



# Public Service Commission

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**DATE:** NOVEMBER 16, 2000

**TO:** DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

**FROM:** DIVISION OF APPEALS (HELTON)  
 DIVISION OF ECONOMIC REGULATION (LEE, HEWITT)  
 DIVISION OF LEGAL SERVICES (ELIAS)  
 DIVISION OF POLICY ANALYSIS & INTERGOVERNMENTAL LIAISON (TEW)

**RE:** DOCKET NO. 000543-EI - PROPOSED RULE 25-6.04365, F.A.C., NUCLEAR DECOMMISSIONING.

**AGENDA:** 11/28/00 - REGULAR AGENDA - RULE PROPOSAL - INTERESTED PERSONS MAY PARTICIPATE

**RULE STATUS:** PROPOSAL MAY BE DEFERRED

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\APP\WP\000543.RCM

### CASE BACKGROUND

The Commission's policy concerning nuclear decommissioning is established in In re: Investigation of the appropriate accounting and ratemaking treatment of decommissioning and depreciation costs of nuclear powered generators, Order No. 12356, 83 F.P.S.C. 8:182 (1983); In re: Petitions for approval of an increase in the accrual of nuclear decommissioning costs by Florida Power Corporation and Florida Power & Light Company, Order No. 21928, 89 F.P.S.C. 9:471 (1989); and In re: Petitions for Increase in Annual Accruals for Nuclear Decommissioning Costs by Florida Power and Light Company and Florida Power Corporation, Order No. PSC-95-1531-FOF-EI, 95 F.P.S.C. 12:165 (1995). Staff recommends that the policy set out in these orders be codified in the attached Rule 25-6.04365, F.A.C.

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A rule development workshop was held on June 7, 2000. Representatives from Florida Power & Light Company (FPL) and Florida Power Corporation (FPC) participated in the workshop.

### DISCUSSION OF ISSUES

**ISSUE 1:** Should the Commission propose Rule 25-6.04365, F.A.C., Nuclear Decommissioning?

**RECOMMENDATION:** Yes, the Commission should propose the attached Rule 25-6.04365.

**STAFF ANALYSIS:** Staff recommends that the Commission propose the attached Rule 25-6.04356 to codify the Commission's policy concerning nuclear decommissioning.

**Subsection (1), Purpose:** Subsection (1) sets out the purpose of the rule, which is:

to codify the Commission's policy of requiring each utility that owns a nuclear generating plant to ensure there are sufficient funds on hand at the time of decommissioning to meet all required expenses by establishing appropriate decommissioning accruals.

**Subsection (2), Definitions:** Subsection (2) is the definitions section, in which "contingency costs" and "decommissioning" are defined.

**Subsection (3), Nuclear Decommissioning Study:** Subsection (3) sets out the requirements for the nuclear decommissioning study that a utility must file at least once every five years.

**Subsection (4), Accumulation of Annual Accruals:** Subsection (4) codifies the requirements for accrual calculations.

**Subsection (5), Nuclear Decommissioning Fund Performance:** Subsection (5) provides notification that "[t]he Commission will review and evaluate each utility's investment performance to determine whether the decommissioning fund earned at least the rate of inflation."

**Subsection (6), License Renewal:** Subsection (6) requires utilities to timely notify the Commission of communications between the utility and the Nuclear Regulatory Commission concerning major

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DATE: November 16, 2000

milestone events, such as license renewal. The Commission does not currently require utilities to provide this notification. This information is necessary because license extensions impact the estimated costs of decommissioning.

**Statement of Estimated Regulatory Costs:** No statement of estimated regulatory costs was prepared because there should be no additional costs associated with the rule, other than those associated with the rule's promulgation. In addition, there should be no negative impacts on utilities, small businesses, small cities, or small counties.

**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** Yes, if no requests for hearing or comments are filed, the rule as proposed should be filed for adoption with the Secretary of State and the docket be closed.

**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 | 25-6.04365 Nuclear Decommissioning.

2 |     (1) Purpose. The purpose of this rule is to codify the  
3 | Commission's policy of requiring each utility that owns a nuclear  
4 | generating plant to ensure there are sufficient funds on hand at  
5 | the time of decommissioning to meet all required expenses by  
6 | establishing appropriate decommissioning accruals. This rule  
7 | requires each utility to file a Nuclear Decommissioning Study on a  
8 | regular basis, the purpose of which is to obtain sufficient  
9 | information to update cost estimates based on new developments,  
10 | additional information, technological improvements, and forecasts;  
11 | to reevaluate alternative methodologies; and to revise the annual  
12 | accrual needed to recover the costs.

13 |     (2) Definitions. For the purpose of this rule, the following  
14 | definitions shall apply:

15 |         (a) "Contingency Costs." A specific provision for  
16 | unforeseeable elements of cost within the defined project scope,  
17 | which is particularly important where previous experience relating  
18 | estimates and actual costs has shown that unforeseeable events that  
19 | will increase costs are likely to occur.

20 |         (b) "Decommissioning." The process of safely managing,  
21 | dismantling, removing, or converting for reuse the materials and  
22 | equipment that remain at the nuclear generating unit following its  
23 | retirement that results in an amendment to the licensing status of  
24 | a nuclear power plant from operational to possession-only and  
25 | possibly unrestricted use.

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

1       (3) Nuclear Decommissioning Study. Each utility shall file  
2 a site-specific nuclear decommissioning study at least once every  
3 five years from the submission date of the previous study unless  
4 otherwise required by the Commission. At a minimum, each  
5 utility's nuclear decommissioning study shall include:

6       (a) A narrative describing each nuclear unit, including the  
7 in-service date, the date of operating license expiration, and the  
8 status of any license renewal request.

9       (b) A list of all entities owning an interest in each nuclear  
10 unit, the percentage of ownership by each entity, and documentation  
11 showing the status of each entity in providing its share of the  
12 total decommissioning costs.

13       (c) A narrative explaining plans for spent nuclear fuel  
14 storage and removal at each nuclear unit, including, at a minimum,  
15 the date on-site spent fuel pool storage capacity will be lost, the  
16 date spent nuclear fuel is expected to be removed from the plant  
17 site, and the estimated costs for on-site dry storage to  
18 accommodate the decommissioning of the unit.

19       (d) The decommissioning study methodology.

20       (e) A summary of the major assumptions used in the study.

21       (f) The methodology selected to decommission each nuclear  
22 unit and support for the selection.

23       (g) The method of providing financial assurance. If funding  
24 is selected, show the amounts qualified and nonqualified for each  
25 year since the prior study, and also the method assumed in the

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1 calculation of the proposed annual accrual.

2 (h) The total utility and jurisdictional decommissioning cost  
3 estimates in current dollars for each unit.

4 (i) The total utility and jurisdictional decommissioning cost  
5 estimates in future dollars for each unit.

6 (j) For each year, the estimated amount of decommissioning  
7 expenditures and the sources of funds.

8 (k) The projected date each nuclear unit will no longer be  
9 included in rate base for ratemaking purposes.

10 (l) For each nuclear unit, a comparison of the current  
11 approved annual decommissioning accruals with those proposed.  
12 Current accruals shall be identified as to the effective date and  
13 proposed accruals to the proposed effective date.

14 (m) The assumed fund earnings rate, net of tax, used in the  
15 calculation of the decommissioning accrual and supporting  
16 documentation for the rate proposed by the utility.

17 (n) The methodology and escalation rate used in converting  
18 the current estimated decommissioning costs to future estimated  
19 decommissioning costs and supporting documentation and analyses.

20 (o) The annual revenue requirement of the proposed  
21 decommissioning cost estimates.

22 (p) A reconciliation of the decommissioning fund balance and  
23 the decommissioning reserve balance as of the effective date of the  
24 revised decommissioning accruals proposed by the utility. The  
25 reconciliation shall show the fund balances by category. The fund

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1 balance may involve estimates.

2 (q) A summary and explanation of material differences between  
3 the current study and the utility's last filed study including, at  
4 a minimum, changes in methodology and assumptions.

5 (r) Supporting schedules, analyses, and data, including the  
6 contingency allowance, used in developing the decommissioning cost  
7 estimates and annual accruals proposed by the utility. Supporting  
8 schedules shall include the inflation and funding analyses.

9 (4) Accumulation of Annual Accruals.

10 (a) The decommissioning annual accrual shall be calculated  
11 using the current cost estimates escalated to the expected dates of  
12 actual decommissioning.

13 (b) Decommissioning accruals shall be accumulated monthly  
14 based on a Commission approved method to assure that the costs for  
15 decommissioning are provided for at the expiration of the nuclear  
16 unit's operating license.

17 (c) A utility shall not change its annual nuclear  
18 decommissioning accruals without prior Commission approval.

19 (5) Nuclear Decommissioning Fund Performance. The Commission  
20 will review and evaluate each utility's investment performance to  
21 determine whether the decommissioning fund earned at least the rate  
22 of inflation.

23 (6) License Renewal. Each utility shall provide the Director  
24 of the Division of Economic Regulation with a written summary of  
25 communications concerning major milestones between the Nuclear

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1 Regulatory Commission and the utility concerning license renewal  
2 within 21 days of receipt or mailing by the utility. Major  
3 milestones include notice of intent to request a license renewal,  
4 submittal of application, issuance of renewal license, and decision  
5 to continue or cease operations.

6 Specific Authority: 350.127(2), F.S.

7 Law Implemented: 366.041, 366.06(1), F.S.

8 History: New \_\_\_\_\_  
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MEMORANDUM

RECEIVED

October 31, 2000

00 NOV -1 AM 9:58

TO: DIVISION OF APPEALS (HELTON)

FROM: DIVISION OF ECONOMIC REGULATION (HEWITT) *CBH*

SUBJECT: STATEMENT OF ESTIMATED REGULATORY COSTS FOR PROPOSED RULE 25-6.04365, F.A.C., NUCLEAR DECOMMISSIONING, DOCKET NO. 000543-EI

FLORIDA PUBLIC SERVICE COMM.  
DIVISION OF APPEALS

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Proposed Rule 25-6.04365, F.A.C., Nuclear Decommissioning, would codify Commission policy implicit in its orders concerning the issue of funding the decommissioning of nuclear power plants. The Commission requires nuclear power plant owning investor-owned electric utilities (IOUs) to set aside funds to pay for the expenses of shutting down their nuclear plants.

The proposed rule would require the filing of a nuclear decommissioning study every five years. Included in the proposed rule are definitions, the information to be included in a decommissioning study, the methodology to be used, and requirements for the accumulation of annual accruals. Also, each utility would have to provide a written summary of communications with the Nuclear Regulatory Commission (NRC) concerning license issues.

The affected IOUs have indicated that the additional costs to comply with the proposed rule would be none or negligible because most requirements are already contained in Commission orders. However, one utility stated that providing anything more than a summary of communications could run into thousands of dollars.

The Florida Administrative Procedures Act encourages an agency to prepare a Statement of Estimated Regulatory Costs (SERC). However, there should be no additional costs other than the costs to promulgate a rule and no significant negative impacts on utilities, small businesses, small cities, or small counties. Therefore, a SERC will not be prepared for the proposed rule at this time.

cc: Mary Andrews Bane

nuclmem.cbh