

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval to begin depreciating Sanford Unit No. 5, using whole life depreciation rates currently approved for Martin Power Plant, Unit No. 4 and Common, and expand Ft. Myers depreciation rates to include heat recovery steam generators (HRSGs), effective with in-service date of unit, by Florida Power & Light Company.

DOCKET NO. 020332-EI
ORDER NO. PSC-02-1103-PAA-EI
ISSUED: August 12, 2002

The following Commissioners participated in the disposition of this matter:

LILA A. JABER, Chairman
J. TERRY DEASON
BRAULIO L. BAEZ
MICHAEL A. PALECKI
RUDOLPH "RUDY" BRADLEY

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING DEPRECIATION RATES FOR FLORIDA
POWER & LIGHT COMPANY'S SANFORD COMBINED CYCLE
UNIT NO. 5 AND FT. MYERS COMBINED CYCLE ASSETS

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.

By Order Nos. PSC-99-0073-FOF-EI and PSC-99-0958-FOF-EI, issued January 8, 1999, and May 11, 1999, respectively, in Docket No. 971660-EI, the depreciation rates and capital recovery

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schedules for Florida Power & Light Company (FPL or the company) were revised. Subsequently, Order Nos. PSC-00-2434-PAA-EI and PSC-01-1337-PAA-EI, issued December 19, 2000, and June 19, 2001, in Docket Nos. 001437-EI and 010107-EI, addressed depreciation rates for the new Ft. Myers and Martin Simple Cycle units, respectively.

On March 14, 2002, the parties of Docket No. 001148-EI, In Re: Review of the Retail Rates of Florida Power & Light Company, filed a Joint Motion for Approval of Stipulation and Settlement together with the Stipulation and Settlement (Stipulation). By Order No. PSC-02-0501-AS-EI, issued April 11, 2002, the Stipulation was approved. Pursuant to paragraph 10 of the Stipulation, the depreciation rates addressed in Order Nos. PSC-99-0073-FOF-EI, PSC-00-2434-PAA-EI, and PSC-01-1337-PAA-EI will not be changed for the term of the Stipulation period, which will end December 31, 2005.

On April 12, 2002, FPL filed a request for approval to begin depreciating its Sanford Combined Cycle Unit No. 5 using the whole life depreciation rates currently approved for the Martin Plant Combined Cycle Unit No. 4 and Common, effective with the in-service date of June 15, 2002. Additionally, FPL requests to expand the depreciation rates currently approved for the Ft. Myers combustion turbine (CT) units to encompass the heat recovery steam generators (HRSGs). The in-service date for the HRSGs is May 31, 2002.

Sanford Combined Cycle Unit No. 5

Sanford Unit No. 5 is a repowered unit involving the installation of four combustion turbines and related HRSGs to supply steam to the existing steam turbine. The new combined cycle unit utilizes the latest technology and adds approximately 567 megawatts of generation at the site.

According to FPL, the Sanford Combined Cycle Unit No. 5 is similar to the Martin Combined Cycle Unit No. 4 in that both installations consist of combustion turbines fired by natural gas with the related HRSGs. The turbines at both sites are manufactured by General Electric. Therefore, FPL is requesting that the underlying whole life rates approved for the Martin Common and Combined Cycle Unit No. 4 be approved for the Sanford Common and Combined Cycle Unit No. 5. The depreciation rates for the Martin Common and Combined Cycle Unit No. 4 were approved by the

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Commission in Order No. PSC-99-0073-FOF-EI. The Sanford Combined Cycle Unit No. 5 became operational on June 15, 2002.

With the completion of the repowering at Sanford, the combined cycle facility is considered Other Production. Currently there are no prescribed depreciation rates that apply to these new facilities. FPL's request to use the underlying whole life rates prescribed for the Martin Common and Combined Cycle Unit No. 4 does not violate the Stipulation approved by Order No. PSC-02-0501-AS-EI, which states:

depreciation rates as addressed in Order Nos. PSC-99-0073-FOF-EI, PSC 00-2434-PAA-EI and PSC 01-1337-PAA-EI will not be changed for the term of this Stipulation and Settlement.

The rates approved in FPL's last depreciation study by Order No. PSC-99-0073-FOF-EI addressed depreciation rates for the existing Sanford facility, not for the new combined cycle unit. Approval of FPL's request for the Sanford Combined Cycle Unit No. 5 does not change those depreciation rates prescribed in 1999 since this is essentially a new unit. Accordingly, we hereby approve FPL's request to implement the underlying whole life depreciation rates currently approved for the Martin Common and Combined Cycle Unit No. 4 for the Sanford Combined Cycle Unit No. 5 until a comprehensive study is made. The approved whole life depreciation rates for the Sanford Combined Cycle Unit No. 5 are shown in Attachment A. These rates reflect those underlying the currently prescribed remaining life rates for Martin Common and Martin Combined Cycle Unit No. 4.

Ft. Myers Combined Cycle Assets

The Ft. Myers repowering project involves the installation of six new combustion turbines (CTs) and six heat recovery steam generators (HRSGs) to supply steam to the existing steam turbines at Units 1 and 2. By Order No. PSC-99-2507-S-EU, issued December 22, 1999, in Docket No. 981890-EU, FPL agreed to a minimum reserve margin planning criterion of twenty percent beginning with the Summer of 2004. To achieve this goal in a more timely fashion, FPL installed six CTs at Ft. Myers in 2000 and 2001, initially operating in a stand-alone mode. This provided immediate capacity

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increases to the FPL system. With the recent addition of the six HRSGs, Ft. Myers became a combined cycle operating facility on May 31, 2002.

By Order No. PSC-00-2434-PAA-EI, depreciation rates were approved for the Ft. Myers Simple Cycle units. FPL now requests permission to apply these rates to all the Ft. Myers combined cycle investment. This request does not violate the Stipulation approved by Order No. PSC-02-0501-AS-EI. Depreciation rates are not being revised; rather, the company simply requests that existing rates be applied to the additional investment that transforms the individual simple cycle units into one combined cycle facility. With this in mind, we hereby approve the utilization of the depreciation rates authorized in Order No. PSC-00-2434-PAA-EI for the Ft. Myers Combined Cycle assets. The depreciation rates approved for the Ft. Myers Combined Cycle assets are shown in Attachment A.

Effective Dates

Depreciation rates for new installations should be implemented when the installations become commercially operational. Accordingly, FPL has requested that depreciation rates for the new units be effective with the in-service dates for each unit. The in-service date for Sanford Combined Cycle Unit No. 5 is June 15, 2002. The in-service date for the Ft. Myers Combined Cycle facility is May 31, 2002. We find FPL's proposal acceptable. Therefore, the implementation date for the depreciation rates for the Sanford Combined Cycle Unit No. 5 is June 15, 2002, and for the Ft. Myers Combined Cycle units is May 31, 2002.

Depreciation Study Filings

Rule 25-6.0436(8)(a), Florida Administrative Code, requires electric utilities to file a depreciation study every four years unless otherwise required by the Commission. FPL was required to file its next study on December 26, 2001, but was granted a waiver to extend the filing date to April 30, 2002, by Order No. PSC-01-1144-PAA-EI. The Commission granted FPL an additional extension of time to April 30, 2003, to file its study by Order No. PSC-01-2376-PAA-EI. During the discussion concerning FPL's Settlement Agreement, the company agreed that it would file its next study by October 31, 2002, even though the Stipulation approved by Order No.

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PSC-02-0501-AS-EI provides that depreciation rates shall not be changed until the end of the Stipulation period, which is December 31, 2005. The information in the October 2002 study will be used to monitor the company's capital recovery position. We acknowledge that FPL will be filing a depreciation study by October 31, 2002.

Under the Stipulation approved by Order No. PSC-02-0501-AS-EI, issued April 11, 2002, in Docket No. 001148-EI, the earliest possible effective date for a change in the depreciation rates is January 1, 2006. Consequently, we find there is good cause to require FPL to file another study less than four years from the date of the study it will file in October of this year. Therefore, FPL is required to file its next depreciation study by October 31, 2005, with an implementation date of January 1, 2006, for new depreciation rates.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the depreciation rates, contained in Attachment A, for Florida Power & Light Company's Sanford Combined Cycle Unit No. 5 and Ft. Myers Combined Cycle assets are hereby approved. It is further

ORDERED that Attachment A is herein incorporated by reference. It is further

ORDERED that the implementation date for the depreciation rates for the Sanford Combined Cycle Unit No. 5 is June 15, 2002. It is further

ORDERED that the implementation date for the depreciation rates for the Ft. Myers Combined Cycle assets is May 31, 2002. It is further

ORDERED that Florida Power & Light Company shall file a depreciation study by October 31, 2005, with an implementation date of January 1, 2006, for the new depreciation rates. It is further

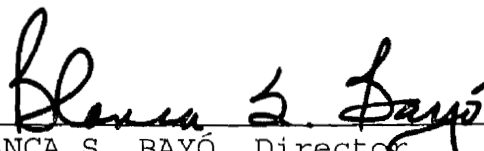
ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is

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received by the Director, Division of the Commission Clerk and Administrative Services, 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 in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 12th day of August, 2002.



BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

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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.

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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 the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 2, 2002.

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.

FLORIDA POWER AND LIGHT COMPANY
 COMMISSION APPROVED DEPRECIATION RATES

Sanford Combined Cycle Unit No. 5			
Accounts	Average Service Life (Yrs.)	Net Salvage (%)	Whole Life Depr. Rate (%)
Common			
341 Structures & Improvements	21.0	(4.0)	5.0
342 Fuel Holders, Producers & Accessories	22.0	0.0	4.5
343 Prime Movers	8.8	(2.0)	11.6
345 Accessory Elec. Eqpt.	25.0	(1.0)	4.0
346 Misc. Eqpt.	12.6	0.0	7.9
Combustion Turbines			
341 Structures & Improvements	25.0	(4.0)	4.2
342 Fuel Holders, Producers & Accessories	21.0	0.0	4.8
343 Prime Movers	18.5	(2.0)	5.5
344 Generators	25.0	0.0	4.0
345 Accessory Elec. Eqpt.	14.5	(1.0)	7.0
346 Misc. Eqpt.	15.0	0.0	6.7
Ft. Myers Combined Cycle			
Common			
341 Structures & Improvements	21.0	(4.0)	5.0
342 Fuel Holders, Producers & Accessories	22.0	0.0	4.5
343 Prime Movers	9.4	(2.0)	10.9
345 Accessory Elec. Eqpt.	25.0	(1.0)	4.0
346 Misc. Eqpt.	12.0	0.0	8.3
Combustion Turbines			
341 Structures & Improvements	25.0	(4.0)	4.2
342 Fuel Holders, Producers & Accessories	21.0	0.0	4.8
343 Prime Movers	18.5	(2.0)	5.5
344 Generators	25.0	0.0	4.0
345 Accessory Elec. Eqpt.	14.5	(1.0)	7.0
346 Misc. Eqpt.	15.0	0.0	6.7