

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request by Florida Power & Light Company for Change in Depreciation Rates for Cape Canaveral Generating Station.)	DOCKET NO. 891098-EI
)	ORDER NO. 23916
)	ISSUED: 12-21-90

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 FRANK S. MESSERSMITH

NOTICE OF PROPOSED AGENCY ACTION

ORDER PRESCRIBING DEPRECIATION AND DISMANTLEMENT
RATES FOR CAPE CANAVERAL GENERATING STATION

BY THE COMMISSION:

NOTICE is hereby given by the Florida Power Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

As part of its filing in this docket, Florida Power & Light Company (FPL or Utility) requested implementation, on a preliminary basis, its proposed depreciation and dismantlement rates and expected cost of dismantling the Cape Canaveral generating station consisting of two oil-fired units and the common assets. By Order No. 23353, FPL was authorized on an interim basis to implement its proposed depreciation and dismantlement rates for the Cape Canaveral generating station effective January 1, 1990. Order No. 23353 also provided that the interim rates would be adjusted, if necessary, upon completion of further review of the study.

Our Staff, upon further review of FPL's study recommended certain modifications. These modifications occur in the depreciation rates for a two-year overhaul of Unit No. 2 and the following dismantlement rate development:

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1. FPL's methodology utilized a "discount" factor, that "gives the customers the credit for the company's use of internal funds generated" by the depreciation accruals. This is similar to the funding approach used for nuclear decommissioning. However, a reserve for fossil-fuel dismantlement is not funded. Therefore, the Utility's "discount" factor is not appropriate through the depreciation mechanism.
2. For the gross salvage calculation, our Staff did not use FPL's 10% factor for Administration and Engineering and 15% for Contingencies. For example if estimated gross salvage was \$100, the Utility used \$125, whereas our Staff recommended the use of the estimated gross salvage figure of \$100. The additional at \$25 is difficult to justify because gross salvage from the material removed will differ from projections, either negative or positive.
3. There also was a difference in the calculation of the annual rate for provision for dismantlement. Our Staff used the remaining span-of-years for the unit (projected Dismantlement date less study date), which is the projected period for accruing those dismantlement costs. The Utility's use of the remaining life is a shorter period due to expected interim retirements of the various short-lived strata/components.

Our Staff recommends the establishment of a two-year recovery schedule covering the estimated depreciation expenses associated with the overhaul of Cape Canaveral Unit 2 in Account 312. Recovery schedules such as this should have expenses calculated on a monthly basis, the expense for a month is the net projected amount to be recovered (net plant and expected net salvage) divided by the months remaining for recovery - that is, the months to completion of the project. This permits changes in timing or in costs such as asbestos removal to be considered and permits full recovery by the end of the project.

While it may be correct, as the Utility proposes; that if the dollars associated with the retirements involved in its overhaul were included in the basic depreciation rate for the Account, the recovery should be achieved over the remaining life of the Account. However, this would allocate the recovery to future generations of ratepayers, rather than matching the recovery to the in-service

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life of the assets, which is the basic aim of depreciation. Use of a recovery schedule for prudent near-term retirements, are common practice and, we find, best comports with the matching principle.

Having reviewed the Utility's study and considering the modifications proposed by Staff, we find that FPL depreciation and dismantlement rates should be prescribed consistent with Staff's recommendation. The specific rates and components approved by this Order are set forth in Attachments 1 through 4 to this Order. The new rates will increase by about \$2,018,000 annually those approved by Order No. 23353 and the expenses booked during 1990 shall be trued-up to conform to the rates approved here.

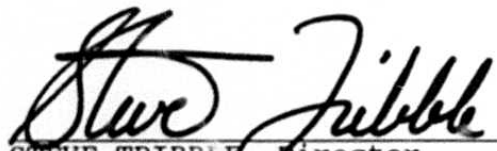
In consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that the depreciation and dismantlement rates set forth in Attachments 1 through 4 to this Order are hereby approved for Florida Power & Light Company's Cape Canaveral generating station. It is further

ORDERED that this Order shall become final unless an appropriate petition for formal proceeding is received by the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review. It is further

ORDERED that this docket be closed if no petition for formal proceeding is timely filed.

By ORDER of the Florida Public Service Commission, this
21st day of DECEMBER, 1990.



STEVE TRIBBLE, Director
 Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on January 14, 1991.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

FLORIDA POWER AND LIGHT CO.
CAPE CANAVERAL POWER PLANT
REVISED DEPRECIATION RATES AS OF 1-1-90

ACCOUNT	< - - - PRELIMINARY - - >				< - - - ORDERED - - >			
	REM.	NET	RES.	DEPR.	REM.	NET	RES.	DEPR.
	LIFE	SALV.	RES.	RATE	LIFE	SALV.	RES.	RATE
	yr.s	%	%	%	yr.s	%	%	%
Common: (Ordered rates reflect Company-revised study.)								
311 Structures	17.4	(5)	33.8	4.1	19.0	(5)	32.1	3.8
312 Boiler Plt.Eq.	15.4	(13)	71.3	2.7	17.4	(13)	69.8	2.5
314 Turbogen.	13.7	(4)	60.2	3.2	14.9	(4)	59.4	3.0
315 Access.Plt.Eq.	14.9	(3)	40.1	4.2	20.0	(3)	23.6	4.0
316 Misc.Pwr.Plt.	10.8	(1)	41.6	5.5	12.8	(1)	35.4	5.1
Unit 1: (Ordered rates reflect Company-revised study.)								
311 Structures	17.7	(5)	58.1	2.6	19.5	(5)	57.4	2.4
312 Boiler Plt.Eq.	15.4	(23)	68.0	3.6	17.4	(23)	65.6	3.3
314 Turbogen.	13.7	(4)	57.6	3.4	14.9	(4)	58.0	3.1
315 Access.Plt.Eq.	18.7	(3)	37.0	3.5	20.0	(3)	36.1	3.3
316 Misc.Pwr.Plt.	11.4	(1)	68.6	2.8	12.8	(1)	68.2	2.6
Unit 2: (Ordered rates reflect withdrawing assets from Account 312 slated for 1991 overhaul and reflect Company-revised study.)								
311 Structures	18.3	(5)	53.3	2.8	18.3	(5)	54.8	2.7
312 Boiler Plt.Eq.	14.6	(23)	68.8	3.7	20.0	(23)	70.6	2.6
314 Turbogen.	13.5	(4)	60.4	3.2	13.5	(4)	62.0	3.1
315 Access.Plt.Eq.	17.8	(3)	39.1	3.6	17.8	(3)	40.2	3.5
316 Misc.Pwr.Plt.	0.0	0	0.0	0.0	0.0	0	0.0	0.0

ATTACHMENT 2
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FLORIDA POWER AND LIGHT CO.
 CAPE CANAVERAL POWER PLANT
 PROJECTED DISMANTLEMENT EXPENSES

<u>ACCOUNT</u>	<u>PRELIMINARY ANNUAL RATE</u> %	<u>ORDERED ANNUAL RATE</u> %
Common:		
311 Structures	2.3	2.8
312 Boiler Plt.Eq.	0.0	0.0
314 Turbogen.	0.0	0.0
315 Access.Plt.Eq.	0.0	0.0
316 Misc.Pwr. Plt.	0.0	(0.7)
Unit 1:		
311 Structures	1.9	2.4
312 Boiler Plt.Eq.	0.4	0.4
314 Turbogen.	0.0	(0.1)
315 Access.Plt.Eq.	0.0	(0.7)
316 Misc.Pwr. Plt.	0.0	0.0
Unit 2:		
311 Structures	2.4	3.0
312 Boiler Plt.Eq.	0.4	0.3
314 Turbogen.	0.0	(0.1)
315 Access.Plt.Eq.	0.0	(0.7)
316 Misc.Pwr. Plt.	0.0	0.0

ATTACHMENT 3
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FLORIDA POWER AND LIGHT CO.
CAPE CANAVERAL POWER PLANT

RESERVE REALLOCATIONS

<u>ACCOUNT</u>	<u>1-1-90</u> <u>RESERVE</u> \$
Common:	
311 Structures	1,526,769
312 Boiler Plt.Eq.	107,437
314 Turbogen.	61,588
315 Access.Plt.Eq.	50,459
316 Misc.Pwr. Plt.	195,419
Unit 1:	
311 Structures	2,069,345
312 Boiler Plt.Eq.	10,730,832
314 Turbogen.	7,014,499
315 Access.Plt.Eq.	1,071,367
316 Misc.Pwr. Plt.	84,771
Unit 2:	
311 Structures	1,251,646
312 Boiler Plt.Eq.	12,324,229
314 Turbogen.	5,999,361
315 Access.Plt.Eq.	1,419,753
316 Misc.Pwr. Plt.	0

FLORIDA POWER AND LIGHT CO.
 CAPE CANAVERAL POWER PLANT
 TWO YEAR RECOVERY SCHEDULE FOR UNIT 2 1991 OVERHAUL
 (\$000)

ACCOUNT 312	< - ESTIMATED - >		RESERVE	TO BE RECOVERED	PERIOD yr.s	1990 EXPENSE	1991 EXPENSE
	RETIRING INVEST.	NEGATIVE NET SALVAGE					
	\$	\$	\$	\$		\$	\$
Boiler Plant Equipment	4,724	3,600	3,335	4,989	2	2,495	2,494