

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval to begin depreciating Martin Simple Cycle Expansion Project by use of Whole Life Depreciation Rates currently approved for Martin Power Plant, Unit No. 4 and Common effective with in-service dates of units, by Florida Power & Light Company.

DOCKET NO. 010107-EI
ORDER NO. PSC-01-1337-PAA-EI
ISSUED: June 19, 2001

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING DEPRECIATION RATE

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 the 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.

DOCUMENT NUMBER-DATE

07598 JUN 19 2001

FPSC RECORDS REPORTING

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 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 January 24, 2001, FPL filed a request for approval to begin depreciating its Martin Simple Cycle Expansion Project using the whole life depreciation rates currently approved for the Martin Plant, Unit No. 4 and Common, effective with the in-service date of the unit.

We have jurisdiction in this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

DISCUSSION

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. However, in an effort to achieve this goal by the Summer of 2001, FPL plans to install two combustion turbines (CTs) at the Martin Site in June, 2001. These units will initially operate in a stand-alone peaking mode with planned conversion to natural gas-fired, combined-cycle generators in the 2005-2006 time period to meet FPL's expected increased customer growth and usage.

According to FPL, the Martin CTs will be similar to those installed at Martin Unit No. 4, but they 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 simple cycle units, FPL is requesting that the underlying whole life rates approved for Martin Unit No. 4 be implemented. The study is projected to be submitted after the units become operational and the costs are unitized, with an effective date for new depreciation/dismantlement rates on January 1, 2002.

The two Martin CTs will be installed and will initially operate as individual simple cycle generating facilities. There are no currently prescribed depreciation rates that apply to these new facilities. The rates approved in FPL's last depreciation study by Order Nos. PSC-99-0073-FOF-EI and PSC-99-0958-FOF-EI addressed depreciation rates for the existing Martin combined cycle units, not for new peaking units. We find that applying the whole life rates currently prescribed for Martin Unit No. 4 does not exceed those depreciation rates prescribed in 1999 and therefore does not violate the Stipulation approved by Order No. PSC-99-0519-AS-EI. Accordingly, we approve FPL's request to implement the underlying whole life depreciation rates currently approved for Martin Unit No. 4 (Attachment A), until a comprehensive study is made in 2002.

Depreciation rates for new installations should be implemented when the installations become commercially operational. Accordingly, we find that the depreciation rates for the new CTs shall be effective with the unit in-service date of June 1, 2001.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's request to depreciate its Martin Simple Cycle Expansion Project using the underlying whole life depreciation rates currently in effect for its Martin Plant, Common and Unit No. 4, is approved. It is further

ORDERED that these depreciation rates shall be implemented with the in-service date of June 1, 2001, for the new combustion turbine units. 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

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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 19th day of June, 2001.

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.

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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 Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 10, 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.

FLORIDA POWER AND LIGHT COMPANY
 Martin Simple Cycle Expansion Project
 Docket No. 010107-EI

COMMISSION APPROVED

Common

	Average Service Life	Net Salvage	Whole Life Depreciation Rate
	(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	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