

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Florida Power Corporation)	DOCKET NO. 891335-EI
1989 Depreciation Study.)	ORDER NO. 23957
<hr/>) ISSUED: 1-4-91

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 FRANK S. MESSERSMITH

NOTICE OF PROPOSED AGENCY ACTION

ORDER PRESCRIBING DEPRECIATION AND
DISMANTLEMENT RATES FOR FLORIDA POWER CORPORATION

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 adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Florida Power Corporation (FPC or Utility) filed a depreciation study on November 29, 1989. The study represents the Utility's initial transition to a reserve-sensitive remaining life depreciation methodology. FPC last received a comprehensive depreciation review of life and salvage factors in 1981. During that proceeding depreciation rates were based on whole-life or average-service life methodologies.

In its study, FPC proposed a January 1, 1990 implementation date for the new depreciation rates. Subsequently, the Utility requested that the proposed rates be implemented on an interim basis, effective December 1, 1990.

After a preliminary review of the study and subsequent request by Order No. 23790 issued on November 21, 1990 we approved the proposed rates on an interim basis effective December 1, 1990, pending our final prescription of rates in this docket. We specifically reserved authority to true-up the expenses generated by those rates approved in the interim to the level of expenses

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generated by finally approved rates. Our Staff has extensively analyzed FPC's study and recommends that the last represeted rates be increased. Having reviewed FPC's study, we find that FPC's depreciation rates should be represeted consistent with Staff's recommendation. (See Attachments 1 through 3 for the detail rates and components approved by this order.)

CORRECTIVE RESERVE TRANSFERS-JDITC

The goal of reserve sensitive rate design is to reconcile the asset investment not yet recovered through depreciation expenses to the time remaining in which to collect it. In this, FPC's initial use of the method, a discrete analysis of reserve accounts was performed by Staff to review the distribution of the reserves by account. The cumulative effect of prior rates and allocations have resulted in surpluses in some accounts and deficits in others. We have traditionally offset these imbalances by corrective reserve transfers. Staff, on Attachment 3 addresses those accounts that have reserve imbalances and recommends transfers from those accounts which have calculated surpluses corresponding amounts to those that exhibit reserve deficiencies. The corrective transfers will bring the affected account's reserves nearly in line with their respective theoretical positions. We find that these corrective reserve transfers shown in Attachment 3 to be appropriate and approve them.

DEPRECIATION AND DISMANTLEMENT RATES

As part of its recommendation Staff provided us with alternatives for the disposal of FPC's depreciation study. First Staff recommended allowance of rates predicated upon the Utility's study which would result in annual expenses of about \$221,727,000 which creates about a \$63,390,000 increase over current rates. Alternatively, Staff recommended certain modifications pending the outcome a current generic docket (Docket No. 890186-EI Investigation of rate making and accounting treatment for the dismantlement of fossil fuel generating stations). Pending conclusion of that generic docket, the distribution of \$10,947,840 to fossil dismantlement ordered as a result of interest synchronization of investment tax credits (JDITC) will be among the production plants on completion of generic Docket No. 890186-EI "Investigation of the Ratemaking and Accounting Treatment for the Dismantlement of Fossil-Fueled Generating Stations", as will be, any necessary revision of the provision for dismantlement costs. Due to the apparently extraordinarily high dismantlement costs for this

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utility it would be best to permit FPC to recover its dismantlement costs as shown on Attachment 2. This treatment would result in annual expenses of about \$194,087,000.

Staff's modification recommends a different treatment from that proposed by the Utility for Production plants. FPC did not use stratification as its approach, instead used very low interim-retirement rates, much lower than we have seen from other electric utilities. Although the Utility did not use stratification in developing life estimates, in its study, they were able to provide sufficient stratification details for each plant, allowing Staff to develop its recommended life estimates. Essentially, the difference in projected interim retirement patterns is the difference between the Utility and our Staff in the depreciation rates for Production plant. That coupled with a difference in the rates applicable to dismantlement are the basic reasons for the bottom-line expense difference. Pending the outcome of Docket No. 890186-EI the rates in Attachment 1 are hereby approved. The expenses booked since December 1, 1990, shall be trued-up to conform to the rates approved here.

In consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that the depreciation and dismantlement rates set forth in Attachments 1 through 3 to this order are hereby approved for Florida Power Corporation effective as of December 1, 1990. It is further

ORDERED that this docket be closed if no petition for formal proceeding is timely filed.

By Order of the Florida Public Service Commission, this
4th day of JANUARY, 1991.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on January 28, 1991.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

FLORIDA POWER CORPORATION
 1990 STUDY

COMMISSION APPROVED

ACCOUNTS	AVERAGE	AVERAGE	RESERVE	REMAINING	
	REMAINING	NET	(12-1-90)	LIFE	
	LIFE	SALVAGE	(REFERENCE)	RATE	
	(YEARS)	(%)	(%)	(%)	
Production Plants — Fossil:					
Crystal River 1 & 2					
311	Struct. & Improv.	17.4	(8)	41.51	3.6
312	Boiler Ptl. Equip.	12.5	(8)	44.52	4.7
314	Turbogen. Units	11.8	(8)	46.99	4.7
315	Access. Elect.	14.6	(8)	44.30	4.0
316	Misc. Equip.	8.3	(8)	46.40	6.8
Crystal River 4 & 5					
311	Struct. & Improv.	36	(8)	13.34	2.6
312	Boiler Ptl. Equip.	19.2	(8)	25.34	4.3
314	Turbogen. Units	18.0	(8)	27.94	4.6
315	Access. Elect.	22	(8)	24.63	3.7
316	Misc. Equip.	9.8	(8)	28.63	7.8
Anclote Steam Plant					
311	Struct. & Improv.	29	(12)	28.71	2.8
312	Boiler Ptl. Equip.	16.0	(12)	37.29	4.6
314	Turbogen. Units	13.7	(12)	44.38	4.8
315	Access. Elect.	18.3	(12)	37.88	4.0
316	Misc. Equip.	10.6	(12)	49.07	5.6
Turner Steam Plant					
311	Struct. & Improv.	13.0	(12)	78.09	2.7
312	Boiler Ptl. Equip.	10.8	(12)	68.08	4.0
314	Turbogen. Units	9.9	(12)	68.70	4.3
315	Access. Elect.	11.4	(12)	66.83	3.9
316	Misc. Equip.	6.5	(12)	67.09	6.9
Bartow Steam Plant					
311	Struct. & Improv.	16.4	(20)	52.86	3.7
312	Boiler Ptl. Equip.	12.7	(20)	49.41	5.1
314	Turbogen. Units	11.3	(20)	50.95	5.6
315	Access. Elect.	13.4	(20)	53.27	4.5
316	Misc. Equip.	6.8	(20)	55.36	6.5
Higgins Steam Plant					
311	Struct. & Improv.	7.4	(20)	96.03	3.1
312	Boiler Ptl. Equip.	6.9	(20)	88.70	4.4
314	Turbogen. Units	6.5	(20)	87.20	4.9
315	Access. Elect.	7.1	(20)	89.94	4.1
316	Misc. Equip.	6.0	(20)	81.30	6.3
Suwanee River Steam Plant					
311	Struct. & Improv.	10.2	(12)	64.26	2.9
312	Boiler Ptl. Equip.	9.1	(12)	78.22	3.9
314	Turbogen. Units	8.4	(12)	77.58	4.3
315	Access. Elect.	9.4	(12)	77.03	3.9
316	Misc. Equip.	10.0	(12)	47.03	6.6
Avon Park Steam Plant					
	Total All Accounts	9.1	(15)	63.81	3.4

1.6

FLORIDA POWER CORPORATION
1990 STUDY

COMMISSION APPROVED

ACCOUNTS	AVERAGE	AVERAGE	RESERVE	REMAINING	
	REMAINING	NET	(12-1-90)	LIFE	
	LIFE	SALVAGE	(REFERENCE)	RATE	
	(YEARS)	(%)	(%)	(%)	
Production Plants -- Nuclear:					
Crystal River 3					
321	Struct. & Improv.	23	(18)	28.77	3.6
322	Reactor Pit. Equip.	17.8	(18)	33.20	4.3
323	Turbogen. Units	13.6	(18)	36.95	6.3
324	Access. Elect.	21	(18)	20.36	4.4
325	Misc. Equip.	10.7	(18)	30.18	7.6
Other Production:					
Bartow - Anclote Pipeline					
	Total All Accounts	25.0	(5)	35.00	2.8
Production Plant - Peakers					
Bayboro Peaking Plant					
	Total All Accounts	12.3	(2)	54.03	3.9
Higgins Peaking Plant					
	Total All Accounts	10.4	(2)	67.68	3.3
Avon Park Peaking Plant					
	Total All Accounts	9.5	(2)	70.65	3.3
DeBary Peaking Plant					
	Total All Accounts	14.5	(2)	46.90	5.8
Bartow Peaking Plant					
	Total All Accounts	17.4	(2)	51.54	2.9
Intercession City Peaking Plant					
	Total All Accounts	13.5	(2)	56.10	3.4
Port St. Joe Peaking Plant					
	Total All Accounts	11.5	(2)	65.20	3.2
Rio Pinar Peaking Plant					
	Total All Accounts	11.4	(2)	65.52	3.2
Suwanee River Peaking Plant					
	Total All Accounts	19.3	(2)	34.45	3.5
Turner Peaking Plant					
	Total All Accounts	13.3	(2)	56.78	3.4

FLORIDA POWER CORPORATION
 1990 STUDY

COMMISSION APPROVED

ACCOUNTS	AVERAGE	AVERAGE	RESERVE	REMAINING	
	REMAINING	NET	(12-1-90)	LIFE	
	LIFE	SALVAGE	(REFERENCE)	RATE	
	(YEARS)	(%)	(%)	(%)	
Transmission Plant					
350.1	Easements	44	0	25.20	1.7
352	Structures and Improvements	38	(5)	25.20	2.1
353.1	Station Equipment (Excl. Ecc.)	30	10	21.00	2.3
353.2	Energy Control Center	4	0	69.20	7.7
354	Towers and Fixtures	28	(30)	48.80	2.9
355	Poles and Fixtures	23	(30)	33.40	4.2
356	Overhead Conductor & Devices	23	(30)	42.60	3.8
357	Underground Conduit	24	0	52.00	2.0
358	Underground Conductor & Dev.	18	0	60.40	2.2
359	Roads and Trails	30	0	34.00	2.2
Distribution Plant					
360.1	Easements	36	0	38.80	1.7
361	Structures & Improvements	38	(5)	25.20	2.1
362	Station Equipment	27	15	20.20	2.4
364	Poles, Towers and Fixtures	20	(30)	34.00	4.8
365	Overhead Conductor & Devices	20	(30)	30.00	5.0
366	Underground Conduit	37	0	18.60	2.2
367	Underground Conductor & Devic	23	0	23.80	3.4
368	Line Transformers	18	(15)	32.20	4.6
369.1	Overhead Services	22	(35)	36.00	4.5
369.2	Underground Services	33	(20)	21.00	3.0
370.0	Meter Equipment	22	(20)	29.80	4.1
371	Installation on Cust. Premise	24	0	18.40	3.4
372	Leased Property on Cust. Prem	25	0	0	4.0
373	Street Light Systems	11	(5)	28.00	7.0
General Plant					
390	Structures & Improvements	30	(5)	27.00	2.6
393.1	Motorized Stores Equipment	14	10	32.60	4.1
394.1	Tools, Shop & Gar Eq (Stat)	16	0	31.20	4.3
395.1	Laboratory Eq (Station)	25	0	0	4.0
396	Power Operated Equipment	10	10	30.00	6.0
397	Communication Equipment	10.4	0	41.76	5.6
Transportation Equipment					
392.1	Passenger Cars	4	20	26.80	13.3
392.2	Light Trucks	5	20	23.00	11.4
392.3	Heavy Trucks	7	12	40.40	6.8
392.4	Special Trucks	10	18	27.00	5.5
392.9	Trailers	20	27	19.00	2.7

FLORIDA POWER CORPORATION
PROVISION FOR
PROJECTED DISMANTLEMENT EXPENSES
STEAM PRODUCTION PLANTS

PLANT	PROJECTED	REMAIN.	APPROVED
	COST TO DISMANTLE %	PERIOD yr.s	ANNUAL RATE %
Crystal R. 1&2	30	24.0	1.3
" 4&5	30	39.0	0.8
Anclote	30	33.0	0.9
Turner	30	13.5	2.2
Avon Park	30	10.5	2.9
Bartow	30	17.5	1.7
Higgins	30	7.5	4.0
Suwannee R.	30	10.5	2.9

PLANT	PROJECTED	REMAIN.	APPROVED
	COST TO DISMANTLE \$	PERIOD yr.s	ANNUAL RATE %
(Peaking plants):			
Bayboro	1,447.4	12.5	0.6
Higgins	1,120.1	10.5	0.9
Avon Park	543.0	9.5	1.1
DeBary	4,602.0	15.5	0.6
Bartow	2,087.7	17.5	0.6
Intercess. City	2,522.9	13.5	0.7
Port St. Joe	230.5	11.5	1.3
Rio Pinar	179.5	11.5	1.0
Suwannee River	1,796.7	19.5	0.3
Turner	1,313.4	13.5	0.6

FLORIDA POWER CORPORATION
 RESERVE REALLOCATIONS FOR
 DEFICIT AND SURPLUS CORRECTIONS

ACCOUNT	ESTIMATED		APPROVED REALLOCATION AMOUNT
	< - - - BOOK RESERVE \$	12-1-90 - - -> REALLOCATED RESERVE \$	
Crystal River 1&2			
311	18,066,264	19,998,057	1,931,793
312	51,427,749	56,926,874	5,499,125
314	14,492,178	16,041,798	1,549,620
315	6,333,815	7,011,086	677,271
316	934,906	1,034,852	99,946
Crystal River 4&5			
311	19,425,030	20,183,862	758,832
312	113,463,319	117,895,721	4,432,402
314	54,637,214	50,294,374	(4,342,840)
315	19,189,317	19,938,941	749,624
316	1,494,437	1,669,253	174,816
Anclote			
311	9,478,365	9,815,464	337,099
312	29,271,616	30,312,651	1,041,035
314	36,975,295	38,290,286	1,314,991
315	8,903,714	9,220,391	316,677
316	1,654,838	1,713,687	58,849
Turner			
311	3,703,348	3,722,555	19,207
312	7,636,494	7,676,108	39,614
314	6,987,286	7,023,534	36,248
315	1,513,126	1,520,972	7,846
316	252,241	253,546	1,305
Bartow			
311	7,661,295	8,584,799	923,504
312	19,021,764	21,314,694	2,292,930
314	9,459,634	10,599,919	1,140,285
315	2,832,987	3,174,478	341,491
316	690,387	773,603	83,216
Avon Park			
Site total	6,797,294	6,797,294	0

FLORIDA POWER CORPORATION
 RESERVE REALLOCATIONS FOR
 DEFICIT AND SURPLUS CORRECTIONS

ACCOUNT	ESTIMATED		APPROVED REALLOCATION AMOUNT
	< - - - BOOK RESERVE \$	12-1-90 - - -> REALLOCATED RESERVE \$	
Higgins			
311	4,220,432	4,258,432	38,000
312	7,261,541	7,326,925	65,384
314	6,762,175	6,823,064	60,889
315	1,836,252	1,852,787	16,535
316	297,724	300,405	2,681
Suwannee River			
311	3,277,376	3,205,674	(71,702)
312	6,162,347	6,027,540	(134,807)
314	6,414,896	6,274,557	(140,339)
315	1,431,073	1,399,764	(31,309)
316	137,521	134,519	(3,002)
Bartow-Anclote Pipeline			
Total all acct.s	5,795,378	4,381,911	(1,413,467)
Crystal River 3 (Nuclear)			
321	49,230,202	60,393,150	11,162,948
322	60,885,857	74,691,765	13,805,908
323	28,368,396	34,801,015	6,432,619
324	23,304,185	28,588,461	5,284,276
325	3,908,803	4,795,116	886,313
Peakers (Site totals)			
Bayboro	13,393,823	10,098,407	(3,295,416)
Higgins	7,358,499	7,834,738	476,239
Avon Park	3,415,068	3,815,267	400,199
DeBary	35,640,468	23,748,355	(11,892,113)
Bartow	13,188,664	10,223,386	(2,965,278)
Intercess.City	20,302,800	14,380,519	(5,922,281)
Port St.Joe	929,872	1,017,493	87,621
Rio Pinar	898,551	997,368	98,817
Suwannee R.	13,261,581	9,355,207	(3,906,374)
Turner	8,734,090	9,282,936	548,846

Production plant net transfer: \$29,076,073

FLORIDA POWER CORPORATION
 RESERVE REALLOCATIONS FOR
 DEFICIT AND SURPLUS CORRECTIONS

ACCOUNT	ESTIMATED		APPROVED REALLOCATION AMOUNT
	< - - - BOOK RESERVE \$	12-1-90 - - -> REALLOCATED RESERVE \$	
Transmission			
350.1	3,971,421	5,714,031	1,742,610
352	3,408,241	3,316,551	(91,690)
353.1	66,594,046	46,831,377	(19,762,669)
353.2	9,311,939	7,060,720	(2,251,219)
354	27,230,023	33,596,911	6,366,888
355	39,443,455	37,132,971	(2,310,484)
356	43,984,713	54,128,099	10,143,386
357	3,037,957	3,580,363	542,406
358	4,541,927	5,469,242	927,315
359	635,036	570,775	<u>(64,261)</u>
Transmission net transfer:			(\$4,757,718)
Distribution			
360.1	57,871	82,309	24,438
361	3,106,410	2,529,106	(577,304)
362	44,792,339	38,011,083	(6,781,256)
364	75,636,950	63,443,344	(12,193,606)
365	55,469,127	59,163,782	3,694,655
366	7,216,141	8,533,725	1,317,584
367	25,253,876	23,924,648	(1,329,228)
368	73,605,566	73,915,575	310,009
369.1	14,544,218	18,053,646	3,509,428
369.2	17,521,493	23,020,934	5,499,441
370	18,223,060	25,492,754	7,269,694
371	695,716	484,532	(211,184)
372	0	0	0
373	19,093,730	22,629,784	<u>3,536,054</u>
Distribution net transfer:			\$4,068,725

FLORIDA POWER CORPORATION
RESERVE REALLOCATIONS FOR
DEFICIT AND SURPLUS CORRECTIONS

ACCOUNT	ESTIMATED		APPROVED REALLOCATION AMOUNT
	< - - - 12-1-90 - - -> BOOK RESERVE	REALLOCATED RESERVE	
	\$	\$	\$
General Plant			
390	16,049,327	14,967,635	(1,081,692)
392.1	25,457	614,213	588,756
392.2	2,766,845	1,971,386	(795,459)
392.3	8,756,477	3,616,520	(5,139,957)
392.4	23,922,991	9,491,173	(14,431,818)
392.9	2,495,835	486,534	(2,009,301)
393.1	389,847	469,349	79,502
394.1	597,235	1,695,358	1,098,123
395.1	0	0	0
396	684,260	458,042	(226,218)
397	10,494,086	10,795,774	<u>301,688</u>
General Plant net transfer:			(21,616,376)

Summary:

Production Plant net transfer:	\$29,076,073
Transmission Plant net transfer:	(4,757,718)
Distribution Plant net transfer:	4,068,725
General Plant net transfer:	(21,616,376)
Net of reserve transfers:	6,770,704
Includes amount from Occidental stipulation of:	6,770,704