

FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center • 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

MEMORANDUM

MAY 30, 1996

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

FROM: DIVISION OF AUDITING & FINANCIAL ANALYSIS (BASS, LEE, HICKS) *RH*
DIVISION OF ELECTRIC & GAS (COLSON) *RC TS*
DIVISION OF LEGAL SERVICES (V. JOHNSON) *WJF MCB*

RE: DOCKET NO. 960527-EI - FLORIDA POWER & LIGHT COMPANY - REQUEST FOR APPROVAL OF SITE SPECIFIC DEPRECIATION STUDIES

AGENDA: JUNE 11, 1996 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\AFA\WP\960527.RCM
R:\RECPRE.WK3

DISCUSSION OF ISSUES

ISSUE 1: Should Florida Power & Light (FPL or Company) be allowed to implement its proposed depreciation rates and amortization provision on a preliminary basis at January 1, 1996?

RECOMMENDATION: Yes. FPL should be allowed to implement the proposed rates for its combined cycle units, shown on Attachment A, pages 4 - 6, on a preliminary basis at January 1, 1996. In addition, FPL should be allowed to implement its proposed 3-year amortization period for post-1995 additions of personal computer equipment. The effect of these proposals will increase annual depreciation expense by an estimated \$22.4 million annually, based on January 1, 1996 investments and reserves. The rates, amortization period, and resultant expenses will be trued-up when final action is taken by this Commission later in 1996. [BASS]

STAFF ANALYSIS: FPL operates combined cycle units for power generation at three sites: Fort Lauderdale, Martin and Putnam. The current depreciation rates for the Fort Lauderdale and Putnam sites were established by Order No. PSC-94-1199-FOF-EI, and effective January 1, 1994. The current depreciation rates for the Martin combined cycle units were established by Order No. PSC-95-1140-FOF-EI, and effective January 1, 1995.

DOCUMENT NUMBER-DATE

05919 MAY 30 1996

FPSO-RECORDS/REPORTING

DOCKET NO. 960527-EI
DATE: MAY 30, 1996

Since the last studies relating to these sites, FPL has completed the classification of plant in service to the retirement unit level by location for each. Also, the Company reports that it has obtained additional information concerning the life expectancy of some combustion turbine engine components. The Company's proposed depreciation rates reflect both of these developments.

Finally, the Company recites rapid developments and trends in personal computer technology. FPL submits that these changes support an amortization period shorter than the current 5 years. A 3-year amortization period has therefore been proposed for post 1995 additions of this type of equipment. Based on projected 1996 investment of \$15,000,000, the change from a 5-year to a 3-year period for amortization will result in an increase of about \$2,000,000 in annual expense. Mainframe equipment will continue to be amortized over five years.

FPL has requested that it be allowed to implement its proposed depreciation rates and amortization on a preliminary basis, in accord with our depreciation rules. These rates and resulting expenses will be trued-up when final Commission action is taken in this docket, later in 1996.

Preliminary implementation of rates and amortization is likely to result in a more appropriate level of expense than would accrue from retaining the currently effective rates. This does not imply that staff will be in agreement with the specific life, reserve, and salvage proposals made by the Company. In any case, expenses will be trued-up in accord with final Commission action in this docket.

Changes in estimated 1996 expenses resulting from the proposed rates and amortization are as follows:

| | |
|-----------------------------------------------------|---------------------|
| Fort Lauderdale (Units 3 & 4) | \$15,130,989 |
| Martin (Units 1 & 2) | \$ 4,168,644 |
| Putnam (Units 3 & 4) | <u>\$ 1,063,179</u> |
| Total increase from generation | \$20,362,812 |
| Amortization of investment in personal computers | <u>\$ 2,000,000</u> |
| Total increase to expense | <u>\$22,362,812</u> |

DOCKET NO. 960527-EI
DATE: MAY 30, 1996

ISSUE 2: What should be the implementation date for the new depreciation rates and amortization?

RECOMMENDATION: January 1, 1996. [BASS]

STAFF ANALYSIS: The Company has requested, and all data and calculations abut, a January 1, 1996 implementation date. Provision for preliminary implementation is made by Rule 25-6.0436 (5), F.A.C., to permit a more accurate statement of expected expenses during the calendar year.

ISSUE 3: Should this docket be closed?

RECOMMENDATION: No. This docket should not be closed, pending staff review and final Commission action concerning the appropriate rates under consideration. [BASS]

STAFF ANALYSIS: Any person whose interests are substantially affected by the Commission's proposed action may file a protest within 21 days of the issuance of this order. This recommendation only addresses the preliminary booking of depreciation rates and amortization and estimated expenses beginning January 1, 1996, with provision for a true-up of those expenses and the subject rates when final Commission action is taken. The issue regarding appropriate rates cannot be resolved until staff has thoroughly reviewed and analyzed the Company's filed study. Staff expects to bring a recommendation to the Commission for final action on this study in November of this year.

FLORIDA POWER AND LIGHT COMPANY
 1996 DEPRICIATION STUDY
 COMBINED CYCLE INSTALLATIONS
 COMPARISON OF EXPENSES

| ACCOUNT | 1-1-96 INVESTMENT \$ | 1-1-96 RESERVE \$ | CURRENT | | COMPANY PROPOSED | | |
|---------------------------------------|----------------------------|-------------------------|-----------|-------------------|------------------|-------------------|----------------------------|
| | | | RATE % | EXPENSE \$ | RATE % | EXPENSE \$ | CHANGE IN EXPENSE \$ |
| FORT LAUDERDALE COMBINED CYCLE | | | | | | | |
| Fort Lauderdale Common | | | | | | | |
| 341 Structures and Improvements | 73,301,663 | 2,941,373 | 4.2 | 3,078,670 | 5.0 | 3,665,063 | 586,413 |
| 342 Fuel Holders, Producers & Access. | 6,429,615 | 894,961 | 5.2 | 334,350 | 4.4 | 282,912 | (51,438) |
| 343 Prime Movers | 15,313,434 | 1,526,807 | 3.6 | 551,284 | 29.7 | 4,548,090 | 3,996,806 |
| 344 Generators | 313,512 | 39,506 | 4.1 | 12,854 | 4.5 | 14,108 | 1,254 |
| 345 Accessory Electric Equipment | 11,573,974 | 1,035,521 | 3.3 | 381,941 | 4.2 | 486,107 | 104,166 |
| 346 Misc. Power Plant Equipment | 1,266,865 | 302,385 | 6.6 | 84,933 | 6.3 | 81,072 | (3,861) |
| Total | 108,219,263 | 6,740,553 | | 4,444,032 | | 9,077,372 | 4,633,340 |
| Fort Lauderdale Unit 4 | | | | | | | |
| 341 Structures and Improvements | 4,654,679 | 2,828,818 | 3.7 | 172,223 | 1.9 | 88,439 | (83,784) |
| 342 Fuel Holders, Producers & Access. | 60,052 | 46,887 | 4.2 | 2,522 | 1.3 | 781 | (1,741) |
| 343 Prime Movers | 146,645,610 | 14,268,859 | 3.6 | 5,279,242 | 7.3 | 10,705,130 | 5,425,888 |
| 344 Generators | 24,581,760 | 2,141,946 | 5.7 | 1,401,160 | 4.2 | 1,032,434 | (368,726) |
| 345 Accessory Electric Equipment | 26,470,589 | 3,407,503 | 3.4 | 900,000 | 4.2 | 1,111,765 | 211,765 |
| 346 Misc. Power Plant Equipment | 2,192,007 | 326,784 | 5.8 | 127,136 | 6.5 | 142,480 | 15,344 |
| Total | 204,604,697 | 23,040,797 | | 7,882,263 | | 13,061,029 | 5,186,746 |
| Fort Lauderdale Unit 5 | | | | | | | |
| 341 Structures and Improvements | 2,887,727 | 915,092 | 3.4 | 98,183 | 3.2 | 92,407 | (5,776) |
| 342 Fuel Holders, Producers & Access. | 16,204 | 567 | 4.4 | 713 | 5.2 | 843 | 130 |
| 343 Prime Movers | 144,381,613 | 16,599,570 | 3.5 | 5,053,356 | 7.4 | 10,684,239 | 5,630,883 |
| 344 Generators | 24,986,360 | 3,502,717 | 5.9 | 1,474,195 | 4.0 | 999,454 | (474,741) |
| 345 Accessory Electric Equipment | 22,135,721 | 3,472,999 | 3.3 | 730,479 | 3.9 | 863,293 | 132,814 |
| 346 Misc. Power Plant Equipment | 1,732,515 | 77,015 | 6.2 | 107,416 | 7.1 | 123,009 | 15,593 |
| Total | 196,140,140 | 24,567,960 | | 7,464,342 | | 12,763,245 | 5,296,903 |
| TOTAL FORT LAUDERDALE | 508,964,100 | 54,349,310 | | 19,790,657 | | 34,921,646 | 15,130,989 |

FLORIDA POWER AND LIGHT COMPANY
 1998 DEPRCIATION STUDY
 COMBINED CYCLE INSTALLATIONS
 COMPARISON OF EXPENSES

| ACCOUNT | 1-1-98 INVESTMENT \$ | 1-1-98 RESERVE \$ | CURRENT | | COMPANY PROPOSED | | |
|---------------------------------------|----------------------------|-------------------------|-----------|-------------------|------------------|-------------------|----------------------------|
| | | | RATE % | EXPENSE \$ | RATE % | EXPENSE \$ | CHANGE IN EXPENSE \$ |
| MARTIN COMBINED CYCLE | | | | | | | |
| Martin Common | | | | | | | |
| 341 Structures and Improvements | 40,057,273 | 6,584,184 | 4.0 | 1,602,291 | 4.3 | 1,722,463 | 120,172 |
| 342 Fuel Holders, Producers & Access. | 2,720,120 | 503,774 | 0.0 | 0 | 4.0 | 108,805 | 108,805 |
| 343 Prime Movers | 24,197,451 | 4,811,722 | 16.3 | 3,944,185 | 16.1 | 3,895,790 | (48,395) |
| 344 Generators | 0 | 0 | 0.0 | 0 | 0.0 | 0 | 0 |
| 345 Accessory Electric Equipment | 4,580,781 | 844,768 | 4.0 | 183,231 | 3.4 | 155,747 | (27,484) |
| 346 Misc. Power Plant Equipment | 4,079,523 | 688,490 | 0.0 | 0 | 7.6 | 310,044 | 310,044 |
| Total | 75,635,148 | 13,432,938 | | 5,729,707 | | 6,192,849 | 463,142 |
| Martin Combined Cycle Unit 3 | | | | | | | |
| 341 Structures and Improvements | 1,918,202 | 535,847 | 5.1 | 97,828 | 3.1 | 59,464 | (38,364) |
| 342 Fuel Holders, Producers & Access. | 867,282 | 49,963 | 4.5 | 39,028 | 5.0 | 43,364 | 4,336 |
| 343 Prime Movers | 148,820,261 | 4,125,538 | 4.7 | 6,994,552 | 6.3 | 9,375,678 | 2,381,124 |
| 344 Generators | 24,476,951 | 2,153,729 | 4.7 | 1,150,417 | 4.1 | 1,003,555 | (146,862) |
| 345 Accessory Electric Equipment | 19,054,209 | 1,997,991 | 6.2 | 1,181,361 | 6.9 | 1,314,740 | 133,379 |
| 346 Misc. Power Plant Equipment | 532,349 | 89,323 | 5.9 | 31,409 | 3.5 | 18,632 | (12,777) |
| Total | 195,669,254 | 8,952,391 | | 9,494,595 | | 11,815,431 | 2,320,836 |
| Martin Combined Cycle Unit 4 | | | | | | | |
| 341 Structures and Improvements | 1,873,410 | 482,139 | 5.1 | 95,544 | 3.2 | 59,949 | (35,595) |
| 342 Fuel Holders, Producers & Access. | 653,322 | 74,011 | 5.1 | 33,319 | 4.6 | 30,053 | (3,266) |
| 343 Prime Movers | 144,813,816 | 10,510,583 | 4.7 | 6,806,249 | 5.6 | 8,399,201 | 1,592,952 |
| 344 Generators | 29,263,816 | 2,412,954 | 4.7 | 1,375,399 | 4.1 | 1,199,816 | (175,583) |
| 345 Accessory Electric Equipment | 15,198,695 | 1,410,576 | 6.9 | 1,048,710 | 7.0 | 1,063,909 | 15,199 |
| 346 Misc. Power Plant Equipment | 475,679 | 74,851 | 5.5 | 26,173 | 3.6 | 17,132 | (9,041) |
| Total | 192,278,938 | 14,975,114 | | 9,385,394 | | 10,770,060 | 1,384,666 |
| TOTAL MARTIN: | 463,583,340 | 37,360,443 | | 24,609,696 | | 28,778,340 | 4,168,644 |

FLORIDA POWER AND LIGHT COMPANY
 1996 DEPRCIATION STUDY
 COMBINED CYCLE INSTALLATIONS
 COMPARISON OF EXPENSES

| ACCOUNT | 1-1-96 INVESTMENT \$ | 1-1-96 RESERVE \$ | CURRENT | | COMPANY PROPOSED | | CHANGE IN EXPENSE \$ |
|---------------------------------------|----------------------------|-------------------------|-----------|---------------|------------------|---------------|----------------------------|
| | | | RATE % | EXPENSE \$ | RATE % | EXPENSE \$ | |
| PUTNAM COMBINED CYCLE | | | | | | | |
| Putnam Common | | | | | | | |
| 341 Structures and Improvements | 11,296,271 | 6,069,915 | 2.9 | 327,592 | 4.0 | 451,851 | 124,259 |
| 342 Fuel Holders, Producers & Access. | 7,458,083 | 3,950,215 | 4.5 | 335,614 | 4.2 | 313,239 | (22,375) |
| 343 Prime Movers | 10,039,430 | 5,461,852 | 5.0 | 501,972 | 4.0 | 401,577 | (100,395) |
| 344 Generators | 36,487 | 28,535 | 4.6 | 1,678 | 1.9 | 693 | (985) |
| 345 Accessory Electric Equipment | 1,721,222 | 886,280 | 4.6 | 79,178 | 4.3 | 74,013 | (5,163) |
| 346 Misc. Power Plant Equipment | 1,081,079 | 731,898 | 4.1 | 44,324 | 3.3 | 35,676 | (8,648) |
| Total | 31,632,572 | 17,728,695 | | 1,290,356 | | 1,277,049 | (13,307) |
| Putnam Unit 1 | | | | | | | |
| 341 Structures and Improvements | 34,624 | 24,564 | 3.1 | 1,073 | 2.5 | 866 | (207) |
| 342 Fuel Holders, Producers & Access. | 61,742 | 25,842 | 3.0 | 1,852 | 7.2 | 4,445 | 2,593 |
| 343 Prime Movers | 48,779,325 | 17,201,390 | 4.9 | 2,390,187 | 5.8 | 2,829,201 | 439,014 |
| 344 Generators | 5,382,575 | 3,739,686 | 3.2 | 172,242 | 2.8 | 139,947 | (32,295) |
| 345 Accessory Electric Equipment | 6,509,413 | 4,276,893 | 3.3 | 214,811 | 3.1 | 201,792 | (13,019) |
| 346 Misc. Power Plant Equipment | 387,624 | 264,064 | 0.0 | 0 | 2.6 | 10,078 | 10,078 |
| Total | 61,155,303 | 25,532,439 | | 2,780,165 | | 3,186,329 | 406,164 |
| Putnam Unit 2 | | | | | | | |
| 341 Structures and Improvements | 34,624 | 25,018 | 2.9 | 1,004 | 2.6 | 900 | (104) |
| 342 Fuel Holders, Producers & Access. | 61,685 | 27,675 | 3.3 | 2,036 | 7.0 | 4,318 | 2,282 |
| 343 Prime Movers | 49,241,908 | 18,623,840 | 4.8 | 2,363,612 | 6.1 | 3,003,758 | 640,144 |
| 344 Generators | 5,382,575 | 3,802,317 | 3.1 | 166,860 | 2.8 | 150,712 | (16,148) |
| 345 Accessory Electric Equipment | 6,663,199 | 4,263,877 | 3.1 | 206,559 | 3.6 | 239,675 | 33,316 |
| 346 Misc. Power Plant Equipment | 373,512 | 250,923 | 0.0 | 0 | 2.9 | 10,832 | 10,832 |
| Total | 61,757,503 | 26,993,650 | | 2,740,071 | | 3,410,393 | 670,322 |
| TOTAL PUTNAM | 154,545,378 | 70,254,784 | | 6,810,592 | | 7,873,771 | 1,063,179 |
| TOTAL COMBINED CYCLE INSTALLATIONS | 1,127,092,818 | 161,864,537 | | 51,210,945 | | 71,573,757 | 20,362,812 |