to Section 403.519, Florida Statutes,
19 a utility may file a petition for a ~~limited-separate~~ proceeding, ~~pursuant to Section 366.076,~~
20 ~~Florida Statutes,~~ to recover prudently incurred site selection costs. This limited-separate
21 proceeding will be limited to only those issues necessary for the determination of prudence
22 and method-period of clause for recovery of site selection costs of a nuclear power plant.

23 (5) Pre-Construction Costs and Carrying Costs on Construction Cost Balance. After
24 the Commission has issued a final order granting a determination of need for a nuclear power
25

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1 plant pursuant to Section 403.519, Florida Statutes, a utility may petition the Commission for
2 recovery of pre-construction costs and carrying costs of construction cost balance as follows:

3 (a) Pre-Construction Costs. A utility is entitled to recover, through the Capacity Cost
4 Recovery Clause, its actual and projected pre-construction costs. The utility may also recover
5 the related carrying charge for those costs not recovered on a projected basis. Such costs will
6 be recovered on an annual basis, or may, as proposed by the utility in its petition or any other
7 party and approved by the Commission, be recovered over a greater period of years.

8 1. Actual pre-construction costs incurred by a utility prior to the issuance of a final
9 order granting a determination of need pursuant to Section 403.519, Florida Statutes, shall be
10 included in the initial filing made by a utility under this subsection for review, approval, and a
11 finding with respect to prudence;

12 2. The Commission shall include pre-construction costs determined to be reasonable
13 and prudent in setting the ~~as a~~ factor in the annual Capacity Cost Recovery Clause
14 proceedings, as specified in Paragraph 5(c)2. of this rule. Such costs ~~factor~~ shall not be
15 subject to disallowance or further prudence review, ~~in that proceeding.~~

16 (b) Carrying Costs on Construction Cost Balance. A utility is entitled to recover,
17 through the utility's Capacity Cost Recovery Clause, the carrying costs on the utility's annual
18 projected construction cost balance associated with the nuclear power plant. The actual
19 carrying costs recovered through the Capacity Cost Recovery Clause shall reduce the
20 allowance for funds used during construction (AFUDC) that would otherwise have been
21 recorded as a cost of construction eligible for future recovery as plant in service;

22 1. For nuclear power plant need petitions submitted on or before December 31, 2010,
23 the associated carrying costs shall be computed based on the pretax AFUDC rate in effect on
24 June 19, 2006;

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existing law.

1 2. For nuclear power plant need petitions submitted after December 31, 2010, the
2 utility's pretax AFUDC rate in effect at the time the petition for determination of need is filed
3 is presumed to be appropriate unless the Commission determines otherwise in its need
4 determination order;

5 3. The Commission shall include carrying costs on the balance of construction costs
6 ~~balance~~ determined to be reasonable and prudent as a in setting the factor in the annual
7 Capacity Cost Recovery Clause proceedings, as specified in Paragraph (5)(c) of this rule.
8 Such factor shall not be subject to disallowance or further prudence review, ~~in that proceeding.~~

9 (c) Capacity Cost Recovery Clause for Nuclear Costs.

10 1. ~~By May 1 of e~~Each year, a utility shall submit, for Commission review and
11 approval, as part of its Capacity Cost Recovery Clause filings:

12 a. True-Up for Previous Years. By April 1, a utility shall submit its final true-up of
13 pre-construction expenditures, based on actual preconstruction expenditures for the prior year
14 and previously filed expenditures for such prior year and a description of the pre-construction
15 work actually performed during such year; or, once construction begins, its final true-up of
16 carrying costs on its construction expenditures, based on actual carrying costs on construction
17 expenditures for the prior year and previously filed carrying costs on construction
18 expenditures for such prior year and a description of the construction work actually performed
19 during such year.

20 b. True-Up and Projections for Current Year. By May 1, a utility shall submit for
21 Commission review and approval its actual/estimated true-up of projected pre-construction
22 expenditures based on a comparison of current year actual/estimated expenditures and the
23 previously-filed estimated expenditures for such current year and a description of the pre-
24 construction work projected to be performed during such year; or, once construction begins,

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existing law.

1 its actual/estimated true-up of projected carrying costs on construction expenditures based on
2 a comparison of current year actual/estimated carrying costs on construction expenditures and
3 the previously filed estimated carrying costs on construction expenditures for such current
4 year and a description of the construction work projected to be performed during such year.

5 c. Projected Costs for Subsequent Years. By May 1, a utility shall submit, for
6 Commission review and approval, its projected pre-construction expenditures for the
7 subsequent year and a description of the pre-construction work projected to be performed
8 during such year; or, once construction begins, its projected construction expenditures for the
9 subsequent year and a description of the construction work projected to be performed during
10 such year.

11 2. The Commission shall, prior to August 15 of each year, conduct a hearing to
12 determine the reasonableness of projected pre-construction expenditures and the prudence of
13 actual pre-construction expenditures expended by the utility; or, once construction begins, to
14 determine the reasonableness of carrying costs on projected construction expenditures and the
15 prudence of actual carrying costs on construction expenditures expended by the utility.
16 Within 30 days of the Commission's vote, the Commission shall enter its order. One year
17 Annually along with after the true-up of actual carrying charges, the Commission shall make
18 an annual prudence determination of the annual actual construction costs. To facilitate this
19 determination, the Commission shall conduct an on-going auditing and monitoring program of
20 construction costs and related contracts pursuant to Section 366.08, Florida Statutes. In
21 making its determination of reasonableness and prudence the Commission shall apply the
22 standard provided pursuant to Section 403.519(4)(e), Florida Statutes.

23 3. The Commission shall include those costs it determines, pursuant to this subsection,
24 to be reasonable and prudent ~~as a~~ in setting the factor in the annual Capacity Cost Recovery

25 CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

1 Clause proceedings. Such costs factor shall not be subject to disallowance or further
2 prudence review, ~~in that proceeding.~~

3 4. The final true-up for the previous year, actual/estimated true-up for the current year,
4 and subsequent year's projected nuclear power plant costs as approved by the Commission
5 pursuant to subparagraph (5)(c)2. will be included for cost recovery purposes as a component
6 of the over/under recovered balance to be included in the following year's nuclear power plant
7 cost recovery proceeding for the Capacity Cost Recovery Clause.

8 5. By May 1 of each year, along with the filings required by this paragraph, a utility
9 shall submit for Commission review and approval a detailed analysis of the long-term
10 feasibility of completing the nuclear plant, ~~taking into account significant changes, if any, in~~
11 ~~the factors considered by the Commission in granting the determination of need for the~~
12 ~~proposed plant.~~

13 (6) Failure to Enter Commercial Service. Following the Commission's issuance of a
14 final order granting a determination of need for the nuclear power plant, in the event the utility
15 elects not to complete or is precluded from completing construction of the nuclear power
16 plant, the utility shall be allowed to recover all prudent site selection costs, pre-construction
17 costs, and construction costs.

18 (a) The utility shall recover such costs through the Capacity Cost Recovery Clause
19 over a period equal to the period during which the costs were incurred or 5 years, whichever is
20 greater.

21 (b) The amount recovered under this section will be the remaining unrecovered
22 Construction Work in Progress (CWIP) balance at the time of abandonment and future
23 payment of all outstanding costs and any other prudent and reasonable exit costs. The
24 unrecovered balance during the recovery period will accrue interest at the utility's overall

25 CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from
existing law.

1 pretax weighted average midpoint cost of capital on a Commission adjusted basis as reported
2 by the utility in its Earnings Surveillance Report filed in December of the prior year, utilizing
3 the midpoint of return on equity (ROE) range or ROE approved for other regulatory purposes,
4 as applicable.

5 (7) Commercial Service. As operating units or systems associated with the nuclear
6 power plant and the nuclear power plant itself are placed in commercial service:

7 (a) The utility shall file a petition for Commission approval of the base rate increase
8 pursuant to Section 366.93(4), Florida Statutes, separate from any cost recovery clause
9 petitions, that includes any and all costs reflected in such increase, whether or not those costs
10 have been previously reviewed by the Commission; provided, however, that any actual costs
11 previously reviewed and determined to be prudent in the Capacity Cost Recovery Clause, ~~to~~
12 ~~which administrative finality has attached~~, shall not be subject to disallowance or further
13 prudence review.

14 (b) The utility shall calculate the increase in base rates resulting from the jurisdictional
15 annual base revenue requirements for the nuclear power plant in conjunction with the Capacity
16 Cost Recovery Clause projection filing for the year the nuclear power plant is projected to
17 achieve commercial operation. The increase in base rates will be based on the annualized base
18 revenue requirements for the nuclear power plant for the first 12 months of operations
19 consistent with the cost projections filed in conjunction with the Capacity Cost Recovery
20 Clause projection filing.

21 (c) At such time as the nuclear power plant is included in ~~rate~~ base rates, recovery
22 through the Capacity Cost Recovery Clause will cease, except for the difference between
23 actual and projected construction costs as provided in subparagraph (5)(c)~~34~~. above.

24 (d) The rate of return on capital investments shall be calculated using the utility's most
25

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1 recent actual Commission adjusted basis overall weighted average rate of return as reported by
2 the utility in its most recent Earnings Surveillance Report prior to the filing of a petition as
3 provided in subparagraph (7)(a) ~~commercial in-service date of the nuclear power plant~~. The
4 return on equity cost rate used shall be the midpoint of the last Commission approved range
5 for return on equity or the last Commission approved return on equity cost rate established for
6 use for all other regulatory purposes, as appropriate.

7 (e) The jurisdictional net book value of any existing generating plant that is retired as
8 a result of operation of the nuclear power plant shall be recovered through an increase in base
9 rate charges over a period not to exceed 5 years. At the end of the recovery period, base rates
10 shall be reduced by an amount equal to the increase associated with the recovery of the retired
11 generating plant.

12 (8) Annual Reports Required by Rule 25-6.135, F.A.C. On an annual basis following
13 issuance of the final order granting a determination of need and until commercial operation of
14 the nuclear power plant, a utility shall include the budgeted and actual costs as compared to
15 the estimated in-service costs of the nuclear power plant as provided in the petition for need
16 determination in its annual report filed pursuant to Rule 25-6.135, F.A.C. The estimates
17 provided in the petition for need determination are non-binding estimates. Some costs may be
18 higher than estimated and other costs may be lower. A utility shall provide such revised
19 estimated in-service costs as may be necessary in its annual report.

20 *Specific Authority 350.127(2), 366.05(1).*

21 *Law Implemented 366.93 FS.*

22 *History: New*

23
24
25
CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from
existing law.

060508-EI
Item 5

Handout by
GCL/Harris
12/19/06 Conference

1 25-6.0423 Nuclear Power Plant Cost Recovery

2 (1) Purpose. The purpose of this rule is to establish alternative cost recovery
3 mechanisms for the recovery of costs incurred in the siting, design, licensing, and construction
4 of nuclear power plants in order to promote electric utility investment in nuclear power plants
5 and allow for the recovery in rates of all such prudently incurred costs.

6 (2) Definitions. As used in this rule, the following definitions shall apply:

7 (a) "Nuclear power plant" or "plant" is an electrical power plant that utilizes nuclear
8 materials as fuel, as defined in Section 403.503(13), Florida Statutes and Section 366.93(1)(c).

9 (b) "Cost" includes, but is not limited to, all capital investments including rate of
10 return, any applicable taxes and all expenses, including operation and maintenance expenses,
11 related to or resulting from the siting, licensing, design, construction, or operation of the
12 nuclear power plant as defined in Section 366.93(1)(a).

13 (c) "Site selection." A site will be deemed to be selected upon issuance of a final
14 order granting a petition for a determination of need for a nuclear power plant pursuant to
15 Section 403.519, Florida Statutes.

16 (d) "Site selection costs" are costs that are expended prior to the selection of a site.

17 ~~These costs may include, but are not limited to, any and all costs associated with preparing,~~
18 ~~reviewing and defending a Combined Operating License (COL) application for a nuclear~~
19 ~~power plant, costs of engineering, designing, and permitting the nuclear power plant, and costs~~
20 ~~associated with site and technology selection.~~

21 (e) "Pre-construction costs" are costs that are expended after a site has been selected
22 in preparation for the construction of a nuclear power plant, incurred up to and including the
23 date the utility completes site clearing work. ~~Preconstruction costs may include, but are not~~
24 ~~limited to, any and all costs associated with preparing, reviewing, and defending a Combined~~

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1 Operating License (COL) application for a nuclear power plant; costs of engineering,
2 designing, and permitting the nuclear power plant; costs of clearing, grading, and excavation;
3 and costs of on-site construction facilities (i.e., construction offices, warehouses, etc.);

4 (f) Site Selection costs and pre-construction costs may include, but are not limited to,
5 any and all costs associated with preparing, reviewing and defending a Combined Operating
6 License (COL) application for a nuclear power plant; costs associated with site and technology
7 selection; costs of engineering, designing, and permitting the nuclear power plant; costs of
8 clearing, grading, and excavation; and costs of on-site construction facilities (i.e., construction
9 offices, warehouses, etc.);

10 (gf) "Construction costs" are costs that are expended to construct the nuclear power
11 plant including, but not limited to, the costs of constructing nuclear power plant buildings and
12 all associated permanent structures, equipment and systems.

13 (3) Deferred Accounting Treatment. Site selection and pre-construction costs shall be
14 afforded deferred accounting treatment and shall, except for projected costs recovered on a
15 projected basis in one annual cycle, accrue a carrying charge equal to the utility's allowance
16 for funds used during construction (AFUDC) rate until recovered in rates.

17 (4) Site Selection Costs. After the Commission has issued a final order granting a
18 determination of need for a nuclear power plant pursuant to Section 403.519, Florida Statutes,
19 a utility may file a petition for a limited proceeding, pursuant to Section 366.076, Florida
20 Statutes, to recover prudently incurred site selection costs. This limited proceeding will be
21 limited to only those issues necessary for the determination of prudence and method for
22 recovery of site selection costs of a nuclear power plant.

23 (5) Pre-Construction Costs and Carrying Costs on Construction Cost Balance. After
24 the Commission has issued a final order granting a determination of need for a nuclear power
25

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1 plant pursuant to Section 403.519, Florida Statutes, a utility may petition the Commission for
2 recovery of pre-construction costs and carrying costs of construction cost balance as follows:

3 (a) Pre-Construction Costs. A utility is entitled to recover, through the Capacity Cost
4 Recovery Clause, its actual and projected pre-construction costs. The utility may also recover
5 the related carrying charge for those costs not recovered on a projected basis. Such costs will
6 be recovered on an annual basis, or may, ~~as proposed by the utility in its petition or any other~~
7 ~~party and~~ approved by the Commission, be recovered over a greater period of years.

8 1. Actual pre-construction costs incurred by a utility prior to the issuance of a final
9 order granting a determination of need pursuant to Section 403.519, Florida Statutes, shall be
10 included in the initial filing made by a utility under this subsection for review, approval, and a
11 finding with respect to prudence;

12 2. The Commission shall include pre-construction costs determined to be reasonable
13 and prudent ~~in setting the~~ as a factor in the annual Capacity Cost Recovery Clause
14 proceedings, as specified in Paragraph 5(c)2. of this rule. Such ~~costs factor~~ shall not be
15 subject to disallowance or further prudence review in that proceeding.

16 (b) Carrying Costs on Construction Cost Balance. A utility is entitled to recover,
17 through the utility's Capacity Cost Recovery Clause, the carrying costs on the utility's annual
18 projected construction cost balance associated with the nuclear power plant. The actual
19 carrying costs recovered through the Capacity Cost Recovery Clause shall reduce the
20 allowance for funds used during construction (AFUDC) that would otherwise have been
21 recorded as a cost of construction eligible for future recovery as plant in service;

22 1. For nuclear power plant need petitions submitted on or before December 31, 2010,
23 the associated carrying costs shall be computed based on the pretax AFUDC rate in effect on
24 June 19, 2006;

25

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1 2. For nuclear power plant need petitions submitted after December 31, 2010, the
2 utility's pretax AFUDC rate in effect at the time the petition for determination of need is filed
3 is presumed to be appropriate unless the Commission determines otherwise in its need
4 determination order;

5 3. The Commission shall include carrying costs on the balance of construction costs
6 ~~balance~~ determined to be reasonable and prudent ~~as a~~ in setting the factor in the annual
7 Capacity Cost Recovery Clause proceedings, as specified in Paragraph (5)(c) of this rule.
8 Such factor shall not be subject to disallowance or further prudence review in that proceeding.

9 (c) Capacity Cost Recovery Clause for Nuclear Costs.

10 1. ~~By May 1 of each~~ Each year, a utility shall submit, for Commission review and
11 approval, as part of its Capacity Cost Recovery Clause filings:

12 a. True-Up for Previous Years. ~~By April 1, a~~ utility shall submit its final true-up of
13 pre-construction expenditures, based on actual preconstruction expenditures for the prior year
14 and previously filed expenditures for such prior year and a description of the pre-construction
15 work actually performed during such year; or, once construction begins, its final true-up of
16 carrying costs on its construction expenditures, based on actual carrying costs on construction
17 expenditures for the prior year and previously filed carrying costs on construction
18 expenditures for such prior year and a description of the construction work actually performed
19 during such year.

20 b. True-Up and Projections for Current Year. ~~By May 1, a~~ utility shall submit for
21 Commission review and approval its actual/estimated true-up of projected pre-construction
22 expenditures based on a comparison of current year actual/estimated expenditures and the
23 previously-filed estimated expenditures for such current year and a description of the pre-
24 construction work projected to be performed during such year; or, once construction begins,
25

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1 its actual/estimated true-up of projected carrying costs on construction expenditures based on
2 a comparison of current year actual/estimated carrying costs on construction expenditures and
3 the previously filed estimated carrying costs on construction expenditures for such current
4 year and a description of the construction work projected to be performed during such year.

5 c. Projected Costs for Subsequent Years. ~~By May 1, a~~ utility shall submit, for
6 Commission review and approval, its projected pre-construction expenditures for the
7 subsequent year and a description of the pre-construction work projected to be performed
8 during such year; or, once construction begins, its projected construction expenditures for the
9 subsequent year and a description of the construction work projected to be performed during
10 such year.

11 2. The Commission shall, prior to August 15 of each year, conduct a hearing to
12 determine the reasonableness of projected pre-construction expenditures and the prudence of
13 actual pre-construction expenditures expended by the utility; or, once construction begins, to
14 determine the reasonableness of carrying costs on projected construction expenditures and the
15 prudence of actual carrying costs on construction expenditures expended by the utility.

16 Within 30 days of the Commission's vote, the Commission shall enter its order. ~~One year~~
17 ~~after the true-up of actual carrying charges, the Commission shall make an annual prudence~~
18 ~~determination of the annual actual construction costs. To facilitate this determination, the~~
19 ~~Commission shall conduct an on-going auditing and monitoring program of construction costs~~
20 ~~and related contracts pursuant to Section 366.08, Florida Statutes.~~ In making its determination
21 of reasonableness and prudence the Commission shall apply the standard provided pursuant to
22 Section 403.519(4)(e), Florida Statutes.

23 3. The Commission shall include those costs it determines, pursuant to this subsection,
24 to be reasonable and prudent ~~as a~~ in setting the factor in the annual Capacity Cost Recovery

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1 Clause proceedings. Such ~~costs factor~~ shall not be subject to disallowance or further
2 prudence review in that proceeding.

3 4. The final true-up for the previous year, actual/estimated true-up for the current year,
4 and subsequent year's projected nuclear power plant costs as approved by the Commission
5 pursuant to subparagraph (5)(c)2. will be included for cost recovery purposes as a component
6 of the over/under recovered balance to be included in the following year's nuclear power plant
7 cost recovery proceeding for the Capacity Cost Recovery Clause.

8 5. By May 1 of each year, along with the filings required by this paragraph, a utility
9 shall submit for Commission review and approval a detailed analysis of the long-term
10 feasibility of completing the nuclear plant. ~~taking into account significant changes, if any, in~~
11 ~~the factors considered by the Commission in granting the determination of need for the~~
12 ~~proposed plant.~~

13 (6) Failure to Enter Commercial Service. Following the Commission's issuance of a
14 final order granting a determination of need for the nuclear power plant, in the event the utility
15 elects not to complete or is precluded from completing construction of the nuclear power
16 plant, the utility shall be allowed to recover all prudent site selection costs, pre-construction
17 costs, and construction costs.

18 (a) The utility shall recover such costs through the Capacity Cost Recovery Clause
19 over a period equal to the period during which the costs were incurred or 5 years, whichever is
20 greater.

21 (b) The amount recovered under this section will be the remaining unrecovered
22 Construction Work in Progress (CWIP) balance at the time of abandonment and future
23 payment of all outstanding costs ~~and any other prudent and reasonable exit costs.~~ The
24 unrecovered balance during the recovery period will accrue interest at the utility's overall
25

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1 pretax weighted average midpoint cost of capital on a Commission adjusted basis as reported
2 by the utility in its Earnings Surveillance Report filed in December of the prior year, utilizing
3 the midpoint of return on equity (ROE) range or ROE approved for other regulatory purposes,
4 as applicable.

5 (7) Commercial Service. As operating units or systems associated with the nuclear
6 power plant and the nuclear power plant itself are placed in commercial service:

7 (a) The utility shall file a petition for Commission approval of the base rate increase
8 pursuant to Section 366.93(4), Florida Statutes, separate from any cost recovery clause
9 petitions, that includes any and all costs reflected in such increase, whether or not those costs
10 have been previously reviewed by the Commission; provided, however, that any actual costs
11 previously reviewed and determined to be prudent in the Capacity Cost Recovery Clause, to
12 which administrative finality has attached, shall not be subject to disallowance or further
13 prudence review.

14 (b) The utility shall calculate the increase in base rates resulting from the jurisdictional
15 annual base revenue requirements for the nuclear power plant in conjunction with the Capacity
16 Cost Recovery Clause projection filing for the year the nuclear power plant is projected to
17 achieve commercial operation. The increase in base rates will be based on the annualized base
18 revenue requirements for the nuclear power plant for the first 12 months of operations
19 consistent with the cost projections filed in conjunction with the Capacity Cost Recovery
20 Clause projection filing.

21 (c) At such time as the nuclear power plant is included in ~~rate~~ base rates, recovery
22 through the Capacity Cost Recovery Clause will cease, except for the difference between
23 actual and projected construction costs as provided in subparagraph (5)(c) ~~34~~. above.

24 (d) The rate of return on capital investments shall be calculated using the utility's most
25

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1 recent actual Commission adjusted basis overall weighted average rate of return as reported by
2 the utility in its most recent Earnings Surveillance Report prior to the filing of a petition as
3 provided in subparagraph (7)(a) commercial in-service date of the nuclear power plant. The
4 return on equity cost rate used shall be the midpoint of the last Commission approved range
5 for return on equity or the last Commission approved return on equity cost rate established for
6 use for all other regulatory purposes, as appropriate.

7 (e) The jurisdictional net book value of any existing generating plant that is retired as
8 a result of operation of the nuclear power plant shall be recovered through an increase in base
9 rate charges over a period not to exceed 5 years. At the end of the recovery period, base rates
10 shall be reduced by an amount equal to the increase associated with the recovery of the retired
11 generating plant.

12 (8) Annual Reports Required by Rule 25-6.135, F.A.C. On an annual basis following
13 issuance of the final order granting a determination of need and until commercial operation of
14 the nuclear power plant, a utility shall include the budgeted and actual costs as compared to
15 the estimated in-service costs of the nuclear power plant as provided in the petition for need
16 determination in its annual report filed pursuant to Rule 25-6.135, F.A.C. The estimates
17 provided in the petition for need determination are non-binding estimates. Some costs may be
18 higher than estimated and other costs may be lower. A utility shall provide such revised
19 estimated in-service costs as may be necessary in its annual report.

20 *Specific Authority 350.127(2), 366.05(1).*

21 *Law Implemented 366.93 FS.*

22 *History: New*

23
24
25
CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from
existing law.

Matilda Sanders

PSC-06-1050-NOR-E1

From: Wanda Terrell
Sent: Wednesday, December 20, 2006 3:32 PM
To: CCA - Orders / Notices
Subject: Order / Notice Submitted

Date and Time: 12/20/2006 3:30:00 PM
Docket Number: 060508-EI
Filename / Path: I:\060508 Rulemaking.Idh.doc

12

The Notice of Rulemaking in this docket has been copied to GCOrders Library and must be issued today.

Number of pages in Notice: 12

If there are any questions, please contact Larry Harris.

State of Florida



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: December 27, 2006

TO: Blanca S. Bayó, Director, Division of the Commission Clerk and Administrative Services

FROM: Jane Faurot, Chief, Office of Hearing Reporter Services, Division of the Commission Clerk and Administrative Services

RE: DOCKET NO. 060508-EI, AGENDA HELD 12/19/06.

Re: PROPOSED ADOPTION OF NEW RULE REGARDING NUCLEAR POWER PLANT COST RECOVERY.

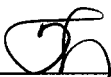
DOCUMENT No: 11752-06, 12/26/06

The transcript for the above proceedings has been completed and is forwarded for placement in the docket file, including attachments.

Please note that Staff distribution of this transcript was made to:

LEGAL, ECR

Acknowledged BY:



JF/rlm

Kimberley Pena

060508

From: Donna Jones
Sent: Friday, February 09, 2007 2:22 PM
To: Commissioners & Staffs; All PSC Staff
Subject: ITEMS OF INTEREST AT UPCOMING AGENDA CONFERENCE 2/13/07

A press release was distributed this afternoon, 2/9/07 and is available on the website:

<http://www.psc.state.fl.us/home/news/index.aspx?id=226>



State of Florida

Public Service Commission

NEWS RELEASE

2/9/2007

Contact: 850-413-6482

ITEMS OF INTEREST AT UPCOMING AGENDA CONFERENCE 2/13/07

TALLAHASSEE — The following items are among those scheduled for consideration by the Commission at the February 13, 2007, Agenda Conference:

ITEM 3: DOCKET NO. 060508-EI – PROPOSED ADOPTION OF NEW RULE REGARDING NUCLEAR POWER PLANT COST RECOVERY. The Commission will consider a staff recommendation proposing the adoption of a new rule as directed by statute to promote electric utility investment in nuclear power plants.

ITEM 4: DOCKET NO. 050805-EQ, 050806-EQ, 050807-EQ & 050810-EQ – PETITION FOR APPROVAL OF NEW STANDARD OFFER FOR PURCHASE OF FIRM CAPACITY AND ENERGY FROM RENEWABLE ENERGY FACILITIES AND APPROVAL OF TARIFF SCHEDULES BY GULF POWER COMPANY, FLORIDA POWER & LIGHT COMPANY, PROGRESS ENERGY FLORIDA, INC., AND TAMPA ELECTRIC COMPANY. The Commission will consider a staff recommendation addressing the outstanding protests of previous standard offer contracts (Order No. PSC-06-0486-TRF-EQ) and whether to direct IOUs to file new standard offer contracts by April 1, 2007.

ITEM 7: DOCKET NO. 060732-TL – COMPLAINT REGARDING BELL SOUTH TELECOMMUNICATIONS, INC.'S FAILURE TO PROVIDE SERVICE ON REQUEST IN ACCORDANCE WITH SECTION 364.025(1), F.S., AND RULE 25-4.091(1), F.A.C., BY LENNAR HOMES, INC. The Commission will consider a staff recommendation requiring BellSouth to provide service on request according to its Carrier of Last Resort obligation.

ITEM 8:

DOCKET NO. 060581-TP – PETITION OF ALLTEL COMMUNICATIONS, INC. FOR DESIGNATION AS ELIGIBLE TELECOMMUNICATIONS CARRIER (ETC) IN CERTAIN RURAL TELEPHONE COMPANY STUDY AREAS LOCATED PARTIALLY IN ALLTEL'S LICENSED AREA AND FOR REDEFINITION OF THOSE STUDY AREAS.

DOCKET NO. 060582-TP – PETITION OF ALLTEL COMMUNICATIONS, INC. FOR DESIGNATION AS ELIGIBLE TELECOMMUNICATIONS CARRIER (ETC) IN CERTAIN RURAL TELEPHONE COMPANY STUDY AREAS LOCATED ENTIRELY IN ALLTEL'S LICENSED AREA. The Commission will consider a staff

recommendation on whether the PSC has authority to designate Alltel as a wireless eligible telecommunications carrier.

ITEM 16: DOCKET NO. 060635-EU – PETITION FOR DETERMINATION OF NEED FOR ELECTRICAL POWER PLANT IN TAYLOR COUNTY BY FLORIDA MUNICIPAL POWER AGENCY, JEA, REEDY CREEK IMPROVEMENT DISTRICT, AND CITY OF TALLAHASSEE. The Commission will consider a staff recommendation on a request for determination of need for a new 765 megawatt supercritical pulverized coal generating plant proposed in Taylor County.

ITEM 21: DOCKET NO. 060772-EG – PETITION FOR APPROVAL OF MODIFICATIONS TO APPROVED ENERGY CONSERVATION PROGRAMS, BY FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION. The Commission will consider a staff recommendation to approve a petition by Chesapeake Utilities Corporation requesting modifications to several of its energy conservation programs.

The PSC is committed to making sure that Florida's consumers receive their electric, natural gas, telephone, water, and wastewater services in a safe, affordable, and reliable manner. The PSC exercises regulatory authority over utilities in the areas of rate base/economic regulation; competitive market oversight; and monitoring of safety, reliability, and service.

For additional information, visit www.floridapsc.com.

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Kimberley Pena

060508

From: Donna Jones
Sent: Tuesday, February 13, 2007 11:26 AM
To: Commissioners & Staffs; All PSC Staff
Subject: FLORIDA PUBLIC SERVICE COMMISSION ADOPTS RULES TO ENCOURAGE NUCLEAR POWER DEVELOPMENT

The above press release was distributed to the media this morning, 2/13/07, and is available on the website at the following link:

<http://www.psc.state.fl.us/home/news/index.aspx?id=228>



State of Florida
**Public Service
Commission**
NEWS RELEASE

2/13/2007

Contact: 850-413-6482

**FLORIDA PUBLIC SERVICE COMMISSION ADOPTS RULES TO
ENCOURAGE NUCLEAR POWER DEVELOPMENT**

TALLAHASSEE — The Florida Public Service Commission (PSC) adopted new rules today to encourage the construction of additional nuclear-powered electric generation within the state. The rules are designed to spur investment in Florida's energy future and promote the development of nuclear power as a viable energy source.

Although nuclear plants are costly to construct, they are typically the least expensive type of power plant to operate. The proposed rules would permit investor-owned electric utilities to request partial recovery of the planning and construction costs of a nuclear power plant prior to commercial operation of the plant, as directed by state statute. Early recovery should reduce risks and encourage financial investment in nuclear power plants by allowing prudent costs to be recouped as they are incurred.

Phasing in cost recovery will mitigate the "rate shock" associated with recovering all the capital costs at the time a plant begins operating. Increased use of nuclear power lessens the impact on customers of storm disruptions to fossil fuel supplies, ensuring greater energy security for Florida.

"A diverse and balanced mix of fuel sources protects customers from significant price fluctuations and makes fuel-related power disruptions less likely," said PSC Chairman Lisa Polak Edgar. "The new rules will protect ratepayers while promoting investment in Florida's energy future."

The Commissioners proposed the new rules in December, but directed staff to further refine the rule language based on discussions with the Office of Public Counsel and other interested groups. The final version of the rules is a result of those meetings and consensus reached between the PSC and participating parties.

The PSC is committed to making sure that Florida's consumers receive their electric, natural gas, telephone, water, and wastewater services in a safe, affordable, and reliable manner. The PSC exercises regulatory authority over utilities in the areas of rate base/economic regulation; competitive market oversight; and monitoring of safety, reliability, and service.

For additional information, visit www.floridapsc.com.

###

Matilda Sanders

75C-07-0240-FOF-EI

From: Mary Diskerud
Sent: Tuesday, March 20, 2007 8:24 AM
To: CCA - Orders / Notices
Subject: Order / Notice Submitted

10

Date and Time: 3/20/2007 8:24:00 AM
Docket Number: 060508-EI
Filename / Path: 060508 AdoptOrder.Idh.doc

Copied to gcorders. Distribution is Electric (EI).

Mary

105/6