

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Request for approval to begin depreciating Turkey Point Unit 5 combined cycle using whole life depreciation rates currently approved for Martin Power Plant Unit 4 and Common, by Florida Power & Light Company.

DOCKET NO. 070100-EI
ORDER NO. PSC-07-0456-PAA-EI
ISSUED: May 29, 2007

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
MATTHEW M. CARTER II
KATRINA J. McMURRIAN
NANCY ARGENZIANO
NATHAN A. SKOP

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING FLORIDA POWER & LIGHT'S REQUEST FOR APPROVAL TO
BEGIN DEPRECIATING TURKEY POINT UNIT FIVE

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 (F.A.C.).

Pursuant to Rule 25-6.0436(3)(a), F.A.C., electric utilities are required to maintain depreciation rates and accumulated depreciation reserves in accounts or subaccounts as prescribed in Rule 25-6.014(1), F.A.C. (i.e., the FERC Uniform Systems of Accounts). Rule 25-6.0436(3)(b), F.A.C., further provides that "[u]pon establishing a new account or subaccount classification, each utility shall request Commission approval of a depreciation rate for the new plant category." On February 2, 2007, Florida Power and Light (FPL or company) filed its petition in accordance with this rule for Turkey Point Unit 5, a combined cycle unit.

On March 17, 2005, the company filed its petition for a comprehensive depreciation study pursuant to Rule 25-6.0435(8)(c), F.A.C., which was subsequently assigned Docket No. 050188-EI. On March 22, 2005, the company filed its petition for the approval of an increase in base rates and charges, which was assigned Docket No. 050045-EI. By Order No. PSC-05-0499-

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PCO-EI,¹ the Commission consolidated these proceedings to ensure that the appropriate depreciation rates could be incorporated into the rates established in the rate case.

On August 22, 2005, the parties to Docket Nos. 050188-EI and 050045-EI filed a joint motion for approval of a Stipulation and Settlement (Stipulation) for the consolidated proceeding. By Order No. PSC-05-0902-S-EI, issued September 14, 2005, the Stipulation was approved. Pursuant to paragraph 8 of the Stipulation, the depreciation rates and/or capital recovery schedules were established according to the comprehensive depreciation studies as filed in March 2005 and will not be changed during the term of the Stipulation, which ends December 31, 2009.

FPL filed a petition on February 2, 2007, requesting approval to begin depreciating Turkey Point Unit 5, a combined cycle unit, using the whole life depreciation rates currently approved for Martin Power Plant Unit 4 (Martin Unit 4). FPL requested that the depreciation rates become effective with the unit's in-service date.

We have completed our review of FPL's petition and approve its request to begin depreciating Turkey Point Unit 5 using the whole life depreciation rates currently approved for Martin Unit 4, for the reasons set forth below. The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

Discussion

By Order No. PSC-99-2507-S-EU,² FPL agreed to a minimum reserve margin planning criterion of 20 percent beginning in the summer of 2004. However, in 2003, FPL's integrated resource planning work determined that an additional 1,066 megawatts (MW) of capacity was needed by the summer of 2007. If the additional megawatts were not obtained, FPL and the Peninsular Florida's electric system reliability and integrity would be reduced and the required 20 percent reserve margin would not be met for 2007. Also, the balance between the amount of generating capacity located in southeast Florida and the electrical load would not be maintained. Pursuant to Order No. PSC-04-0609-FOF-EI,³ the Commission approved the construction of Turkey Point Unit 5 to meet FPL's needed capacity. Turkey Point Unit 5 is a 1,150-MW combined cycle generating unit consisting of four combustion turbines and one heat recovery steam generator (HRSG). The unit is located on the Turkey Point site which currently has two 400 MW natural gas/oil units and two 700 MW nuclear units. The company indicated that it does not have any facilities at Turkey Point Unit 5 that will be separated into a unique common location. The unit will become fully operational in May 2007. However, the depreciation rates will not become effective until the unit's in-service date.

¹ Issued May 9, 2005, in Docket No. 050188-EI, In Re: 2005 comprehensive depreciation study by Florida Power & Light Company; and in Docket No. 050045-EI, In Re: Petition for rate increase by Florida Power & Light Company.

² Issued December 22, 1999, in Docket No. 981890-EU, In Re: Generic investigation into the aggregate electric utility reserve margins planned for Peninsular Florida

³ Issued June 18, 2004, in Docket No. 040206-EI, In Re: Petition to determine need for Turkey Point Unit 5 electrical power plant, by Florida Power and Light Company

Currently, there are no prescribed depreciation rates that apply to Turkey Point Unit 5. FPL requests that we use the underlying whole life depreciation rates prescribed for the Martin Unit 4. FPL reasoned that Martin Unit 4 is the most recent combined cycle unit to have depreciation rates, thus, we will use the Martin Unit 4 rates to set the initial rates for the Turkey Point Unit 5. Martin Unit 4 was placed in service in 1994, had depreciation rates last approved by us in Order No. PSC-05-0902-S-EI. Having analyzed FPL's request, we believe that the whole life depreciation rates prescribed for Martin Unit 4 are the appropriate rates to use. We believe that by using these rates, the Stipulation approved by Order No. PSC-05-0902-S-EI will not be violated because the rates are already approved for an existing combined cycle unit and are being carried over to the new unit. Accordingly, we approve FPL's request to implement the underlying whole life depreciation rates currently approved for Martin Unit No. 4, until the completion of the 2009 comprehensive study. These depreciation rates shall become effective on the unit's in-service date.

Below are our approved depreciation rates for the Turkey Point Unit 5:

FLORIDA POWER AND LIGHT COMPANY
 TURKEY POINT UNIT 5, COMBINED CYCLE UNIT
 COMPANY DEPRECIATION RATES

Accounts	Average Service Life	Net Salvage	Whole Life Depreciation Rates
	(Yrs.)	(%)	(%)
Combustion Turbines	25.0	-2.0	4.1
341 Structures & Improvements	25.0	-2.0	4.1
342 Fuel Holders, Producers and Accessories	24.0	0.0	4.1
343 Prime Movers	17.7	0.0	5.6
344 Generators	25.0	-1.0	4.0
345 Accessory Electric Equipment	18.1	-1.0	5.6
346 Miscellaneous Equipment	14.0	0.0	7.1

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power and Light Company's request to begin depreciating Turkey Point Unit 5 using the whole life depreciation rates currently approved for Martin Power Plant Unit 4 is granted as set forth in the body of this order, effective on the 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 Office of Commission Clerk, 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

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

By ORDER of the Florida Public Service Commission this 29th day of May, 2007.



ANN COLE
Commission Clerk

(S E A L)

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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 Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 19, 2007.

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/these docket(s) 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
TURKEY POINT UNIT 5, COMBINED CYCLE UNIT

COMPANY DEPRECIATION RATES

Accounts	Average Service Life (Yrs.)	Net Salvage (%)	Whole Life Depreciation Rates (%)
Combustion Turbines			
341 Structures & Improvements	25.0	-2.0	4.1
342 Fuel Holders, Producers and Accessories	24.0	0.0	4.1
343 Prime Movers	17.7	0.0	5.6
344 Generators	25.0	-1.0	4.0
345 Accessory Electric Equipment	18.1	-1.0	5.6
346 Miscellaneous Equipment	14.0	0.0	7.1