

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

:

4 In the Matter of : DOCKET NO. 970410-EI

:

5 Proposal to extend :

:

6 plan for recording of :

:

7 certain expenses for :

:

8 years 1998 and 1999 for :

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9 Florida Power & Light :

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10 Company. :



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PROCEEDINGS: AGENDA CONFERENCE
 ITEM NO. 5

BEFORE: CHAIRMAN JULIA L. JOHNSON
 COMMISSIONER J. TERRY DEASON
 COMMISSIONER DIANE K. KIESLING
 COMMISSIONER JOE GARCIA

DATE: April 14, 1997

PLACE: Betty Easley Conference Center
 Room 148
 4075 Esplanade Way
 Tallahassee, Florida

REPORTED BY: ROWENA NASH
 Official Commission Reporter
 (904) 413-6736

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FPSC-RECORDS/REPORTING

1 **PARTICIPATING:**

2 **ROBERT ELIAS, FPSC Division of Legal**
3 **Services.**

4 **RICHARD SALEM and J. BREW, representing**
5 **AmeriSteel.**

6 **MATTHEW CHILDS, representing Florida Power &**
7 **Light Company.**

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2 P R O C E E D I N G S

3 **CHAIRMAN JOHNSON:** Item 5.

4 **MR. ELIAS:** Commissioners, Item 5 is Staff's
5 recommendation that you approve a proposal by FPL to
6 continue in 1998 and 1999 a Commission-approved plan
7 to record as additional retail expenses certain
8 amounts of retail revenue. These expenses are applied
9 to mitigate historic deficiencies. The plan approved
10 by the Commission approximately a year ago required
11 FPL to, one, book additional 1995 depreciation expense
12 to the reserved deficiency in nuclear production; two,
13 record commencing in 1996 an annual \$30 million amount
14 of nuclear amortization subject to final determination
15 by the Commission as to the accounts to which it is to
16 be booked; and, three, record an additional expense in
17 1996 and 1997 based on differences between actual and
18 forecasted revenue to be applied to specific items in
19 a specific order.

20 The proposal continues the existing plan to
21 correct reserve deficiencies with one change and
22 several additions. The one change is that the first
23 priority is now the correction of any depreciation
24 reserve deficiency resulting from an approved
25 depreciation study rather than the nuclear

1 depreciation reserve. There are several other
2 specific additions.

3 This plan neither precludes an earnings
4 review nor a review of the plan during the context of
5 a proceeding to reset base rates.

6 Staff delivered to each of your aides a copy
7 of a filing by AmeriSteel in this docket that was made
8 on Friday. AmeriSteel is here to address the
9 Commission, as is Florida Power & Light Company. We
10 are prepared to answer your questions, but suggest
11 that the Commission might want to here from interested
12 persons before questioning Staff further.

13 CHAIRMAN JOHNSON: Okay. AmeriSteel?

14 MR. SALEM: Madam Chairman, Richard Salem
15 with Salem, Saxon on behalf of AmeriSteel together
16 with Mr. J. Brew with Brickfield & Burchette on behalf
17 of AmeriSteel.

18 We have filed a petition to intervene an
19 objection in this proceeding requesting that the
20 Commission proceed to set the matter for hearing as
21 opposed to proceeding on the PAA.

22 CHAIRMAN JOHNSON: Any additional comments?

23 MR. SALEM: If the Commission has any
24 questions concerning our position, we welcome the
25 opportunity to answer your questions, and Mr. Brew

1 will address them for you.

2 **CHAIRMAN JOHNSON:** When was the motion to
3 intervene filed?

4 **MR. ELIAS:** It was filed on Friday.

5 **CHAIRMAN JOHNSON:** Okay. So the opportunity
6 to respond and those type things has not yet --

7 **UNIDENTIFIED SPEAKER:** Has not yet run.

8 **CHAIRMAN JOHNSON:** Okay. I understand.
9 Any questions for AmeriSteel, Commissioners?
10 FPL, did you have any comment?

11 **UNIDENTIFIED SPEAKER:** Well, if they're
12 going to comment, I will defer to them, if they are
13 going to comment further.

14 **CHAIRMAN JOHNSON:** Oh, I was assuming they
15 weren't going to comment further.

16 **COMMISSIONER GARCIA:** Well, I guess -- let
17 me just ask the question. Why would you rather set it
18 for hearing? I mean, under the process you have the
19 right to protest and that takes that course. Why do
20 you want us to go directly to hearing?

21 **MR. SALEM:** Commissioner Garcia, we think
22 that there are a number of basic factual and some
23 policy questions that are raised by this request. I
24 recall that when the company filed their petition in
25 1995, it was specifically to accelerate recovery of

1 their nuclear plant costs where it was offered as a
2 special economy proposal. The company expressly
3 limited itself to two years for the additional
4 amortizations above that \$30 million of permanent
5 additional recovery that they sought; and they
6 confined themselves for reasons that they stated in
7 their petition to just those two years. And at the
8 time it was based on specific estimates based on their
9 current revenue forecasts for those years. Here the
10 numbers have gotten much bigger because we are using a
11 very stale rate forecast that's been exceeded
12 considerably already, and the underlying rationale, I
13 think, for doing so has become more suspect.

14 We think there are basic questions regarding
15 a couple of the accounts, nuclear decommissioning and
16 possible dismantlement where the Staff has asked for,
17 and properly so, comprehensive studies to be provided
18 by late 1998, that it requires some examination. We
19 think that there needs to be some explanation of what
20 the Staff intends in terms of turning around the tax
21 timing differences and how that's --

22 And more importantly the FPL proposal a year
23 and a half ago was designed to -- by the -- to address
24 preparing for a more competitive environment in the
25 electric industry. The recommendation here by the

1 Staff addresses itself to establishing a level
2 accounting, playing field to deal with more
3 competitive issues. But the Commission hasn't really
4 addressed itself to an overriding guiding policy with
5 respect to dealing with competitive issues.

6 So in one sense we are saying go slow with
7 competition, and in the other sense we're saying let's
8 accelerate recovery. We think there needs to be some
9 basic guidance from the Commission on exactly where
10 the policy's going.

11 Now here, as I said earlier, the numbers are
12 getting very big, but the Commission hasn't addressed
13 itself to the basic policy. And for that reason we
14 think that there needs to be hearings on some of the
15 ongoing factual predicates, as well as how the
16 Commission's assessments of those facts should follow
17 some overall guiding policy. And that's why we
18 believe that it should be set down for hearings.

19 COMMISSIONER DEASON: Well, let me ask a
20 question in that regard. As I understand the
21 proposal, if the Commission adopts this and it is
22 ultimately approved, there would be -- and the
23 Commission would have jurisdiction of those revenues
24 to the extent as is contemplated within the agreement,
25 that those revenues would be utilized for certain

1 specified purposes.

2 MR. SALEM: That's correct.

3 COMMISSIONER DEASON: And if we do not -- if
4 we do nothing at this point, the only protection we
5 have is that there is the potential for sharing of
6 overearnings; is that correct?

7 MR. SALEM: There is no plan in place past
8 the end of this year.

9 COMMISSIONER DEASON: So the potential for
10 overearnings expires with the previous --

11 MR. SALEM: Well, the --

12 COMMISSIONER DEASON: Explain to me what the
13 safeguards are concerning overearnings. And I'm
14 referring to -- and maybe I'll address this to
15 AmeriSteel. I'm referring to your filing, and you
16 make reference to profit sharing on Page 8 on
17 Paragraph 16. What did you mean by that?

18 MR. SALEM: The Commission has established a
19 rate of return target for FPL with a 100 basis point
20 spread as a cap on their earnings. If recorded
21 earnings are above that, the Commission could look at,
22 or should look at, the extent to which refunds are
23 appropriate. A few years ago the Commission passed
24 back something like \$28 million to FPL customers; it
25 addressed that issue recently with respect to TECO.

1 **COMMISSIONER DEASON:** But that was with the
2 agreement of FPL, was it not?

3 **MR. SALEM:** The last one was with the
4 agreement of FPL, that's right.

5 **COMMISSIONER DEASON:** Do you agree that we
6 do not have automatic jurisdiction over any so-called
7 excessive profits unless we actually initiate a
8 proceeding and do a rate investigation and then after
9 the fact reduce rates on a going-forward basis.

10 **MR. SALEM:** I would agree that the
11 Commission would need to have a proceeding on whether
12 or not the amount collected for a given period should
13 be refunded, yes.

14 **COMMISSIONER DEASON:** Until we assert that
15 jurisdiction and place money subject to refund, we do
16 not have the jurisdiction over those dollars. Do you
17 agree with that?

18 **MR. SALEM:** I would assert that you have
19 jurisdiction over the dollars to start with based on
20 your rate determination setting the earnings cap.
21 Whether the Commission after hearing determines that a
22 certain amount should be returned or refunded requires
23 the additional proceedings. But the Commission has
24 stated in setting the earnings cap with the ban that
25 above that you nominally have excess profits, so that

1 the question is not a matter of jurisdiction but
2 whether the Commission conducts a proceeding and makes
3 a factual determination that such excess earnings
4 should exist and should be refunded.

5 COMMISSIONER DEASON: Well, let me ask the
6 question in more simple terms. To provide any
7 protection for the years 1988 and 1989, this
8 Commission would have to initiate a proceeding,
9 determine that there have been overearnings and go
10 ahead and place a certain amount of the company's
11 existing revenues or rates subject to refund. Is that
12 the procedure, Mr. Elias? Is that the procedure?

13 MR. ELIAS: Yes, sir.

14 COMMISSIONER DEASON: Now, under the
15 recommendation, there's no need to go through that
16 procedure in the sense that unless modified, the
17 revenues as specified in the agreement would be
18 utilized for a certain purpose, that the number one
19 priority being to eliminate on depreciation
20 deficiencies which would in essence go to the benefit
21 of the general body of ratepayers.

22 MR. ELIAS: That's correct, with the
23 understanding that the current plan expires this year.

24 COMMISSIONER DEASON: But with your
25 recommendation that would be extended for years '98

1 and 1999, correct?

2 MR. ELIAS: That's correct.

3 COMMISSIONER DEASON: Okay. Now, Mr. Brew,
4 I understand that is not acceptable. You think that
5 the Commission should take a different course of
6 action. And I'm trying to understand -- obviously, we
7 are trying to protect the ratepayers generally, the
8 general body of ratepayers. You are a part of that,
9 but you are just one part of that.

10 Why is it that that procedure, that
11 protection, is not acceptable?

12 MR. BREW: Your Honor, first of all,
13 electric customers in Florida generally have the
14 highest bills in the country, so they all have an
15 interest, I think, in seeing their bills lowered if
16 that's possible. The reason it's not acceptable is
17 we're taking a very piecemeal approach to --

18 (Tape ends. Picks up on Side 2.)

19 -- plan, you are taking whatever revenue
20 growth or the preponderance of the revenue growth that
21 the company experiences.

22 COMMISSIONER DEASON: Let me interrupt. Do
23 you question whether there are, in fact, reserve
24 deficiencies?

25 MR. BREW: No, Commissioner. There are

1 shown some reserve deficiencies. Whether or not
2 they -- the theoretical deficiencies should be
3 reexamined, particularly in light of competitive
4 ailments, I think is a very important question. And
5 the Staff recommendation that comprehensive studies
6 need to be done on nuclear decommissioning of possible
7 dismantlement, I think point to that, that you need
8 current studies that have been evaluated, particularly
9 in light of changes that are going on in the industry.

10 To take an old decommissioning study that
11 simply trend lines out some current estimates without
12 reflecting what recent experience and the prospects
13 for competition forcing more economic approaches to
14 things, including decommissioning and dismantlement, I
15 think is an issue that needs to be addressed.

16 COMMISSIONER DEASON: How do you envision
17 that competition is going to result in more economic
18 ways of disposal and dismantlement?

19 MR. BREW: I think if we've learned anything
20 from the competitive developments, is that it forces
21 everyone in the industry to find better, more
22 efficient ways of addressing issues. And I would
23 expect the same to be true of decommissioning as it is
24 in other areas.

25 COMMISSIONER DEASON: So your primary

1 motivation is to have what you believe -- a procedure
2 that would result in lower bills for customers.

3 MR. BREW: That's correct, but it's also
4 correct that we think that we need to take a complete
5 look at the picture rather than just to pick out
6 individual expenses to offset revenue growth where,
7 remember, one of the most disturbing features of the
8 proposal is that it would authorize these additional
9 revenues to be set aside for taking additional
10 expenses even if it exceeds the various reserve
11 deficiencies that have been identified.

12 In other words, anything remaining basically
13 goes into a unspecified pot. None of it is targeted
14 to go back to existing ratepayers for any existing
15 benefits, so those revenues are basically gone whether
16 or not there's a subsequent review or rate setting or
17 the other changes that the Commission may adopt down
18 the line. And that amounts to an awful lot of money,
19 nearly \$900 million over the course of this five-year
20 program.

21 MR. CHILDS: Commissioners, my name is
22 Matthew Childs, I'm appearing own behalf of Florida
23 Power & Light Company. Florida Power & Light Company
24 believes that it is appropriate to continue the
25 existing program of lessening existing depreciation,

1 decommissioning and dismantlement deficiencies, and of
2 reducing regulatory assets. Therefore, FPL accepts
3 and agrees with the Staff proposal.

4 FPL has implemented significant cost cutting
5 measures in the past years, and its base rates remain
6 unchanged since 1985 even though its plant in service
7 has almost doubled with an increase of more than \$8
8 billion since that time. Continuing the current
9 approach, that is under the plan of recording these
10 expenses, will continue the downward pressure on
11 costs, and we think is the correct regulatory action.

12 I think it's appropriate to make several
13 comments on the arguments Florida Steel presented to
14 you. First of all, we take exception that the rates
15 in Florida are among the highest in the country.
16 Secondly, we agree -- or we point out that there is no
17 cap on earnings such that if the company exceeded the
18 top of the zone, the money would be refunded to the
19 customers. If there were, you might have seen us
20 earlier because in approximately six of the years
21 since our rates were last set, we didn't earn the
22 authorized rate of return and the Commission did not
23 seek to make us whole under that theory. So I think
24 that the whole argument is wrong.

25 The argument about the setting of

1 depreciation rates and decommissioning outside of the
2 context of rate case, I think is similarly wrong.
3 This Commission has approved and required the increase
4 of depreciation expense for Florida Power & Light
5 Company of increasing those expenses by more than 140%
6 or in excess of \$460 million since FPL's last rate
7 case. That's done outside of a rate case.

8 When plant is placed in service,
9 depreciation starts whether we like it or not. That's
10 the way the expenses are reported. Decommissioning
11 expenses has been adjusted outside of the context of a
12 rate case. They were changed two times since the last
13 rate case from, first, \$19 million to \$38 million a
14 year; and then most recently they were increased to
15 \$84 million a year. That's an annual expense. And
16 not only that, those amounts are funded. They are not
17 just recorded, the dollars are set aside in a fund.

18 One of the items we have asked for is --
19 COMMISSIONER DEASON: Does this agreement
20 continue the funding?

21 MR. CHILDS: It does. So the idea that, you
22 know, that the money is freed up under the argument,
23 which we take exception to for other reasons by
24 AmeriSteel -- the argument that this money goes to the
25 stockholders is wrong. That money goes to fund the

1 decommissioning expense as we have funded in the past.

2 One of the other items is the premium on
3 long-term debt. As debt costs have come down,
4 utilities have sought to refinance that debt and
5 reduce the expenses. And FPL has thought that it's
6 had some success in doing that and reduced the annual
7 expense by in excess of \$70 million a year. However,
8 the cost of doing that, the premium associated with it
9 under the accounting practices, were recovered over
10 the life of the assets. And one of the things that's
11 recommended here is that regulatory asset be removed
12 and expensed all at once. It also seems to us that
13 it's eminently equitable under the circumstances.

14 We would urge you to go forward with this
15 proposed agency action. We do not believe that the
16 argument that you need to have these other proceedings
17 is correct. First of all, the recommendation and the
18 plan that you're asked to approve on decommissioning
19 and the depreciation and dismantlement deficiencies, I
20 believe is worded "if any."

21 I don't think that the fact that the
22 Commission hasn't completed those studies which are
23 periodically required to be made means that there is
24 absolutely no idea that there are going to be
25 significant changes in the expense levels. Commission

1 Staff, I think, though, has made the appropriate -- or
2 taken the appropriate position that it wants to make
3 sure that the amount that you ultimately expense is
4 associated with what is quantified as the deficiency.
5 That seems correct to us, but I don't think that that
6 points or fairly suggests that nobody has the wildest
7 idea of whether there is a significant deficiency or
8 not.

9 We urge you to proceed on the proposed
10 agency action basis and not embark upon the separate
11 hearing approach. I think that if AmeriSteel feels
12 that it's appropriate for them to take further action,
13 then they should do that. I think the procedures of
14 this Commission and in the Florida statutes relating
15 to proposed agency action address that situation.

16 And I'd remind the Commission that we were
17 here several years ago with a proposed agency action
18 approach for the first plant. And then AmeriSteel
19 said they were going to protest that if the Commission
20 acted. So the Commission -- and the Staff -- on its
21 own motion decided we'd go forward with the hearing.
22 That took nearly a year, and a lot of money. And
23 ultimately they withdrew and the case was settled.

24 And I'd say let's go forward with the
25 action. It seems appropriate to us and correct -- the

1 correct way to proceed, to continue to put downward
2 pressure on cost for services.

3 Thank you very much.

4 COMMISSIONER GARCIA: Mr. Salem, do you have
5 anything to add?

6 MR. SALEM: Yes, Commissioner, a couple of
7 things. I think the level of detail and the
8 complexity of FPL's position goes to the underlying
9 basis of our request that this is a matter of public
10 policy. We are dealing with upward of a billion
11 dollars that we are opening the door to FPL, a
12 utility, to deal with on an expense depreciation basis
13 without any direct impact and/or consideration of what
14 those numbers really are.

15 Look at your backup materials. We are
16 talking about a billion dollars. You would think that
17 there would be a level of detail that would at least
18 give you some guidance, some idea of what these
19 accounts will embody in the future. They are not
20 there.

21 We think, as a matter of public policy, it
22 is incumbent on us as a customer to have to bring this
23 up as ratepayers, as customers, of this utility.
24 We're saying there's a billion dollars on the table,
25 Commissioners, should those be refunds, should those

1 be rate reductions or should they all go into the
2 utility's pocket as expenses or as depreciation?

3 Secondly, we did come forward previously in
4 connection with the '96, '97 plan, and we are pursuing
5 that vigorously. And in all deference to Mr. Childs
6 and his argument, after discussions between AmeriSteel
7 and FPL it was decided that the utility would work
8 with this industry to see if efforts could be
9 addressed to look at the problems that were being
10 experienced and the overall plan.

11 As of this date, that has not been
12 accomplished. As of this date, we do not know as
13 customers, you do not know as Commissioners, we
14 submit, what the '96-'97 plan has actually yielded
15 relative to the \$30 million that was initially pursued
16 and the \$140-plus million that has actually been put
17 into the depreciation and/or expense categories. As
18 customers, we are asking you to look at what are our
19 entitlements to refunds, rate reductions, as a billion
20 dollars is being put on the table for the utility to
21 work with over the next few years to see where it
22 might be placed.

23 COMMISSIONER GARCIA: Mr. Elias, do you have
24 anything to add?

25 MR. BREW: Commissioner Garcia, if I might

1 just make additional comment. If you take a quick
2 look at FPL's web page, they're reporting earned
3 returns between 12.2 and 12.6 over the last five
4 years. Within a very narrow band, they are allowed to
5 do that primarily because of some discretionary
6 write-downs they are allowed to take now. They were
7 allowed to accelerate recovery of their steam
8 generator costs, some deferred 1980's costs, and then
9 the additional approvals that were authorized for '85,
10 '86 and '87, which is allowing them to stay basically
11 at the upper midpoint of their allowed range. Without
12 those, their earnings would be above 13%.

13 Secondly, what I stated earlier was that
14 Floridians have the highest monthly bills in the
15 country, not necessarily the highest --

16 COMMISSIONER DEASON: Let me interrupt for
17 just a second. I hate to interrupt, but do you take
18 issue with the fact that those are legitimate costs
19 that have been incurred by FPL in providing service to
20 the general body of ratepayers and that those costs
21 would have to be recovered either over a longer period
22 of time or under some accelerated basis?

23 MR. BREW: I would accept that they are cost
24 in service today and that they, under traditional
25 accounting, would be spread over the projected useful

1 life of the asset. Whether they should be accelerated
2 or not, is something that I very much would disagree
3 with.

4 COMMISSIONER DEASON: Well, to the extent
5 there is a reserve deficiency, does that not, in fact,
6 mean that historically depreciation expense has been
7 inadequate in comparison to the actual utilization of
8 the asset that's been providing service historically?

9 MR. BREW: I guess my answer to that would
10 be that I'd have to take some issue with it.
11 Depending upon what you are characterizing as the
12 theoretical reserve, where I think there are some very
13 fundamental factual questions that need to be explored
14 before we embark on a program of special recoveries,
15 that, I don't think, has been adequately addressed.

16 And, secondly, looking at the broader scheme
17 of things from a depreciation standpoint, FPL is way
18 ahead of the game at this point.

19 Another one of the issues that we haven't
20 gotten to here is the tax timing differences where
21 they have been booking tax expense on a different
22 basis than they are collecting it for tax purposes,
23 where FPL is basically a billion dollars ahead at this
24 point. So in terms of what's actually been recovered,
25 I think if you look at the whole revenue requirement,

1 then that, up to this point, FPL is not on the short
2 end, they're ahead of the game.

3 COMMISSIONER DEASON: I don't understand the
4 point that you are trying to make on the tax timing
5 difference and when you characterize FPL as being
6 ahead of the game.

7 MR. BREW: One of the items that are
8 addressed in the Staff memo is reversing some of the
9 tax book timing differences. And to the extent that
10 debt is coming back sooner --

11 COMMISSIONER DEASON: -- was if you
12 accelerate the depreciation, the amount of tax timing
13 difference diminishes, does it not?

14 MR. BREW: Yes, it does.

15 COMMISSIONER DEASON: Okay. And then that
16 would just be a normal result, a normal accounting
17 result of accelerating the depreciation.

18 MR. BREW: Yes, it is. I would agree with
19 that.

20 COMMISSIONER DEASON: Okay.

21 MR. BREW: I'm just saying in terms of
22 what's been booked and how rates have been calculated,
23 FPL has had the benefit of that by having -- by being
24 able to take depreciation on a more accelerated basis
25 although it's not fully reflected in rates and that

1 amount has been treated, I understand, as a zero cost
2 of capital for FPL. So in that respect the customers
3 that paid in cash through the -- how it's been
4 reflected in the revenue requirement, for something
5 that they are supposed to get back later, but haven't
6 yet.

7 The only other thing to add with respect to
8 Mr. Childs' comments, was AmeriSteel did intervene and
9 then subsequently withdraw from the stranded
10 investment docket the first time around. Our
11 withdrawal was in part -- or a large part due to
12 discussions with representatives from FPL where we had
13 the expectation of being able to discuss informally
14 outside of that docket how best to address some of the
15 differences that we had.

16 And the short answer to that is that has not
17 been productive. So our withdrawal from the case had
18 nothing to do with our concerns at the time as to the
19 merits of the policy that's been reflected in this
20 plan. And to the extent that the dollars are getting
21 substantially bigger, particularly with using the
22 outdated revenue forecast -- there's no reason to use
23 the '96 forecast for '98 and '99 at all -- the scope
24 of the plan in terms of what's being held for
25 additional charges has gotten significantly greater.

1 **COMMISSIONER DEASON:** Well, using the '96
2 forecast, if that is a conservative forecast, then I
3 understand that you probably would characterize it as
4 an inaccurate forecast. But if I characterize it as
5 conservative, that means that there's going to be more
6 revenues that are going to be available to be utilized
7 for the purposes of addressing these concerns; i.e.,
8 depreciation, decommissioning, dismantlement and the
9 premium on reacquired debt.

10 **MR. BREW:** That's correct. But it also
11 means that --

12 **COMMISSIONER DEASON:** Because from one
13 aspect that's an advantage. In other words, there's
14 more certainty that there's going to be dollars that
15 are available to address these concerns as opposed to
16 dollars that would flow then to earnings would then
17 flow to stockholders and this Commission could not
18 address until we went through a full blown proceeding
19 and asserted jurisdiction over those funds.

20 Do you agree or disagree with that
21 characterization?

22 **MR. BREW:** Without going back to the
23 jurisdiction over the funds, I would agree that, yes,
24 it makes a bigger pot of dollars to be expensed. And
25 that if you look at the affect that that has on

1 earnings, it would tend to depress the reported
2 earnings in those years.

3 And at the rate that FPL's fixed costs are
4 going down, Mr. Childs, I think, described well how
5 their capital costs have come down significantly, how
6 their O&M costs are down significantly. A lot of
7 their major cost drivers that are in base rates, as
8 opposed to those recovered through the adjustment
9 clauses, have gone down significantly all the time
10 revenues are going up. It's only the adjustments to
11 the depreciation, the reserves, that it seems to us
12 are keeping them below the existing earnings cap,
13 which if we were to set it today would probably be
14 considered high.

15 COMMISSIONER GARCIA: I'm ready to make a
16 motion. I'm going to move Staff. I think some good
17 points have been made. This PAA, you have a right to
18 follow course on. I'm going do go ahead and move
19 Staff.

20 COMMISSIONER DEASON: I want to second the
21 motion, and let me state two things. First, I think
22 that there's a lot to be gained by certainty as
23 associated with what in Staff's recommendation. And I
24 know there's a lot of things to be addressed, but
25 we're going ahead and addressing right now the

1 procedure that's going to be followed. And without
2 that we would not know -- the other recourse would be
3 to try to have some type of a rate proceeding, we
4 don't know what the outcome of that would be.

5 And the second comment I want to make is I
6 want to compliment our Staff for being proactive in
7 this area and going ahead and taking a look at this
8 and bringing it to us. I think that's a wise use of
9 their time and resources to be looking at these things
10 and bringing it to us on such an early time schedule.

11 **COMMISSIONER GARCIA:** Absolutely. I want to
12 agree with that. And, likewise, I thank AmeriSteel
13 for being here. I think you are bringing up important
14 points that this Commission has to look at, but
15 nonetheless I think that the Staff has made the right
16 choice in this case.

17 **CHAIRMAN JOHNSON:** There is a motion and a
18 second. Any further discussion? Seeing none, all
19 those in favor should reply by saying aye.

20 **COMMISSIONER GARCIA:** Aye.

21 **COMMISSIONER DEASON:** Aye.

22 **COMMISSIONER KIESLING:** Aye.

23 **CHAIRMAN JOHNSON:** Aye. Show it approved
24 unanimously. Thank you.

25 * * * * *

1 STATE OF FLORIDA)

2 :

CERTIFICATE OF REPORTER

3 COUNTY OF LEON)

4 I, ROWENA NASH, Official Commission
5 Reporter,

6 DO HEREBY CERTIFY that the Agenda Conference
7 Item No. 5 in Docket No. 970410-EI was heard by the
8 Florida Public Service Commission at the time and
9 place herein stated; it is further

10 CERTIFIED that I stenographically reported
11 the said proceedings from tape; that the same has been
12 transcribed under my direct supervision; and that this
13 transcript, consisting of 27 pages, constitutes a true
14 transcription of my notes of said proceedings

15

16 DATED this 15th day of April, 1997.

17

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19

20 ROWENA NASH
21 Official Commission Reporter
22 (904) 413-6736

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