

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of depreciation rates for Polk 2 combined cycle generating units, by Tampa Electric Company.

DOCKET NO. 20170143-EI  
ORDER NO. PSC-2017-0391-PAA-EI  
ISSUED: October 16, 2017

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman  
ART GRAHAM  
RONALD A. BRISÉ  
DONALD J. POLMANN  
GARY F. CLARK

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**

On June 16, 2017, Tampa Electric Company (TECO or the company) petitioned the Florida Public Service Commission (Commission) for approval to establish depreciation rates for its Polk 2 combined cycle generating units (Polk 2 CC) and associated equipment. 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. Rule 25-6.0436(3)(b), F.A.C., 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.” This Commission has jurisdiction in this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

**Decision**

TECO seeks approval of a proposed 2.9 percent interim depreciation rate for the new assets of its Polk 2 CC and associated equipment. Polk 2 CC went into service in January 2017

with a generating maximum nameplate capacity of 513 megawatts (MW) and a net capacity for summer and winter of 461 MW and 480 MW, respectively.<sup>1</sup>

Typically, a combined cycle (CC) generating station consists of one or more combustion turbines (CT), each with a heat recovery steam generator (HRSG). Steam produced by each HRSG is used to drive a steam turbine (ST). The ST and each CT have an electrical generator that produces electricity. Polk 2 CC is composed of four CTs, which are existing assets of the company, and four HRSGs and one ST, which are all new assets. TECO's requested depreciation rate is limited to the new technology related to the HRSG and ST assets only. This is because Polk 2 CTs are existing assets with approved depreciation rates, and TECO's approved 2013 rate case settlement stipulates that the company is not required to file a depreciation study until shortly before the filing of its next base rate case.<sup>2</sup> In response to a Commission staff data request, TECO indicated that during its next depreciation study the company will analyze all assets of Polk 2 CC (CTs, HRSGs, and ST), and re-evaluate the useful remaining life for all assets combined.<sup>3</sup>

In its petition in this docket, TECO categorized the Polk 2 CC into four subaccounts. In its response to a Commission staff data request, the company further requested to include one more subaccount (Miscellaneous Power Plant Equipment) in its petition for approval of the depreciation rates.<sup>4</sup> Thus, TECO seeks approval of the depreciation rates for the following five subaccounts:

- 341.xx Structures and Improvements
- 342.xx Fuel Holders, Producers and Accessories
- 343.xx Prime Movers
- 345.xx Accessory Electric Equipment
- 346.xx Miscellaneous Power Plant Equipment

TECO is requesting an interim 35-year average service life, or a whole life depreciation rate of 2.9 percent (rounded) with a zero percent net salvage level, for all of the above five subaccounts.

In determining its proposed interim service life for Polk 2 CC, TECO evaluated similar assets – the company's Bayside 1 and 2 CC generating units. Bayside CCs were placed into service in 2003-2004, based on a composition of existing and new assets like Polk CC as shown in Table 1-1. For both Bayside CC generating units, an interim starter rate of 4.3 percent was

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<sup>1</sup> TECO's response to Commission Staff's First Data Request, No. 1.

<sup>2</sup> Order No. PSC-13-0443-FOF-EI, issued September 30, 2013, in Docket No. 130040-EI, In re: Petition for rate increase by Tampa Electric Company, Exhibit A, Stipulation and Settlement Agreement, paragraph 8.

<sup>3</sup> TECO's response to Commission Staff's First Data Request, No. 3.

<sup>4</sup> TECO's response to Commission Staff's First Data Request, No. 4.(f).

used across all accounts during their early service period of 2003-2006.<sup>5</sup> In its 2007 Depreciation Study, TECO evaluated and established final unitization and retirement unit classification for Bayside 1 and 2 CC generating units. The company performed a detailed analysis and proposed subaccount-specific depreciation rates based on adequate data available at that time.

Regarding the Polk 2 CC, TECO believes that a 35-year service life is appropriate for establishing the starter depreciation rate. The company explained that the requested interim rate for Polk 2 CC differs from Bayside 1 and 2 CC generating units' starter rate due to the differences in the asset mix as well as the new technology deployed in Polk 2 CC. TECO confirmed that during its next depreciation study, when the assets are evaluated completely, the new technology-based assets and the existing technology-based assets are expected to produce a composite rate more similar to the rate applied to the Bayside CT assets.<sup>6</sup>

**Table 1**  
**Illustration of the configurations of TECO's CC generating units**

Bayside 1 CC Conversion (3 CTs into 1 ST)			Bayside 2 CC Conversion (4 CTs into 1 ST)				Polk 2 CC Conversion (4 CTs into 1 ST)			
CT A	CT B	CT C	CT A	CT B	CT C	CT D	CT #2	CT #3	CT #4	CT #5
New	New	New	New	New	New	New	Existing	Existing	Existing	Existing
HRS	HRS	HRS	HRS	HRS	HRS	HRS	HRS	HRS	HRS	HRS
New	New	New	New	New	New	New	New	New	New	New
ST Existing			ST Existing				ST New			

Source: TECO's response to Commission Staff's First Data Request, No. 2.

This Commission finds that TECO's depreciation rate request is based on information available at this stage of generating unit operation and is consistent with the previous Commission practice. Therefore, this Commission finds that a 35-year average service life and a whole life depreciation rate of 2.9 percent (rounded) with a zero percent net salvage level is appropriate at this time, and is hereby approved, for the new assets of TECO's Polk 2 CC and associated equipment, and shall be applied to each of the related subaccounts discussed above.

Depreciation is the recovery of invested capital representing equipment that is providing service to the public. This recovery is designed to take place over the related period of service to the public, which begins with the equipment's in-service date. Polk 2 CC went into service in mid-January 2017. In its petition, TECO requests that this Commission approve the new depreciation rate effective February 1, 2017, which is the first full month that depreciation expense of the assets will be calculated. This Commission finds that an effective date of February 1, 2017, for the implementation of the depreciation rate for the Polk 2 CC and associated equipment is appropriate and is hereby approved.

<sup>5</sup> The interim depreciation rate was proposed and requested by the company, and approved by this Commission by Order No. PSC-04-0815-PAA-EI, issued August 20, 2004, in Docket No. 030409-EI, In re: Petition for approval of 2003 depreciation study by Tampa Electric Company. Also see, TECO's response to Commission Staff's First Data Request, Nos. 3. and 4.(c).

<sup>6</sup> TECO's response to Commission Staff's First Data Request, Nos. 3. and 4.(e).

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that a 35-year average service life and a whole life depreciation rate of 2.9 percent is hereby approved for the new assets of TECO's Polk 2 CC and associated equipment. It is further

ORDERED that the 35-year average service life and a whole life depreciation rate of 2.9 percent shall be applied to each of the related subaccounts as discussed herein. It is further

ORDERED that an effective date of February 1, 2017, for the implementation of the depreciation rate for the Polk 2 CC and associated equipment is hereby approved. 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 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 if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Order, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 16th day of October, 2017.

*Carlotta S. Stauffer*

CARLOTTA S. STAUFFER

Commission Clerk

Florida Public Service Commission

2540 Shumard Oak Boulevard

Tallahassee, Florida 32399

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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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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 November 6, 2017.

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.