

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Depreciation studies by
Florida Power & Light Company
for specific steam generation
sites.

DOCKET NO. 970785-EI
ORDER NO. PSC-97-1607-FOF-EI
ISSUED: December 22, 1997

The following Commissioners participated in the disposition of
this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
DIANE K. KIESLING
JOE GARCIA

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING DEPRECIATION RATES
FOR SPECIFIC STEAM GENERATION SITES

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.

CASE BACKGROUND

On June 27, 1997, Florida Power & Light Company (FPL or Company) filed a depreciation study for six of their steam generation sites. FPL operates steam driven units for power generation at the sites of Cape Canaveral, Fort Myers, Port Everglades, Riviera, Sanford and Turkey Point.

Pursuant to Company request, interim depreciation rates, effective January 1, 1997, for these sites were established in Order No. PSC-97-1015-PCO-EI, issued August 25, 1997. This Order establishes final depreciation rates for these sites.

DOCUMENT NUMBER-DATE

13068 DEC 22 97

FPSC-RECORDS/REPORTING

DECISION

We find that the depreciation rates for the specific steam generation sites included in the filing by Florida Power & Light in this docket, must be revised from those authorized for preliminary implementation as of January 1, 1997. The depreciation rates authorized for preliminary implementation were those proposed by the Company in its filing. The approved rates are detailed on Attachment "A" to this Order.

The next regular comprehensive depreciation study for FPL, as required by Rule 25-6.0436(8)(a), Florida Administrative Code, is due on or before December 31, 1997. That study will treat the recovery position for all plant investment relating to generation, transmission, distribution and general plant functions. Upon review of the recovery positions associated with accounts for these six sites, FPL perceived that conditions warranted additional capital recovery beginning in 1997. Upon Commission approval and at the Company's request, proposed rates were implemented at January 1, 1997.

FPL's filing addresses the need for revision to depreciation rates to accommodate the implications of a change in the operating mode for these six units. When the combined cycle units (at various other sites) became operational, economic dispatch made those combined cycle units the baseline energy providers. Formerly, the six units in this filing were the common providers of energy on a daily basis; now, they are cycled on an as-needed basis, depending on weather conditions or contingent factors which may affect other plants.

The cycling mode of operation produces relatively more wear on the mechanical components of these units. However, there may be long periods of time between periods of operation. The actual number of start-ups needed in a future year can only be estimated, so that these units might be available to serve on rare occasions for many years. If weather and other factors produce a troublesome situation, the remaining life of a unit might be used up in a few seasons.

Thus, estimating the remaining lives for these units becomes the product of multiple estimations, with even more variability

than was the case when these units were running baseline. In the current analysis, we agree that the Company's proposal to decrease unit service lives is appropriate. It is expected that adjustments to retirement dates, and therefore to service lives, will be necessary on a going forward basis.

In comparing the contents of the current study with information filed in FPL's ten-year site plan for 1997, we note that, for some sites, there are different expectations in the two filings. For some units, the site plan includes generation capacity beyond the retirement date indicated in the depreciation study. Based on current growth projections, FPL will require additional capacity prior to the year 2007. The Company's options include purchased power, building new plant capacity, or repowering a particular unit or site. The associated generating capacity for a repowered site would increase. Also, repowering would involve retirement of major portions of equipment currently in service, and extended life for the equipment continuing to serve.

However, in the case of a decision to purchase additional capacity, some units could be shut down prior to the date indicated in this filing. Because of lead times involved in procuring generation, planning for required additional capacity will need to be firmed up within the next two years. When the planning is finalized, FPL should inform the Commission and address any needed recovery changes.

The implementation date for the new depreciation rates and amortization is set at January 1, 1997. The Company has requested, and all data and calculations about, a January 1, 1997, implementation date. In addition, we have approved preliminary implementation effective at that date. The Company will true-up the depreciation expense recorded under the preliminary implementation provision, to match the rates in this order.

A reserve reallocation must also be made. A reserve amount of \$549,306 shall be reallocated from Account 311, Structures and Improvements for Fort Myers Unit 1, to the reserve for Fort Myers Common Plant Account 312, Boiler Plant Equipment. There is a calculated reserve surplus in the Fort Myers Unit 1 Account 311, Structures and Improvements. Likewise, there is a calculated reserve deficit in the Common Plant Account 312, Boiler Plant

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Equipment, at the same site. The Company reports that the reserve surplus is due to a 1995 transfer that was recorded erroneously during FPL's unitization work. The transfer of \$549,306 from the Unit 1 Account 311, to the Common Plant Account 312 will help to correct the reserve deficit existing in Account 312.

The capital recovery rates set in this docket are not intended to reflect the allocation of additional expense flowing from Order No. PSC-96-0461-FOF-EI. This docket is limited to six production sites. The additional expenses recorded pursuant to Order No. PSC 96-0461-FOF-EI, Docket No. 950359-EI, issued April 2, 1996, shall be allocated to specific production sites and accounts within those sites after a review is made of all FPL's production plants. The comprehensive study is due to be submitted no later than December 31, 1997.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the depreciation rates for Florida Power & Light Company's generating units listed in this filing are hereby revised as set forth in the body of this order and as illustrated in Attachment A to this order. It is further

ORDERED that the reserve amount of \$549,306 shall be transferred from Account 311, Structures and Improvements for Fort Myers Unit 1, to the reserve for Fort Myers Common Plant Account 312, Boiler Plant Equipment. It is further

ORDERED that the effective date for these revised depreciation rates and reserve transfer shall be January 1, 1997. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

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ORDERED that in the event this Order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission this 22nd day of December, 1997.

BLANCA S. BAYÓ, Director
Division of Records and Reporting



Kay Flynn
Chief, Bureau of Records

(S E A L)

LJP

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 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.

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 and will not become effective or final, except as provided by Rule 25-

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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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 12, 1998.

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 substantially 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 wastewater 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 COMPANY
 1997 STUDY
 COMMISSION APPROVED RATES

ACCOUNT

CAPE CANAVERAL

Cape Canaveral Common	
311	Structures and Improvements
312	Boiler Plant Equipment
314	Turbogenerator Units
315	Accessory Electric Equipment
316	Misc. Power Plant Equipment

Cape Canaveral Unit 1	
311	Structures and Improvements
312	Boiler Plant Equipment
314	Turbogenerator Units
315	Accessory Electric Equipment
316	Misc. Power Plant Equipment

Cape Canaveral Unit 2	
311	Structures and Improvements
312	Boiler Plant Equipment
314	Turbogenerator Units
315	Accessory Electric Equipment
316	Misc. Power Plant Equipment

FORT MYERS

Fort Myers Common	
311	Structures and Improvements
312	Boiler Plant Equipment
314	Turbogenerator Units
315	Accessory Electric Equipment
316	Misc. Power Plant Equipment

Fort Myers Unit 1	
311	Structures and Improvements
312	Boiler Plant Equipment
314	Turbogenerator Units
315	Accessory Electric Equipment
316	Misc. Power Plant Equipment

Fort Myers Unit 2	
311	Structures and Improvements
312	Boiler Plant Equipment
314	Turbogenerator Units
315	Accessory Electric Equipment
316	Misc. Power Plant Equipment

AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (*)	1-1-97 BOOK RESERVE (*)	REMAINING LIFE RATE (*)
9.9	(2.0)	45.06	..8
10.5	(12.0)	(44.52)	14.9
9.9	(7.0)	68.32	3.9
9.2	(6.0)	62.59	4.7
6.4	0.0	27.18	11.4
8.1	(2.0)	76.69	3.1
7.8	(12.0)	24.81	11.2
7.9	(7.0)	53.42	6.8
8.3	(6.0)	44.34	7.4
8.5	0.0	67.53	3.8
12.3	(2.0)	68.44	2.7
6.0	(12.0)	43.74	11.4
11.3	(7.0)	80.31	2.4
11.9	(6.0)	50.77	4.6
10.0	(1.0)	89.13	1.2

9.3	(2.0)	56.10	4.9
9.5	(12.0)	(82.07)	20.4
10.5	(7.0)	2.23	10.0
9.4	(6.0)	42.28	6.8
6.1	0.0	77.38	3.7
6.5	(2.0)	87.05	2.3
5.6	(12.0)	91.57	3.6
5.2	(7.0)	93.91	2.5
6.2	(6.0)	81.51	4.0
6.4	0.0	98.90	0.2
12.3	(2.0)	48.79	4.3
8.5	(12.0)	51.54	7.1
11.7	(7.0)	64.87	3.6
12.2	(6.0)	56.96	4.0
5.3	(1.0)	71.98	5.5

* Denotes restated reserve after correct transfers have been made.

FLORIDA POWER & LIGHT COMPANY
 1997 STUDY
 COMMISSION APPROVED RATES

ACCOUNT

PORT EVERGLADES

Port Everglades Common

311	Structures and Improvements	7.2	(2.0)	51.07	7.1
312	Boiler Plant Equipment	7.3	(12.0)	16.47	13.1
314	Turbogenerator Units	6.9	(7.0)	44.66	9.0
315	Accessory Electric Equipment	7.4	(6.0)	45.59	8.2
316	Misc. Power Plant Equipment	5.7	0.0	52.71	8.3

Port Everglades Unit 1

311	Structures and Improvements	4.6	(2.0)	88.89	2.9
312	Boiler Plant Equipment	5.6	(12.0)	81.79	5.4
314	Turbogenerator Units	5.4	(7.0)	81.43	4.7
315	Accessory Electric Equipment	4.6	(6.0)	85.65	4.4
316	Misc. Power Plant Equipment	6.5	0.0	87.28	2.0

Port Everglades Unit 2

311	Structures and Improvements	6.5	(2.0)	84.63	2.7
312	Boiler Plant Equipment	6.4	(12.0)	67.00	7.0
314	Turbogenerator Units	6.3	(7.0)	72.40	5.5
315	Accessory Electric Equipment	6.5	(6.0)	79.65	4.1
316	Misc. Power Plant Equipment	6.6	0.0	75.44	3.7

Port Everglades Unit 3

311	Structures and Improvements	7.5	(2.0)	59.80	5.6
312	Boiler Plant Equipment	5.6	(12.0)	60.69	9.2
314	Turbogenerator Units	7.0	(7.0)	64.13	6.1
315	Accessory Electric Equipment	7.5	(6.0)	42.45	8.5
316	Misc. Power Plant Equipment	7.5	0.0	50.96	6.5

Port Everglades Unit 4

311	Structures and Improvements	8.5	(2.0)	63.44	4.5
312	Boiler Plant Equipment	5.7	(12.0)	47.62	11.3
314	Turbogenerator Units	8.4	(7.0)	78.42	3.4
315	Accessory Electric Equipment	8.5	(6.0)	41.16	7.6
316	Misc. Power Plant Equipment	8.5	0.0	59.24	4.8

AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	1-1-97 BOOK RESERVE (%)	REMAINING LIFE RATE (%)		
PORT EVERGLADES					
Port Everglades Common					
311	Structures and Improvements	7.2	(2.0)	51.07	7.1
312	Boiler Plant Equipment	7.3	(12.0)	16.47	13.1
314	Turbogenerator Units	6.9	(7.0)	44.66	9.0
315	Accessory Electric Equipment	7.4	(6.0)	45.59	8.2
316	Misc. Power Plant Equipment	5.7	0.0	52.71	8.3
Port Everglades Unit 1					
311	Structures and Improvements	4.6	(2.0)	88.89	2.9
312	Boiler Plant Equipment	5.6	(12.0)	81.79	5.4
314	Turbogenerator Units	5.4	(7.0)	81.43	4.7
315	Accessory Electric Equipment	4.6	(6.0)	85.65	4.4
316	Misc. Power Plant Equipment	6.5	0.0	87.28	2.0
Port Everglades Unit 2					
311	Structures and Improvements	6.5	(2.0)	84.63	2.7
312	Boiler Plant Equipment	6.4	(12.0)	67.00	7.0
314	Turbogenerator Units	6.3	(7.0)	72.40	5.5
315	Accessory Electric Equipment	6.5	(6.0)	79.65	4.1
316	Misc. Power Plant Equipment	6.6	0.0	75.44	3.7
Port Everglades Unit 3					
311	Structures and Improvements	7.5	(2.0)	59.80	5.6
312	Boiler Plant Equipment	5.6	(12.0)	60.69	9.2
314	Turbogenerator Units	7.0	(7.0)	64.13	6.1
315	Accessory Electric Equipment	7.5	(6.0)	42.45	8.5
316	Misc. Power Plant Equipment	7.5	0.0	50.96	6.5
Port Everglades Unit 4					
311	Structures and Improvements	8.5	(2.0)	63.44	4.5
312	Boiler Plant Equipment	5.7	(12.0)	47.62	11.3
314	Turbogenerator Units	8.4	(7.0)	78.42	3.4
315	Accessory Electric Equipment	8.5	(6.0)	41.16	7.6
316	Misc. Power Plant Equipment	8.5	0.0	59.24	4.8

FLORIDA POWER & LIGHT COMPANY
 1997 STUDY
 COMMISSION APPROVED RATES

<u>ACCOUNT</u>	<u>AVERAGE</u> <u>REMAINING</u> <u>LIFE</u> (YRS.)	<u>NET</u> <u>SALVAGE</u> (%)	<u>1-1-97</u> <u>BOOK</u> <u>RESERVE</u> (%)	<u>REMAINING</u> <u>LIFE</u> <u>RATE</u> (%)
RIVIERA				
Riviera Common				
311 Structures and Improvements	6.3	(2.0)	53.54	7.7
312 Boiler Plant	6.5	(12.0)	25.23	21.1
314 Turbogenerator Units	6.4	(7.0)	51.64	8.7
315 Accessory Electric Equipment	6.3	(6.0)	55.16	8.1
316 Misc. Power Plant Equipment	6.0	0.0	79.57	3.4
Riviera Unit 3				
311 Structures and Improvements	5.5	(2.0)	69.25	6.0
312 Boiler Plant	5.5	(12.0)	49.00	11.5
314 Turbogenerator Units	5.5	(7.0)	59.31	8.7
315 Accessory Electric Equipment	5.5	(6.0)	52.10	9.8
316 Misc. Power Plant Equipment	5.5	0.0	55.10	8.2
Riviera Unit 4				
311 Structures and Improvements	6.5	(2.0)	87.92	2.2
312 Boiler Plant	6.4	(12.0)	48.57	9.9
314 Turbogenerator Units	6.5	(7.0)	55.57	7.9
315 Accessory Electric Equipment	6.5	(6.0)	48.22	8.9
316 Misc. Power Plant Equipment	6.5	(1.0)	42.62	9.0

FLORIDA POWER & LIGHT COMPANY
 1997 STUDY
 COMMISSION APPROVED RATES

<u>ACCOUNT</u>	<u>AVERAGE</u> <u>REMAINING</u> <u>LIFE</u> (YRS.)	<u>NET</u> <u>SALVAGE</u> (%)	<u>1-1-97</u> <u>BOOK</u> <u>RESERVE</u> (%)	<u>REMAINING</u> <u>LIFE</u> <u>RATE</u> (%)
SANFORD				
Sanford Common				
311 Structures and Improvements	12.5	(2.0)	52.99	3.9
312 Boiler Plant Equipment	9.9	(12.0)	(28.51)	14.2
314 Turbogenerator Units	12.7	(7.0)	69.97	2.9
315 Accessory Electric Equipment	5.9	(6.0)	55.41	8.6
316 Misc. Power Plant Equipment	8.7	0.0	42.44	6.6
Sanford Unit 3				
311 Structures and Improvements	6.3	(2.0)	81.26	3.3
312 Boiler Plant Equipment	6.0	(12.0)	86.55	4.2
314 Turbogenerator Units	5.2	(7.0)	95.19	2.3
315 Accessory Electric Equipment	5.6	(6.0)	90.43	2.8
316 Misc. Power Plant Equipment	6.4	0.0	96.72	0.5
Sanford Unit 4				
311 Structures and Improvements	13.8	(2.0)	64.38	2.7
312 Boiler Plant Equipment	8.4	(12.0)	64.98	5.6
314 Turbogenerator Units	8.9	(7.0)	58.90	5.4
315 Accessory Electric Equipment	5.1	(6.0)	66.37	7.8
316 Misc. Power Plant Equipment	6.5	0.0	71.90	4.3
Sanford Unit 5				
311 Structures and Improvements	13.8	(2.0)	57.51	3.2
312 Boiler Plant Equipment	9.5	(12.0)	69.45	4.5
314 Turbogenerator Units	9.9	(7.0)	50.18	5.7
315 Accessory Electric Equipment	6.1	(6.0)	68.39	6.2
316 Misc. Power Plant Equipment	6.7	0.0	68.82	4.7

**FLORIDA POWER & LIGHT COMPANY
 1997 STUDY
 COMMISSION APPROVED RATES**

ACCOUNT

TURKEY POINT FOSSIL

Turkey Point Common

311 Structures and
 312 Boiler Plant
 314 Turbogenerator
 315 Accessory Electric
 316 Misc. Power Plant

Turkey Point Unit 1

311 Structures and
 312 Boiler Plant
 314 Turbogenerator
 315 Accessory Electric
 316 Misc. Power Plant

Turkey Point Unit 2

311 Structures and
 312 Boiler Plant
 314 Turbogenerator
 315 Accessory Electric
 316 Misc. Power Plant

AVERAGE REMAININ <u>LIFE</u> (YRS.)	NET <u>SALVAG</u> (%)	1-1-97 BOOK <u>RESERVE</u> (%)	REMAININ LIFE <u>RATE</u> (%)
11.2	(2.0)	56.42	4.1
11.3	(12.0)	28.17	7.4
11.5	(7.0)	51.37	4.8
10.8	(6.0)	49.21	5.3
8.6	0.0	58.38	4.8
10.5	(2.0)	33.71	6.5
8.1	(12.0)	37.65	9.2
9.9	(7.0)	48.13	5.9
9.9	(6.0)	60.63	4.6
10.5	0.0	79.05	2.0
11.3	(2.0)	39.06	5.6
8.7	(12.0)	38.59	8.4
10.8	(7.0)	42.36	6.0
10.2	(6.0)	56.21	4.9
9.2	0.0	68.97	3.4