

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval of revised fossil dismantlement expense accruals, effective 1/1/99, by Florida Power & Light Company.

DOCKET NO. 981166-EI
ORDER NO. PSC-00-0293-PAA-EI
ISSUED: February 14, 2000

The following Commissioners participated in the disposition of this matter:

JOE GARCIA, Chairman
J. TERRY DEASON
SUSAN F. CLARK
E. LEON JACOBS, JR.

NOTICE OF PROPOSED AGENCY ACTION
ORDER REVISING FOSSIL DISMANTLEMENT ACCRUALS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

I. CASE BACKGROUND

By Order No. PSC-95-1532-FOF-EI, issued December 12, 1995, in Docket No. 941343-EI, Florida Power & Light Company (FPL or company) was required to file its fossil dismantlement studies on December 29, 1999. Subsequently, by Order No. PSC-98-0027-FOF-EI, issued on January 5, 1998, in Docket No. 970410-EI, FPL was directed to file its fossil dismantlement studies no later than October 1, 1998. FPL's request for approval of a revised fossil dismantlement accrual resulting from its updated site-specific dismantlement studies was filed on September 17, 1998.

By Order No. PSC-99-0519-AS-EI, issued March 17, 1999 in Docket No. 990067-EI, we approved a Stipulation and Settlement (Stipulation) between FPL, the Office of Public Counsel, the Florida Industrial Power User's Group, and the Coalition for

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FPSC-RECORDS/REPORTING

Equitable Rates. The Stipulation addressed a number of earnings and rate-related issues. By Paragraph 8 of the Stipulation, the parties agreed that FPL's fossil dismantlement expense would be capped at the currently approved level. The current annual dismantlement accruals of \$16,962,106 were approved by Order No. PSC-95-1532-FOF-EI, issued December 12, 1995, in Docket No. 941343-EI. The Stipulation does not preclude a reduction in annual accrual amounts, if appropriate. This Order addresses our review of FPL's current fossil dismantlement studies.

II. RESERVE ALLOCATIONS

By Order No. PSC-98-0027-FOF-EI, issued January 5, 1998, in Docket No. 970410-EI, FPL was authorized to record additional expense amounts to correct the calculated historical deficiency brought about by failure in the past to adequately provide for the cost of dismantlement. As a result, FPL has increased its dismantlement reserve by \$37,515,232 jurisdictional (\$38,150,825 Total System). Attachment A, which is incorporated by reference herein, shows the approved allocation of this additional dismantlement expense amount to each production unit. The allocations are based on calculated reserves that are in accord with generally accepted theoretical reserve calculations. Therefore, we find that the reserve allocations shown on Attachment A shall be approved.

III. APPROPRIATE ANNUAL PROVISION FOR DISMANTLEMENT

The approved annual provision for dismantlement was developed using the corrected dismantlement reserve position, company updated dismantlement cost estimates, a contingency factor of 16%, and the latest inflation forecasts for all fossil plant sites. The decrease in the annual provision is due, primarily, to correction of the reserve deficiency and changes in the DRI forecasts.

Updated dismantlement cost estimates of \$282,163,825 are based on site-specific studies and reflect an increase of about 16% over the 1994 estimates of \$243,199,381. The increase is due primarily to increased labor rates based on the 1998 Means Union wages adjusted to reflect the geographical location of each site, increased disposal costs for concrete and non-hazardous insulation based on current landfill fees and hauling charges, and a general decrease in salvageable material values.

FPL's current dismantlement accruals are based on cost estimates assuming a 16% weighted average contingency factor. Inherent in its updated cost estimates, FPL continues use of the same contingency factor. The factor is based on applying specific contingency factors as recommended by the Atomic Industrial Forum/National Environmental Studies Project report AIF/NESP-036, "Guidelines for Producing Commercial Nuclear Power Plant Decommissioning Cost Estimates" to individual cost categories that are applicable to fossil dismantlement. Additionally, a 20% contingency factor was assumed for asbestos removal since the report does not include specific factors for this cost category. We have utilized a 16% weighted average contingency factor to determine the total estimated costs for the dismantlement of FPL's fossil-fueled generating stations.

FPL's dismantlement study calculated revised annual dismantlement accruals based on DRI inflation forecasts from the Fall/Winter 1997-1998 publication. We updated the DRI inflation factors using the latest available data from the DRI Summer 1999 publication. The effect of the DRI update is a decrease in the annual accrual of \$1,787,166.

The total dismantlement annual accrual based on FPL's current site-specific dismantlement study cost estimates, the DRI Summer 1999 inflation factors, and the use of a dismantlement book reserve position is \$22,562,448. However, correction of the reserve deficiencies as authorized by Order No. PSC-98-0027-FOF-EI, results in a total annual dismantlement accrual of \$15,574,015. Accordingly, we find that the appropriate annual Total System provision for dismantlement is \$15,574,015, effective January 1, 1999.

IV. FILING DATE FOR FPL'S NEXT FOSSIL DISMANTLEMENT SITE-SPECIFIC STUDIES

By Order No. PSC-95-1532-FOF-EI, issued on December 12, 1995 in Docket No. 941343-EI, we approved FPL's request to file updated fossil dismantlement studies on a four-year cycle beginning December 29, 1994. Subsequently, by Order No. PSC-98-0027-FOF-EI, issued on January 5, 1998 in Docket No. 970410-EI, FPL was required to file its fossil dismantlement study no later than October 1, 1998. In accordance with this order, FPL filed its current studies on September 17, 1998. Therefore, we find that the next regularly

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scheduled fossil dismantlement site-specific studies shall be filed no later than September 17, 2002.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the reserve allocations shown on Attachment A, which is incorporated by reference herein, are approved. It is further

ORDERED that the annual provision for dismantlement of \$15,574,015, shown on Attachment B, which is incorporated by reference herein, is approved, effective January 1, 1999. It is further

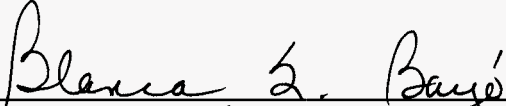
ORDERED that the next regularly scheduled fossil dismantlement site-specific studies for Florida Power & Light Company shall be filed no later than September 17, 2002. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

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ORDERED that in the event this Order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission this 14th Day of February, 2000.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on March 6, 2000.

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In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

FLORIDA POWER AND LIGHT COMPANY
FOSSIL DISMANTLEMENT
RESERVE ALLOCATION

	BOOK RESERVE	APPROVED RESERVE ALLOCATION	RESTATED RESERVE
Steam Production			
Cutler	5,808,799	(1,887,577)	7,696,376
Port Everglades	24,454,523	(4,557,397)	29,011,920
Palatka	5,765,660	5,765,660	0
Ft. Myers	12,459,712	(7,178,241)	19,637,953
Cape Canaveral	10,830,889	280,346	10,550,543
Riviera	10,226,413	(5,889,945)	16,116,358
Manatee	21,427,179	(2,968,068)	24,395,247
Sanford	16,708,770	(7,621,808)	24,330,578
Turkey Point	12,656,277	(7,716,196)	20,372,473
Martin 1&2	24,108,930	(4,675,983)	28,784,913
Riviera 2		(1,936,013)	1,936,013
Sanford 1&2		(503,486)	503,486
SJRPP	15,572,153	7,804,156	7,767,997
Scherer	6,306,906	(2,884,822)	9,191,728
Total Steam Production	166,326,211	(33,969,374)	200,295,585
Other Production			
Ft. Lauderdale	3,672,910	(1,278,840)	4,951,750
Putnam	3,975,193	(2,655,754)	6,630,947
Martin 3 & 4	2,798,907	237,443	2,561,464
Port Everglades GTs	275,618	(156,442)	432,060
Ft. Lauderdale GTs	247,122	(42,017)	289,139
Ft. Myers GTs	1,751,654	(285,841)	2,037,495
Total Other Production	12,721,404	(4,181,451)	16,902,855
Total Dismantlement Provision	179,047,615	(38,150,825)	217,198,440

Attachment B

FLORIDA POWER AND LIGHT COMPANY
FOSSIL DISMANTLEMENT

	COMMISSION APPROVED ACCRUAL
	<u>(\$)</u>
Steam Production	
Cutler	374,541
Port Everglades	1,688,214
Palatka	
Ft. Myers	1,243,132
Cape Canaveral	641,593
Riviera	853,591
Manatee	1,638,834
Sanford	1,490,155
Turkey Point	1,230,794
Martin 1 & 2	2,029,877
SJRPP	867,729
Scherer	1,155,529
Total Steam Production	<u>13,213,989</u>
Other Production	
Ft. Lauderdale	1,044,362
Putnam	442,534
Martin 3 & 4	685,841
Port Everglades GTs	29,961
Ft. Lauderdale GTs	20,347
Ft. Myers GTs	136,981
Total Other Production	<u>2,360,026</u>
Total Dismantlement Provision	<u>15,574,015</u>