

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval to begin depreciating Sanford Unit No. 4 using whole life depreciation rates currently approved for Martin Power Plant, Unit No. 4, by Florida Power & Light Company.

DOCKET NO. 030139-EI
ORDER NO. PSC-03-0634-PAA-EI
ISSUED: May 23, 2003

The following Commissioners participated in the disposition of this matter:

LILA A. JABER, Chairman
J. TERRY DEASON
BRAULIO L. BAEZ
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING DEPRECIATION RATES

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.

INTRODUCTION

In Order No. PSC-99-0073-FOF-EI, issued January 8, 1999, and Order No. PSC-99-0958-FOF-EI, issued May 11, 1999, we approved revised depreciation rates and capital recovery schedules for Florida Power & Light Company (FPL), and we recognized FPL's future plans to repower its Ft. Myers and Sanford sites. During that time we also approved a Stipulation and Settlement (Stipulation 1) executed by the parties in Docket No. 990067-EI, In Re: Petition for a Full Revenue Requirements Rate Case for Florida Power & Light Company.¹ Pursuant to paragraph 8 of Stipulation 1, the

¹ Order No. PSC-99-0519-AS-EI.

DOCUMENT NUMBER-DATE

04668 MAY 23 8

FPSC-COMMISSION CLERK

depreciation rates addressed in Order No. PSC-99-0073-FOF-EI were not to be revised for the term of the Stipulation, which ended April 15, 2002. Thereafter, in Order No. PSC-00-2434-PAA-EI, issued December 19, 2000, we approved depreciation rates for the repowered Ft. Myers simple cycle generating facilities, and similarly, in Order No. PSC-01-1337-PAA-EI, issued February 19, 2001, we approved depreciation rates for FPL's Martin simple cycle expansion project. On April 11, 2002, we approved the Stipulation and Settlement (Stipulation 2) executed by the parties in Docket No. 001148-EI, In Re: Review of the Retail Rates of Florida Power & Light Company.² Stipulation 2 extended FPL's existing revenue sharing plan through the end of 2005, and provided, pursuant to paragraph 10, that the depreciation rates approved in Order Nos. PSC-99-0073-FOF-EI, PSC-00-2434-PAA-EI, and PSC-01-1337-PAA-EI were not to be revised for the term of the Stipulation.

FPL now requests our approval to begin depreciating its repowered Sanford Unit 4. FPL has asked to use the whole life depreciation rates that have already been approved for the Martin Plant, Unit 4 and Common. The rates would be effective with the in-service date of the Sanford unit.

As explained more fully below, we grant FPL's petition. We approve the whole life depreciation rates shown on Attachment A, which is incorporated in this Order, for the repowered Sanford Unit No. 4, pending a comprehensive depreciation study in 2005 as Order No. PSC-02-1103-PAA-EI, issued August 12, 2002, in Docket No. 020332-EI, requires. The rates are similar to those remaining life rates currently prescribed for the Martin Plant.

DECISION

Sanford Unit No. 4 is a repowered unit requiring the installation of four combustion turbines (CTs) and related heat recovery steam generators (HRSGs) to supply steam to the existing steam turbine. The new unit uses the latest technology and adds approximately 576 megawatts of generation at the existing site. The Sanford Unit began operating in simple cycle March 1, 2003, and is expected to begin combined cycle operation in May, 2003.

² Order No. PSC-02-0501-AS-EI.

FPL asserts that the repowered Combined Cycle Sanford Unit No. 4 is similar to the repowered Sanford Unit No. 5 and Martin Unit No. 4, because FPL is using the latest combustion system design, with higher firing temperatures and lower heat rates, which results in improved performance. All three installations consist of combustion turbines fired by natural gas with related HRSGs.

Until a specific depreciation and dismantlement study is prepared for the Combined Cycle Sanford Unit No. 4, FPL is asking that we permit it to implement the underlying whole life rates approved for the Martin Common and Combined Cycle Unit No. 4, which are the same rates we approved for the Sanford Combined Cycle Unit No. 5.

The embedded steam assets expected to retire as a result of repowering Sanford Units 3 and 4 were identified and placed on a recovery schedule in FPL's last comprehensive depreciation study in Docket No. 971660-EI. The recovery schedule was designed to provide full recovery of the effected assets by the time repowering would be completed. The depreciation rates approved for the remaining steam assets reflected their continued viability in a repowered system.

The Combined Cycle Sanford Unit No. 4 is considered Other Production for which there are currently no prescribed depreciation rates. Therefore, 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 current Stipulation 2, which provides that 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 and Settlement. The rates approved in FPL's last depreciation study by Order No. PSC-99-0073-FOF-EI addressed depreciation rates for the Sanford steam facility, not for the new combined cycle unit. Approval of FPL's request for the repowered Sanford unit does not change those depreciation rates prescribed in 1999, since this is essentially a new unit.

In Order No. PSC-02-1103-PAA-EI we required FPL to file its next comprehensive depreciation study by October 30, 2005, with an implementation date of January 1, 2006, for new depreciation rates. We expect that site specific studies for both Sanford combined cycle units (Nos. 4 and 5) will be included in the 2005 study.

ORDER NO. PSC-03-0634-PAA-EI
DOCKET NO. 030139-EI
PAGE 4

Depreciation rates for new installations should be implemented when the installations become commercially operational. Accordingly, the depreciation rates approved herein should be implemented March 1, 2003, effective with the in-service date of the unit, as FPL has proposed.

Based on the forgoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's request to begin depreciating Sanford Unit 4 using whole life rates currently approved for Martin Unit 4 is granted as set forth in the body of this order, effective March 1, 2003. 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 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.

ORDER NO. PSC-03-0634-PAA-EI
DOCKET NO. 030139-EI
PAGE 5

By ORDER of the Florida Public Service Commission this 23rd
Day of May, 2003.

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

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records and Hearing
Services

(S E A L)

MCB

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.

ORDER NO. PSC-03-0634-PAA-EI
DOCKET NO. 030139-EI
PAGE 6

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 June 13, 2003.

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
Sanford Combined Cycle Unit No. 4**

**COMMISSION APPROVED
DEPRECIATION RATES**

Accounts	Average Service Life	Net Salvage	Whole Life Depreciation Rate
Common	(Yrs.)	(%)	(%)
341 Structures & Improvements	21.0	(4.0)	5.0
342 Fuel Holders, Producers and 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 and 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