

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: August 18, 2005

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

FROM: Division of Economic Regulation (Slemkewicz)
Office of the General Counsel (C. Keating)

RE: Docket No. 041291-EI – Petition for authority to recover prudently incurred storm restoration costs related to 2004 storm season that exceed storm reserve balance, by Florida Power & Light Company.

AGENDA: 08/30/05 – Posthearing Decision – Participation by Parties at the Commission’s Discretion

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Baez

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\041291.RCM.DOC

Case Background

At the July 19, 2005, Agenda Conference, the Commission voted to approve a storm damage surcharge to be applied by Florida Power & Light Company (FPL). The Commission’s vote reduced FPL’s requested \$533 million storm damage surcharge to \$441,990,525 on a retail jurisdictional basis, a reduction of \$91,009,475 (\$91,900,000 system). During the discussion of this matter at the Agenda Conference, it was noted that there was some ambiguity concerning the appropriate accounting entries for recording the recommended \$91,900,000 adjustment to reduce the amount of the surcharge. It was determined that a separate recommendation should be issued to address the appropriate accounting treatment. This recommendation addresses the appropriate accounting treatment.

Discussion of Issues

Issue 1: What is the appropriate accounting treatment for the \$91,900,000 of storm damage restoration costs that were removed from the amount of FPL’s storm damage surcharge?

Recommendation: The appropriate accounting treatment for the \$91,900,000 reduction is as follows: (Slemkewicz)

Entry No.	Account No.	Description	Debit	Credit
1	228.1	Storm Damage Reserve	---	\$91,900,000
2	101	Plant in Service (CIAC)	\$21,700,000	---
3	108	Accumulated Depreciation (Retired Plant)	\$36,300,000	---
4	108	Accumulated Depreciation (Cost of Removal)	\$12,200,000	---
5	228.1	Storm Damage Reserve (Not Recoverable in Surcharge)	\$21,700,000	---
		TOTALS	\$91,900,000	\$91,900,000

Staff Analysis: In its July 7, 2005, recommendation on Issue 13 in this docket, staff recommended that the amount of storm-related costs to be charged against the storm reserve should be reduced by \$91,900,000. This amount consisted of \$58 million related to plant in service, \$12.2 million associated with cost of removal, and \$21.7 million related to contributions in aid of construction (CIAC). The Commission approved this adjustment at the July 19, 2005, Agenda Conference. During the discussion of Issue 13, staff was asked to explain some of the accounting treatments associated with the adjustments. Staff stated that there was some ambiguity concerning the exact accounting treatment of the \$91.9 million adjustment. Staff further stated that it was planning to come back at a subsequent agenda with a recommendation to clarify the accounting adjustments necessary to reconcile the debit amounts associated with the \$91.9 million credit amount of the reduction to the storm damage surcharge.

The table in the recommendation statement shows staff’s recommended accounting entries to appropriately record the \$91,900,000 that is to be removed from the recoverable amount of the storm damage surcharge. These adjustments were necessary as a result of the Commission’s decision to use a modified incremental cost approach to record the storm restoration costs rather than FPL’s Actual Restoration Cost Approach methodology. The first entry is a credit to the storm reserve to remove the \$91,900,000 from the surcharge amount. The

second entry is a \$21,700,000 debit to plant in service that increases the capital additions to plant back to the amount that would have been booked under normal conditions. The third entry is a \$36,300,000 debit to accumulated depreciation to record retired plant as it normally would be recorded. The fourth entry debits accumulated depreciation to properly record the \$12,200,000 cost of removal in a normal manner. The fifth, and last, entry is a debit to the storm reserve to transfer \$21,700,000 from restoration costs that are recoverable through the surcharge to restoration costs that are not recoverable through the surcharge.

Staff conducted a meeting to which all of the parties were invited for the purpose of discussing this proposed accounting treatment. Following the meeting, staff contacted each party and confirmed that no party objects to the proposed accounting treatment.

Based on the above discussion, staff recommends that the proposed accounting entries be approved.

Issue 2: Should this docket be closed?

Recommendation: Yes. This docket should be closed if no party files a timely appeal of the Commission's final order. (C. Keating)

Staff Analysis: This docket should be closed if no party files a timely appeal of the Commission's final order.