



Florida Power
A Progress Energy Company

JAMES A. MCGEE
ASSOCIATE GENERAL COUNSEL

December 28, 2000

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

ORIGINAL

001835-EJ

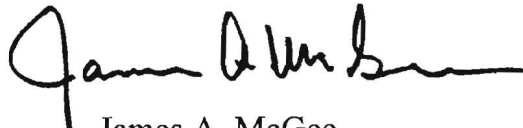
Re: Petition of Florida Power Corporation for approval of a revised annual accrual for nuclear decommissioning costs.

Dear Ms. Bayó:

Enclosed for filing are an original and fifteen copies of the subject petition of Florida Power Corporation. Attached to the original is the Company's Nuclear Decommissioning Cost Study in support of the petition, along with two additional copies of the Study. Five copies of the Study have also been provided to Ms. Patricia Lee of the Commission's depreciation staff.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the above-referenced document in WordPerfect format. Thank you for your assistance in this matter.

Very truly yours,


James A. McGee

JAM/kbd
Enclosure

cc: Ms. Patricia Lee (with 5 copies of the Study)

Study
DOCUMENT NUMBER - DATE
16523 DEC 29 00

FPSC-RECORDS/REPORTING

Petition
DOCUMENT NUMBER - DATE
16522 DEC 29 00

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Power Corporation for approval of a revised annual accrual for nuclear decommissioning costs.

Docket No. 001835-E1
Submitted for filing:
December 29, 2000

P E T I T I O N

Florida Power Corporation (Florida Power or the Company) hereby petitions this Commission for approval of a revised annual accrual to the Company's funded reserves for the future costs of decommissioning its Crystal River Unit 3 nuclear plant, and in support hereof, states as follows:

1. Pursuant to Order No. PSC-99-2491-PAA-EI, issued December 20, 1999 in Docket No. 991617-EI, Florida Power has prepared a detailed nuclear decommissioning cost study (the Study), which is submitted with this petition. The Study estimates the current cost to decommission Florida Power's nuclear plant, Crystal River Unit 3 (CR3), and develops the annual accrual necessary to fund the future value of this decommissioning cost utilizing the provisions of Section 468A of the Internal Revenue Code, which allows current income tax deductions for contributions to a decommissioning fund that meets the specified conditions of a "Qualified Fund."

2. The Study shows an annual decommissioning accrual under the Qualified Fund method of \$8,637,288 beginning in 2001. Florida Power's currently approved decommissioning accrual is \$20,502,310.

DOCUMENT NUMBER-DATE

16522 DEC 29 8

3. In order for contributions to a Qualified Fund to be deductible for tax purposes, regulations of the Internal Revenue Service require that a regulatory body with ratemaking authority such as this Commission must expressly include such contributions in the utility's cost of service and rule on a number of specific related issues. To comply with these requirements, Florida Power requests that the Commission include the following findings in its order on this petition:

- (a) The method of decommissioning to be utilized is Prompt Removal/Dismantling;
- (b) The estimated cost in 2000 dollars (including a 17% contingency factor) needed to decommission CR3 is \$515,770,000;
- (c) The estimated cost of decommissioning CR3 in future dollars (including a 17% contingency factor, an assumed escalation rate of 5.56%, and an operating license termination date of December 3, 2016) is \$1,733,482,211;
- (d) Funds accumulated in the Nuclear Decommissioning Trust will be expended in the years 2016 through 2038;
- (e) The estimated future cost of decommissioning CR3 in each year in which decommissioning funds will be expended is as follows:

<u>Year of Decommissioning</u>	<u>Estimated Future Cost</u>
2016	\$ 15,544,096
2017	231,582,848
2018	195,060,849
2019	160,922,329
2020	168,942,650
2021	177,620,865
2022	180,351,063

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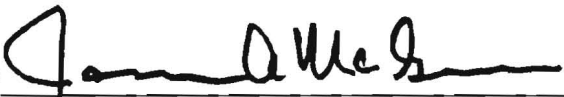
<u>Year of Decommissioning</u>	<u>Estimated Future Cost</u>
2023	83,355,867
2024	80,523,415
2025	22,533,406
2026	12,130,046
2027	12,804,477
2028	13,553,954
2029	14,267,918
2030	15,061,214
2031	15,898,617
2032	16,829,203
2033	17,715,692
2034	18,700,685
2035	19,740,443
2036	20,895,899
2037	204,052,888
2038	<u>35,393,787</u>
Total	<u>\$ 1,664,709,728</u>

- (f) The methodology for converting the estimated cost of decommissioning from current dollars to future dollars is to multiply each year's expenditures by the composite escalation factor of 5.56%, compounded by the number of years between 2000 and the year of the expenditure;
- (g) The assumed after-tax rate of return, net of administrative expense, to be earned on the amounts collected for decommissioning is 6.00%;
- (h) The amount to be included in cost of service each year, beginning January 1, 2001, until expiration of CR3's operating license on December 3, 2016 is \$8,637,228;
- (l) The projected date when CR3 will no longer be included in rate base for ratemaking purposes is December 3, 2016; and
- (j) Decommissioning costs in the annual amount of \$8,637,228 will be included in Florida Power's cost of service for ratemaking purposes.

WHEREFORE, Florida Power Corporation requests that the Commission enter an order (1) authorizing the inclusion of a revised annual decommissioning accrual of \$8,637,228 in the Company's cost of service for ratemaking purposes, effective January 1, 2001, and (2) approving the specific findings set forth in paragraph 3 above to ensure compliance with the conditions of a Qualified Fund under the Internal Revenue Code and implementing regulations.

Respectfully submitted,

FLORIDA POWER CORPORATION

By 

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