

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of accounting treatment for the transfer of proportional share of Plant Daniel Units 1 and 2 to Mississippi Power Company, by Florida Power & Light Company.

DOCKET NO. 20240155-EI
ORDER NO. PSC-2025-0139-PAA-EI
ISSUED: April 21, 2025

The following Commissioners participated in the disposition of this matter:

MIKE LA ROSA, Chairman
ART GRAHAM
GARY F. CLARK
ANDREW GILES FAY
GABRIELLA PASSIDOMO SMITH

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING ACCOUNTING TREATMENT FOR THE
TRANSFER OF PROPORTIONAL SHARE OF PLANT DANIELS
UNITS 1 AND 2 TO MISSISSIPPI POWER COMPANY
FROM FLORIDA POWER & LIGHT COMPANY

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 (F.A.C.).

Background

On November 8, 2024, Florida Power & Light Company (FPL or the Company) filed a petition for approval to transfer FPL's 50 percent share of Plant Daniel Units 1 & 2 (Units 1 & 2) to Mississippi Power Company (MPC). This follows a 2019 acquisition of Gulf Power Company (Gulf) by NextEra Energy, Inc. (NextEra), FPL's parent company, where NextEra gained control of Gulf's 50 percent share of Units 1 & 2 and transferred ownership to FPL. FPL announced it would continue with existing plans made by Gulf to retire its shares of Units 1 & 2 by January 2024. FPL has stated that while its shares of Units 1 & 2 have been retired, based on a 2022 operating agreement made between FPL and MPC, the Company remains responsible for Common Facilities costs, related to common ownership, until MPC retires its shares in 2031. On November 8, 2024, FPL entered into a purchase and sale agreement (PSA) with MPC to transfer its shares of Units 1 & 2 to MPC and pay MPC \$45 million (the Transaction), to alleviate FPL's

ongoing Common Facilities costs. FPL has stated that this PSA will result in approximately \$10 million in avoided costs annually for 2025 through 2031.

In the Petition, FPL also requested that we authorize the Company to continue to accrue its proportional share of dismantlement costs in base rates.

FPL is not requesting a regulatory asset for the remaining net book value of its ownership share of Units 1 & 2 in the instant docket. Since FPL's retirement of the units, the Company has reflected the estimated remaining investment as a negative amount in the accumulated reserve for the respective plant accounts, and has continued its depreciation for the retirements using rates approved as part of its 2021 rate case settlement.¹

In FPL's petition, the Company proposed the creation of a regulatory asset worth \$39.3 million, representing the proportion of the transfer price associated with base rate components, to be collected over 10 years, beginning at FPL's next base rate adjustment. Until this adjustment, FPL has requested to continue recovering dismantlement and decommissioning costs related to Units 1 & 2 in base rates. FPL also proposed the creation of a regulatory asset worth \$5.7 million representing the proportion of the transfer price associated with environmental costs, to be recovered through the Environmental Cost Recovery Clause (ECRC) over 10 years, beginning January 1, 2026. FPL has stated that it is still responsible for environmental costs for anything that occurred before the transfer, and has requested to continue recovering these costs through the ECRC. Until the balance on the regulatory assets has been fully recovered, FPL has requested that it receive a return based on the unamortized balances of the regulatory assets.

We acknowledged intervention by the Office of Public Counsel (OPC) in Order No. PSC-2025-0083-PCO-EI, filed March 18, 2025.

We have jurisdiction pursuant to Sections 366.04, 366.06, and 366.07, Florida Statutes.

Decision

FPL requests that we approve the PSA with MPC that transfers FPL's 50 percent ownership share of Units 1 & 2 to MPC. This approval would alleviate FPL's share of ongoing cost responsibilities associated with the common facilities at Units 1 & 2. FPL is asking us to determine that the PSA is in the best interest of its customers.

Retirement of Units 1 & 2 and the PSA

In our evaluation of the Company's request, we have reviewed both the initial decision by FPL to retire its share of Units 1 & 2 and the PSA terms and conditions.

¹Order Nos. PSC-2021-0446-S-EI and PSC-2024-0078-FOF-EI, issued December 2, 2021, and March 3, 2025, respectively, in Docket No. 20210015-EI, *In re: Petition for rate increase by Florida Power & Light Company*.

Ownership Interests in Plant Daniel Units 1 & 2

Gulf acquired 50 percent ownership in Units 1 & 2 by sharing in the construction and operating expenses with MPC in 1976. Gulf and MPC subsequently established a Plant Operating Agreement in 1981. In 2019, Gulf's ownership in Units 1 & 2 was transferred to FPL following the acquisition of Gulf by NextEra, the parent company of FPL. Following this transfer, FPL provided a notice to MPC that it intended to retire its share of Units 1 & 2 in January 2024. According to FPL's petition, Units 1 & 2 were inefficient compared to the other generating units in FPL's fleet² and, therefore, it was not feasible to consider using Units 1 & 2 for economic dispatch. FPL continues that retirement of Units 1 & 2 was reasonable since the units were not needed at the time by FPL for reliability purposes, and the retirement was projected to result in a net present value (NPV) of \$229 million for FPL's customers based on a cumulative present value of revenue requirements (CPVRR) analysis.

In 2022, FPL and MPC negotiated an amendment to the 1981 Plant Operating Agreement between Gulf and MPC. This negotiation resulted in the 2022 Second Amended and Restated Plant Daniel Operating Agreement (2022 Operating Agreement), which was used to adjust the cost allocation between FPL and MPC due to FPL's announced retirement of share of Units 1 & 2. MPC had an option to purchase FPL's 50 percent ownership of Units 1 & 2 for one dollar (\$1.00) at any time 120 days prior to and including the retirement date of January 15, 2024, but did not exercise this option. In 2024, FPL engaged in discussions and negotiations with Southern Company, the parent company of MPC, to reduce or eliminate costs associated with FPL's share of Plant Daniel. These discussions and negotiations culminated in the PSA to transfer FPL's share of Units 1 & 2 to MPC.

Purchase and Sale Agreement

Under the 2022 Operating Agreement, FPL pays common facilities costs for ownership of Units 1 & 2 through MPC's proposed retirement of Units 1 & 2 in 2031. These costs are approximately \$10 million per year regardless of whether Units 1 & 2 are providing service to FPL customers. The PSA required a \$45 million payment by FPL to MPC, if the transaction closed on or before December 31, 2024, and eliminated all ongoing common facilities expenses and capital costs, including ad valorem tax associated with Units 1 & 2. If the transaction occurred after December 31, 2024, the ad valorem liability for the accrual year 2025 would stay with FPL and the transfer payment would be reduced by the same amount. In response to a Commission staff data request, FPL stated that if we approve this petition in April 2025 and that approval is not challenged, the most probable closing date would be July 2025, resulting in a transfer payment to MPC of approximately \$36.02 million. Under the PSA, FPL will relinquish its 50 percent interest in Units 1 & 2 and MPC will assume FPL's share of certain operating costs and incremental liabilities created after the closing date.

²In 2023, the average heat rate for Units 1 & 2 was 11,210 British thermal unit per kilowatt-hour (Btu/kWh) compared to an average of 7,032 Btu/kWh for the other FPL generating units.

PSA Cost-Effectiveness

While FPL has retired its share of the Plant Daniel Units, the Company is still responsible for site maintenance and associated environmental concerns until Plant Daniel has been decommissioned as a whole, including MPC's ownership share. Operation and maintenance exposures and capital costs for projects such as security and water management are ongoing. FPL will not be obligated for most common facilities costs, but it will remain obligated for common costs related to coal combustion residuals produced prior to the closing and decommissioning of Units 1 & 2. In addition, FPL is liable for 50 percent of the decommissioning costs both pre-closing and post-closing. FPL's petition asserted that the PSA results in a net present value (NPV) savings to FPL's customers of \$13.4 million based on a 2031 retirement date by MPC and the PSA closing before December 31, 2024. The actual savings could be impacted by FPL's future cost obligations identified above. We have reviewed MPC's initial retirement date and reasons for subsequent retirement date extensions, and discuss them in greater detail below.

MPC Retirement Date of Remaining Ownership Interest in Units 1 & 2

At the time the 2022 Operating Agreement was approved, MPC's planned retirement date for its ownership share of Units 1 & 2 was 2027 based on its April 2021 Integrated Resource Plan (IRP) update. Subsequently, MPC's 2024 IRP revised this retirement date to 2028 to meet near-term and medium-term capacity needs while new generation was being built, with further changes possible if capacity needs arose. On January 9, 2025, MPC notified its regulator, the Mississippi Public Service Commission, that it had entered into two separate electric service agreements, totaling approximately 600 MW of load that would require extending the retirement date for Units 1 & 2 beyond 2028 and into the mid-2030s. Without the PSA, a retirement date beyond 2031 would increase the cost obligation of FPL's customers, while consummation of the PSA would further increase the economic benefit to the same customers.

MPC's retirement of Units 1 & 2 in 2031 is currently the most probable scenario due to existing US Environmental Protection Agency (EPA) greenhouse gas (GHG) rules that were finalized in April 2024. The rules require coal plants to convert to 100 percent gas operation or to install carbon capture equipment in order to remain operational beyond 2031. These costly modifications would most likely require MPC to retire Units 1 & 2 in 2031. However, if the EPA GHG rules are repealed, it may be economical for MPC to continue operating the units beyond 2031. The NPV savings would increase and make a retirement beyond 2031 more beneficial for FPL's customers. Based on our review, we find it reasonable to assume that MPC's share of Units 1 & 2 will continue to operate until at least 2031 based on currently available information and regulatory filings.

Avoided Costs

The common facilities expense includes FPL's 50 percent allocation of common facilities O&M and capital expenses, such as Jackson County (Mississippi) Port Authority's Black Creek Cooling Facility maintenance projects, administrative and general expense, and property insurance. The property/ad valorem tax of \$15.32 million NPV includes two years following

retirement for decommissioning of Units 1 & 2. FPL assumes the transaction closing date takes place on July 31, 2025, which FPL identified as the expected closing date with an April 2025 approval from us.³ These costs includes both expenses covered in base rates and the ECRC. Using this date and its preferred recovery of the regulatory assets beginning January 1, 2026, FPL projects the estimated net benefit to customers is \$13.4 million, assuming a complete retirement of Units 1 & 2 by MPC in 2031. Table 1 outlines the annual and total NPV values by category.

Table 1
Cost-Effectiveness Analysis for PSA (\$ Millions)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	SUM (NPV)
<i>Avoidable Costs</i>												
Common Facilities	(2.9)	(6.5)	(6.6)	(6.9)	(7.0)	(7.1)	(7.3)	0.0	0.0	0.0	0.0	(33.15)
Property/Ad Valorem Tax	-	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	-	-	(15.32)
Avoidable Costs	(2.9)	(9.3)	(9.4)	(9.6)	(9.8)	(9.9)	(10.1)	(2.8)	(2.8)	-	-	(48.47)
<i>Regulatory Asset Costs</i>												
Amortization of Reg. Assets	-	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	23.09
Interest, ROE, Income Tax	1.4	2.8	2.5	2.2	1.9	1.6	1.4	1.0	0.7	0.5	0.1	11.98
Regulatory Asset Costs	1.4	6.4	6.1	5.8	5.5	5.2	4.9	4.6	4.3	4.0	3.7	35.07
Net Customer Costs/Savings	(1.5)	(2.9)	(3.3)	(3.8)	(4.3)	(\$.7)	(5.1)	1.8	1.5	4.0	3.7	(13.40)

Source: FPL's Response to Staff's Second Data Request

Conclusion

Based on the above, we approve the PSA between FPL and MPC transferring FPL's 50 percent ownership in Units 1 & 2 to MPC.

Creation of Regulatory Assets

FPL originally requested \$39.3 million to cover the portion of the transfer price related to otherwise recoverable base rate expenses. FPL originally requested \$5.7 million related to environmental costs otherwise recovered through the ECRC. FPL proposed a recovery period of 10 years for both the base rate and ECRC regulatory assets, commencing at the resetting of base rates and January 1, 2026, respectively. On February 28, 2025, FPL filed a petition for a base rate increase, with new rates requested to be implemented January 1, 2026. In its petition, FPL

³We acknowledge that this expected closing date may change due to a protest of our PAA in this docket or other circumstances, and that certain expenses may increase or decrease as a result. Staff is granted administrative authority to recognize appropriate adjustments to the regulatory asset amounts, if necessary, based on confirmation by FPL of the actual closing date and any resulting changes in expenses.

highlighted previous orders where we approved settlements that established regulatory assets for the purpose of exiting unprofitable generation agreements and thereby creating customer savings.⁴

We have cited Financial Accounting Standards Board's Accounting Standards Codification 980 Regulated Operations (FASB ASC 980) in previous decisions regarding the approval of regulatory assets. The recognition and establishment of regulatory assets are addressed in FASB ASC 980, which allows a regulated entity to capitalize all or part of an incurred cost, provided that: 1) it is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for ratemaking purposes; and 2) based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. Based on our decision above regarding the transfer of ownership of Units 1 & 2 to MPC, we approve the recognition and recovery of each regulatory asset.

As FPL stated in its initial petition, due to the PSA approval going beyond the original requested date of December 31, 2024, the \$45 million transfer price has been reduced to approximately \$38.1 million to reflect the \$6.9 million in property taxes that FPL was required to pay. Furthermore, FPL has stated that it is responsible for approximately \$0.3 million in monthly operating costs, which will also reduce the transfer price. According to FPL, if approved in April 2025, the PSA would have a price of \$36.02 million, with \$31.04 million being the new value for the portion of the transfer price that represents base rates and \$4.98 million being the portion that represents the environmental costs that would otherwise be recovered through the ECRC. We agree that the creation of regulatory assets worth \$31.04 million and \$4.98 million is the appropriate accounting treatment for recovery of the transfer price related to base rates and environmental costs, respectively. Furthermore, we approve FPL beginning recovery at its next base rate reset, which has been filed as Docket No. 20250011-EI, with a recovery period of 10 years, as well as earn a return on the unamortized asset balance at the Company's overall weighted average cost of capital.

Recovering Eligible Pre-Closing Environmental Costs through the ECRC

In its petition, FPL requested authorization to continue recovery of eligible prudently incurred pre-closing environmental costs pertaining to FPL's proportionate share of Units 1 & 2 through the ECRC. While the PSA shifts most Common Facilities costs to MPC, FPL remains obligated to cover common costs related to Coal Combustion Residuals produced prior to the Transaction's closing date, as well as other environmental liabilities arising from pre-closing activities. As discussed above, we find the transaction transferring ownership of the units to be

⁴See Order No. PSC-15-0401-AS-EI issued September 23, 2015 in Docket No. 150075-EI, *In re: Petition for approval of arrangement to mitigate impact of unfavorable Cedar Bay power purchase obligation, by Florida Power & Light Company*; Order No. PSC-16-0506-FOF-EI issued November 2, 2016 in Docket No. 160154-EI, *In re: Petition for approval of a purchase and sale agreement between Florida Power & Light Company and Calypso Energy Holdings, LLC, for the ownership of the Indiantown Cogeneration LP and related power purchase agreement*, and Order No. PSC-2017-0415-AS-EI issued October 24, 2017 in Docket No. 20170123-EI, *In re: Petition for approval of arrangement to mitigate unfavorable impact of St. Johns River Power Park, by Florida Power & Light Company*.

prudent. As such, obligated environmental costs incurred prior to the Transaction's closing date shall be eligible for recovery through the ECRC. Those costs are still reviewed as part of the annual ECRC proceeding.

Accrual of Dismantlement Costs for Units 1 & 2 in Base Rates

Under the PSA, FPL will retain dismantlement and asset retirement obligations on the existing plant, including decommissioning liabilities related to dismantling Plant Daniel and restoration of the plant site. These obligations are calculated as a percentage of FPL's pre-closing ownership interest. As such, FPL requests that it be permitted to continue to accrue Units 1 & 2 dismantlement costs in base rates until the annual accrual is next reset with the support of a dismantlement study. The Company claimed that this request is consistent with Paragraph 19 of FPL's 2021 rate case settlement agreement that we approved.⁵ Both orders specify that the base rates, in which the dismantlement accrual amounts are incorporated, in effect at the beginning of the settlement's term will remain in effect until FPL's base rates are next reset in a general base rate proceeding.

On February 28, 2025, FPL filed a new petition for a general base rate proceeding.⁶ With the rate case petition, the Company also submitted an updated dismantlement study, which includes the updated dismantlement costs and accruals pertaining FPL's ownership share of Units 1 & 2 for Commission approval.

We find that FPL's request complies with Rule 25-6.04364(1), F.A.C., which provides that "[e]ach utility that owns a generating unit is required to establish a dismantlement accrual as approved by the Commission to accumulate a reserve to meet all expenses at the time of dismantlement." Further, the request complies with Rule 25-6.04364(6), F.A.C., which specifies that "[a] utility shall not establish a new annual dismantlement accrual, revise its annual dismantlement accrual, or transfer a dismantlement reserve without prior Commission approval."

Based on the above, we approve FPL's request to continue to accrue its proportionate share of dismantlement costs associated with Plant Daniel Units 1 & 2 in base rates.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the petition by Florida Power & Light Company to transfer its 50 percent share of Plant Daniel Units 1 & 2 to Mississippi Power Company is approved. It is further

ORDERED that Florida Power & Light Company shall create regulatory assets as the appropriate accounting treatment for recovery of the transfer price related to base rates and environmental costs, with a recovery period of 10 years beginning at the next base rate reset, and

⁵Order Nos. PSC-2021-0446-S-EI and PSC-2024-0078-FOF-EI, issued December 2, 2021 and March 25, 2024, respectively, in Docket No. 20210015-EI, *In re: Petition for rate increase by Florida Power & Light Company*.

⁶ Docket No. 2025011-EI, *In re: Petition for rate increase by Florida Power & Light Company*.

a return on the unamortized asset balance at the Company's overall weighted average cost of capital. It is further

ORDERED that Florida Power & Light Company shall continue recovery of eligible prudently incurred pre-closing environmental costs pertaining to its proportionate share of Plant Daniel Units 1 & 2 through the Environmental Cost Recovery Clause, subject to annual review in that docket. It is further

ORDERED that Florida Power & Light Company shall continue to accrue Plant Daniel Units 1 & 2 dismantlement costs in base rates until the annual accrual is next reset with the support of a dismantlement study. 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 Commission Clerk, 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

ORDERED that if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket shall be closed upon the issuance of a consummating order.

By ORDER of the Florida Public Service Commission this 21st day of April, 2025.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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 Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on May 12, 2025.

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/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.