

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 001437-EI
ORDER NO. PSC-00-2434-PAA-EI
ISSUED: December 19, 2000

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
E. LEON JACOBS, JR.
LILA A. JABER
BRAULIO L. BAEZ

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING APPROVAL OF 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.

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 schedules for Florida Power & Light Company (FPL or company) were revised. The rates and recovery schedules approved for the Sanford units recognized the company's re-powering plans for the Ft. Myers site.

On March 10, 1999, the parties of Docket No. 990067-EI, In Re: Petition for a Full Revenue Requirements Rate Case for 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-99-0519-AS-EI issued March 17, 1999, the Stipulation was approved. Pursuant to

DOCUMENT NUMBER-DATE

16126 DEC 198

FPSC-RECORDS/REPORTING

ORDER NO. PSC-00-2434-PAA-EI
DOCKET NO. 001437-EI
PAGE 2

paragraph 8 of the Stipulation, the depreciation rates addressed in Order No. PSC-99-0073-FOF-EI will not be increased for the term of the Stipulation period, which will end April 15, 2002.

On September 15, 2000, FPL filed a request for approval to begin depreciating its Ft. Myers Plant using the whole life depreciation rates currently approved for the Martin Plant, Unit No. 4 and Common, effective with the in-service dates of the units.

The Ft. Myers repowering project will involve 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. As part of FPL's last comprehensive depreciation study by Order No. PSC-99-0073-FOF-EI, the embedded assets expected to retire as a result of the repowering were identified and placed on a recovery schedule designed to provide full recovery by the time repowering would be completed, estimated the end of 2003. Additionally, the depreciation rates prescribed for Ft. Myers reflected that repowering will extend the life of the site by about 23 years while various stratified asset categories will continue to experience a shorter life.

Subsequently, 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 reserve beginning with the Summer of 2004. To achieve this goal, FPL now plans to install six CTs at Ft. Myers, which will initially operate in a stand-alone mode until the overall completion of the repowering, currently projected for June 1, 2002. This will result in immediate capacity increases to the FPL system. The in-service dates for the various combustion turbines are November 1, 2000, December 1, 2000, April 1, 2001, May 1, 2001, and June 1, 2001.

According to FPL, the Ft. Myers CTs will be similar to those installed at the Martin site, but the Ft. Myers CTs will have a higher firing temperature, resulting in improved performance, and will have the latest combustion system design. Until a specific depreciation and dismantlement study is prepared for the combined cycle unit, FPL is requesting that the underlying whole life rates approved for Martin, Unit No. 4, be approved for the new Ft. Myers CTs. The combined cycle study is projected to be submitted sometime in 2002 after the unit becomes operational and the costs are unitized.

The six Ft. Myers CTs will be installed and will operate as individual simple cycle generating facilities until the Ft. Myers repowering is complete. There are no currently prescribed depreciation rates that apply to these new facilities. We find that FPL's request to use the underlying whole life rates prescribed for Martin Unit No. 4 does not violate the Stipulation approved by Order No. PSC-99-0519-AS-EI. The rates approved in FPL's last depreciation study by Order Nos. PSC-99-0073-FOF-EI and PSC-99-0958-FOF-EI addressed estimated rates for the repowered facility, not for the individual generating units. We find that approval for applying the whole life rates currently prescribed for Martin Unit No. 4 does not exceed those depreciation rates prescribed in 1999. We therefore approve FPL's request to implement the underlying whole life depreciation rates currently approved for Martin Unit No. 4 until a comprehensive study is made in 2002. These depreciation rates, shown in Attachment 1 (attached hereto and incorporated herein by reference) shall be implemented effective with the in-service date of each CT unit.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light's request that the underlying whole life depreciation rates prescribed for Martin Unit No. 4 and Common, as shown in Attachment 1, shall be applied to the six new combustion turbine units to be installed in Ft. Myers. It is further

ORDERED that said rates be utilized until a specific depreciation and dismantlement study is prepared for the combined cycle unit. It is further

ORDERED that the depreciation rates for the new Ft. Myers combustion turbines shall be effective with each individual unit's in-service date. 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 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" attached hereto. It is further

ORDER NO. PSC-00-2434-PAA-EI
DOCKET NO. 001437-EI
PAGE 4

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

By ORDER of the Florida Public Service Commission this 19th day of December, 2000.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

(S E A L)

DDH

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.

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

ORDER NO. PSC-00-2434-PAA-EI
DOCKET NO. 001437-EI
PAGE 5

Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 9, 2001.

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 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.

**ATTACHMENT 1
 FLORIDA POWER AND LIGHT COMPANY
 Ft. Myers Combustion Turbines
 Docket No. 001437-EI**

	COMPANY PROPOSED/ STAFF RECOMMENDED		
	Average Service Life	Net Salvage	Whole Life Depreciation Rate
	(YRS.)	(%)	(%)
Common			
341 Structures & Improvements	21.0	(4.0)	5.0
342 Fuel Holders, Producers, and Accessories	22.0	0.0	4.5
343 Prime Movers	9.4	(2.0)	10.9
345 Accessory Electric Equipment	25.0	(1.0)	4.0
346 Miscellaneous Equipment	12.0	0.0	8.3
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 Electric Equipment	14.5	(1.0)	7.0
346 Miscellaneous Equipment	15.0	0.0	6.7