

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval to begin depreciating West County Energy Center Units 1 and 2 combined cycle units using whole life depreciation rates currently approved for Martin Power Plant Unit 4, by Florida Power & Light Company.

DOCKET NO. 090403-EI
ORDER NO. PSC-09-0662-PAA-EI
ISSUED: October 5, 2009

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING 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 (F.A.C.).

Background

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 System of Accounts). Rule 25-6.0436(3)(b), F.A.C., further provides that "Upon establishing a new account or subaccount classification, each utility shall request our approval of a depreciation rate for the new plant category." On August 12, 2009, Florida Power & Light Company (FPL or Company) filed its request in accordance with this rule for the West County Energy Center (WCEC) Units 1 and 2 combined cycle units.

Pursuant to Rule 25-6.0435(8)(c), F.A.C., the Company filed a petition for a comprehensive depreciation study on March 17, 2005, and it was assigned Docket No. 050188-EI. On March 22, 2005, the Company filed its petition for approval of an increase in base rates

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and charges, which was assigned Docket No. 050045-EI. By Order No. PSC-05-0499-PCO-EI,¹ we 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 proceedings. By Order No. PSC-05-0902-S-EI, issued September 14, 2005, the Stipulation was approved. Pursuant to paragraph 8 of the Stipulation, depreciation rates and capital recovery schedules were established according to the comprehensive depreciation studies as filed in March 2005, and they cannot be changed during the term of the Stipulation.

On March 17, 2009, FPL filed a depreciation study in Docket No. 090130-EI proposing revised depreciation rates to be effective January 1, 2010. On March 18, 2009, the Company filed for a rate proceeding in Docket No. 080677-EI. By Order PSC-09-0311-PCO-EI,² we consolidated the depreciation study and rate case dockets for the purpose of the hearing. A post-hearing order in these dockets is scheduled to issue on February 1, 2010.

In order to comply with the 2005 Stipulation, FPL filed a petition on August 12, 2009, requesting approval to begin depreciating WCEC Units 1 and 2 combined cycle units, using the whole life depreciation rates currently approved for Martin Power Plant Unit 4. FPL has requested these depreciation rates become effective with each unit's in-service dates.

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

Decision

We found by Order No PSC-06-0555-FOF-EI that WCEC Units 1 and 2 are needed in order for FPL to meet its 20 percent reserve margin in 2009 and 2010.³ Each unit is a 1,250 MW combined cycle generating unit, consisting of three combustion turbines and one steam generator. Unit 1 became operational in August 2009; Unit 2 is anticipated to go into service before the end of 2009.

Currently, there are no prescribed depreciation rates that apply to these new facilities. FPL proposes to use the whole life depreciation rates currently prescribed for Martin Power Plant Unit 4, subject to true-up after our decision in FPL's rate case and current depreciation study on new, final depreciation rates. We agree with FPL that applying the Martin Power Plant Unit 4 whole life rates does not violate the 2005 Stipulation, since this is not a change to depreciation

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 May 7, 2009, in Docket No. 080677-EI, In Re: Petition for rate increase by Florida Power & Light Company; and in Docket No. 090130-EI, In Re: 2009 depreciation and dismantlement study by Florida Power & Light Company.

³ Issued June 28, 2006, in Docket No. 060255-EI, In Re: Petition for determination of need for West County Units 1 and 2 electrical power plants in Palm Beach County, by Florida Power & Light Company.

rates but the application of current rates to a new plant.⁴ We find it appropriate that these rates be used pending our decision on Docket No. 090130-EI and Docket No. 080677-EI.

Depreciation rates for the new units shall be implemented when each unit becomes commercially operational. Accordingly, FPL has requested that depreciation rates for the new combined cycle units become effective with each unit's in-service date. Unit 1 became operational in August 2009; Unit 2 is anticipated to go into service before the end of 2009. We, therefore, approve FPL's proposal.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that depreciation rates are approved for Florida Power & Light Company's West County Energy Center Units 1 and 2 combined cycle units. It is further

ORDERED that all matters contained in the Attachment A appended hereto are incorporated herein by reference. It is further

ORDERED that the whole life depreciation rates shown on Attachment A, shall be approved for the combined cycle units being installed at the West County Energy Center site, subject to true-up pending the outcome of Docket No. 090130-EI and Docket No. 080677-EI. These rates shall reflect the prescribed whole life rates for Martin Power Plant Unit 4. It is further

ORDERED that the depreciation rates for West County Energy Center Unit 1 and 2 combined cycles shall be implemented effective with the in-service date of each unit. It is further

ORDERED that if a protest is not received from a substantially affected person within 21 days of issuance of the Proposed Agency Action Order, a Consummating Order will be issued. If a Consummating Order is issued, the docket shall be closed upon its issuance.

⁴ See Order No. PSC-05-0902-S-EI, Issued September 14, 2005, in Docket No. 050188-EI, In Re: 2005 comprehensive depreciation study by Florida Power & Light Company.

By ORDER of the Florida Public Service Commission this 5th day of October, 2009.



ANN COLE
Commission Clerk

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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 October 26, 2009.

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.

ATTACHMENT A

Florida Power & Light Company

West County Energy Center Units 1 and 2 Combined Cycle Units

Commission Approved 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 Misc. Power Plant Equipment	14.0	0.0	7.1