



Public Service Commission

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JUN - 8 AM 10:42
RECORDS AND REPORTING

DATE: JUNE 8, 2000

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYD)

FROM: DIVISION OF ECONOMIC REGULATION (LEE, SWAIN) *PSY*
 DIVISION OF SAFETY AND ELECTRIC RELIABILITY (COLSON) *ls*
 DIVISION OF LEGAL SERVICES (ISAAC) *INT* *RE*
INS RVE JWS TB

RE: DOCKET NO. 000518-EI - REVISED DEPRECIATION STUDY FOR SANFORD SITE BY FLORIDA POWER AND LIGHT COMPANY

AGENDA: 06/20/00 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\000518.RCM
ATTACHMENT IS NOT AVAILABLE

CASE BACKGROUND

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 company) were revised. The rates and recovery schedules approved for the Sanford units recognized the planned re-powering of Units 3 and 4 by 2003. Since that time, FPL's plans have changed. Current planning is to re-power the Sanford Units 4 and 5 by 2002 and not to re-power Unit 3.

On April 28, 2000, FPL filed a depreciation study addressing the need to revise its depreciation rates and recovery schedules for the Sanford units to reflect the current re-powering plans. The company is requesting preliminary implementation of its proposed revised depreciation rates and recovery schedules. This recommendation addresses FPL's request for preliminary implementation.

DOCUMENT NUMBER-DATE

06978 JUN-88

FPSC-RECORDS/REPORTING

DISCUSSION OF ISSUES

ISSUE 1: Should FPL be allowed to preliminarily implement its proposed depreciation rates and recovery schedule for the Sanford site?

RECOMMENDATION: Yes. FPL should be allowed to implement on a preliminary basis the proposed rates and recovery schedule for the Sanford site shown on Attachment A, pages 5-7. The effect of this proposal is an increase in annual depreciation expense of about \$2.6 million, based on January 1, 2000 investments and reserves. The rates, recovery schedules, and resulting expenses will be trued-up when final action is taken by the Commission in October, 2000. (LEE)

STAFF ANALYSIS: FPL has requested, in accord with Rule 25-6.0436, Florida Administrative Code, that it be allowed to implement its proposed depreciation rates and recovery schedule reflecting changes in the re-powering plans for the Sanford site on a preliminary basis. These rates and resulting expenses will be trued-up when final Commission action is taken.

Preliminary booking or implementation does not and should not infer that, upon completion of the review of the company's filed study, staff will be in full agreement with company life, reserve and salvage proposals, but only that preliminary implementation of the rates and recovery schedules shown on Attachment A are likely to result in more appropriate expenses than retention of the currently effective rates.

At the time of the last depreciation study, FPL's plans were to re-power the Sanford Units 3 and 4 by 2003. Accordingly, a recovery schedule was approved designed to recover the assets estimated to retire at these units over the associated remaining life span and lives for those assets remaining in service were developed reflecting the re-powering.

FPL now reports that its plans have changed and Units 4 and 5 will be re-powered and not Unit 3. Further, the re-powering will be completed by 2002 rather than 2003. The company has proposed a revision to its recovery schedule as well as revisions to the depreciation rates prescribed for the Sanford site to reflect these changed plans.

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A summary of the changes in estimated 2000 expenses for the Sanford site resulting from the company proposed rates which are shown on Attachment A are as follows:

	<u>(\$)</u>
Revised Dep. Rates	221,225
Sanford Re-powering Retirements	<u>3,545,167</u>
Total Change in Annual Expenses	<u><u>3,766,392</u></u>

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ISSUE 2: What should be the implementation date for the new depreciation rates and recovery schedules?

RECOMMENDATION: January 1, 2000. (LEE)

STAFF ANALYSIS: The Company has requested, and all data and calculations abut, a January 1, 2000, implementation date. Provision for preliminary implementation is made by Rule 25-6.0436(5), Florida Administrative Code, to permit a more accurate statement of expected expenses during the fiscal year.

ISSUE 3: Should this docket be closed?

RECOMMENDATION: No. This docket should remain open pending review and final Commission action concerning the appropriate rates and recovery schedules. (ISAAC)

STAFF ANALYSIS: This recommendation only addresses the preliminary booking of depreciation rates/recovery schedules and estimated expenses beginning January 1, 2000, with a provision for a true-up of those expenses and subject rates when final Commission action is taken. The issue regarding appropriate rates cannot be resolved until the company's filing has been thoroughly reviewed and analyzed. Staff expects to bring a recommendation to the Commission for final action on this study in October, 2000.

Florida Power & Light Company
 Summary of Changes in Capital Recovery and Depreciation
 Attachment 1

DOCKET NO. 000518-F
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Sanford Plant	Current Capital Recovery Schedule Net Book Value	Current Accrual (over 5.5 years for Capital Recovery Sch)	Proposed Capital Recovery Schedule Net Book Value	Proposed Accrual (over 2.5 years for Capital Recovery Sch)	Increase (Decrease) in Annual Accrual
Capital Recovery Schedule	7,171,879.00	1,303,978.00	12,122,863.49	4,849,145.40	3,545,167.40
Depreciation Study		3,479,149.37		2,566,954.67	(912,194.70)
Net Increase for both Capital Recovery Schedule and Depreciation Study:					<u>2,632,972.70</u>

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SCHEDULE I

FLORIDA POWER & LIGHT COMPANY
PLANT & RESERVE BALANCES
BALANCES AT 12/31/99

*** Existing Rates ***
(from Order PSC-99-0073-FOF-EI, dated 1/8/99)

*** Proposed Rates ***

Account Number	Account Description	Plant Balance At 12/31/99 a	Reserve Balance At 12/31/99 b	Reserve Ratio c	Reserve When Approved d	Service Life		Net Salvage g	Depreciation Rate		Estimated Annual Accrual j	Service Life		Depreciation Rate		Estimated Annual Accrual p	Change In Annual Accrual q	
						Average Life e	Remaining Life f		Whole Life h	Remaining Life i		Average Life k	Remaining Life l	Net Salvage m	Whole Life n			Remaining Life o
Sanford Common																		
311.	Structures & Improvements	\$23,878,130	\$11,351,380	47.54%	44.03%	27.0	21.0	-2.0%	3.8%	2.8%	\$688,588	35.0	17.2	-2.0%	2.9%	3.2%	\$784,100	\$85,512
312.	Boiler Plant Equipment	\$207,591	\$188,619	91.34%	35.95%	21.0	22.0	-14.0%	5.4%	3.5%	\$7,286	30.0	23.0	-14.0%	3.8%	1.0%	\$2,076	(\$5,190)
314.	Turbogenerator Units	\$1,893,848	\$1,037,615	61.26%	57.32%	37.0	22.0	-8.0%	2.9%	2.3%	\$38,959	47.0	18.7	-8.0%	2.3%	2.5%	\$42,346	\$3,387
315.	Accessory Electric Equipment	\$449,478	\$288,059	68.19%	54.79%	23.0	23.0	-8.0%	4.6%	2.2%	\$9,889	48.0	21.0	-8.0%	2.2%	2.2%	\$9,889	\$0
316.	Miscellaneous Power Plant Equipmen	\$424,928	\$145,595	34.26%	50.53%	21.0	10.1	0.0%	4.8%	4.9%	\$20,821	18.5	9.7	0.0%	5.4%	8.8%	\$28,895	\$8,074
Total Sanford Common		\$28,853,973	\$12,980,268	48.74%	52.44%	27.0	21.0	-2.4%	3.8%	2.4%	\$745,523	35.0	17.1	-2.4%	2.8%	3.1%	\$847,308	\$101,783
Sanford Unit 3																		
311.	Structures & Improvements	\$1,180,528	\$771,828	65.38%	50.88%	29.0	21.0	-2.0%	3.5%	2.4%	\$28,333	42.0	12.0	-2.0%	2.4%	3.1%	\$38,598	\$8,263
312.	Boiler Plant Equipment	\$9,062,143	\$7,564,874	83.48%	73.20%	24.0	17.0	-14.0%	4.8%	2.4%	\$217,491	31.0	9.8	-14.0%	3.7%	3.1%	\$280,926	\$83,435
314.	Turbogenerator Units	\$5,640,251	\$4,642,488	82.31%	78.05%	37.0	12.9	-8.0%	2.9%	2.3%	\$128,728	46.0	9.1	-8.0%	2.3%	2.8%	\$157,827	\$28,201
315.	Accessory Electric Equipment	\$1,890,287	\$1,037,407	65.23%	75.06%	29.0	10.2	-8.0%	3.7%	3.0%	\$47,708	34.0	9.6	-8.0%	3.1%	4.2%	\$68,791	\$19,083
316.	Miscellaneous Power Plant Equipmen	\$325,961	\$282,200	86.57%	91.10%	40.0	3.7	0.0%	2.5%	2.4%	\$7,823	48.0	8.9	0.0%	2.1%	1.5%	\$4,888	(\$2,934)
Total Sanford Unit 3		\$17,798,148	\$14,298,797	80.33%	88.55%	28.0	15.5	-10.9%	4.0%	1.4%	\$431,081	38.0	9.7	-10.8%	3.1%	3.2%	\$547,128	\$118,048
Sanford Unit 4																		
311.	Structures & Improvements	\$2,528,900	\$1,212,288	47.94%	45.32%	38.0	28.0	-2.0%	2.8%	2.0%	\$50,578	51.0	24.0	-2.0%	2.0%	2.3%	\$58,185	\$7,587
312.	Boiler Plant Equipment	\$3,475,247	\$518,528	14.88%	54.98%	25.0	23.0	-14.0%	4.6%	2.6%	\$90,358	24.0	17.7	-14.0%	4.8%	5.6%	\$194,614	\$104,258
314.	Turbogenerator Units	\$11,277,748	\$5,619,595	49.83%	49.86%	26.0	20.0	-8.0%	4.2%	2.9%	\$327,056	38.0	18.8	-8.0%	3.0%	3.5%	\$364,721	\$67,666
315.	Accessory Electric Equipment	\$3,233,286	\$1,985,289	61.40%	57.24%	28.0	20.0	-8.0%	3.8%	2.4%	\$77,598	46.0	19.0	-8.0%	2.3%	2.3%	\$74,385	(\$3,233)
316.	Miscellaneous Power Plant Equipmen	\$47,373	\$39,130	82.60%	87.98%	28.0	2.5	0.0%	3.6%	4.8%	\$2,274	25.0	7.4	0.0%	4.0%	2.4%	\$1,137	(\$1,137)
Total Sanford Unit 4		\$20,562,534	\$9,372,808	45.58%	63.54%	27.0	21.0	-8.2%	4.0%	2.1%	\$547,881	35.0	17.9	-8.7%	3.1%	3.5%	\$723,002	\$175,141
Sanford Unit 5																		
311.	Structures & Improvements	\$2,213,008	\$1,459,319	65.94%	80.54%	36.0	15.4	-2.0%	2.8%	2.7%	\$58,751	51.0	24.0	-2.0%	2.0%	1.5%	\$33,195	(\$28,556)
312.	Boiler Plant Equipment	\$725,515	\$589,628	81.26%	75.40%	28.0	9.2	-14.0%	4.1%	4.2%	\$30,472	48.0	22.0	-14.0%	2.5%	1.5%	\$10,883	(\$19,589)
314.	Turbogenerator Units	\$13,091,759	\$8,327,253	63.61%	56.81%	27.0	14.8	-8.0%	4.0%	3.0%	\$458,212	38.0	16.2	-8.0%	3.0%	2.7%	\$353,477	(\$104,735)
315.	Accessory Electric Equipment	\$2,545,531	\$1,753,118	68.87%	63.27%	28.0	15.1	-8.0%	3.8%	2.8%	\$71,275	45.0	18.8	-8.0%	2.4%	2.0%	\$50,911	(\$20,364)
316.	Miscellaneous Power Plant Equipmen	\$45,708	\$37,839	83.01%	78.20%	28.0	7.0	0.0%	3.8%	3.4%	\$1,554	25.0	7.5	0.0%	4.0%	2.3%	\$1,051	(\$503)
Total Sanford Unit 5		\$16,621,517	\$12,187,155	65.34%	62.78%	28.0	14.5	-7.4%	3.8%	3.1%	\$821,264	38.0	17.4	-7.4%	2.8%	2.4%	\$449,517	(\$171,747)
Sanford Site																		
311.	Structures & Improvements	\$29,800,582	\$14,794,793	49.65%	55.35%	28.0	21.0	-2.0%	3.8%	2.2%	\$807,250	37.0	17.8	-2.0%	2.8%	2.9%	\$862,056	\$84,808
312.	Boiler Plant Equipment	\$13,470,498	\$8,980,547	65.78%	68.90%	24.0	18.2	-14.0%	4.8%	2.5%	\$345,585	29.0	12.9	-14.0%	3.9%	3.7%	\$488,498	\$142,914
314.	Turbogenerator Units	\$31,703,806	\$19,626,951	61.91%	61.09%	28.0	16.8	-8.0%	3.9%	2.8%	\$953,952	38.0	15.5	-8.0%	2.8%	3.0%	\$948,471	(\$5,481)
315.	Accessory Electric Equipment	\$7,818,542	\$5,041,873	64.49%	70.10%	28.0	16.7	-8.0%	3.8%	2.1%	\$208,470	43.0	16.8	-8.0%	2.5%	2.5%	\$201,956	(\$4,514)
316.	Miscellaneous Power Plant Equipmen	\$843,866	\$504,864	59.82%	68.25%	41.0	7.2	0.0%	2.4%	4.5%	\$32,472	27.0	9.4	0.0%	3.7%	4.3%	\$35,972	\$3,500
Total Sanford Site		\$83,637,172	\$48,828,028	58.38%	60.10%	28.0	18.5	-6.7%	3.8%	4.7%	\$2,345,729	36.0	15.8	-8.8%	3.0%	3.1%	\$2,568,854	\$221,225

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ATTACHMENT A
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Sanford Plant	Account	Depreciable Plant Balance 31-Dec-99	Current Depreciation Rates	Depreciation Accrual e = c x d	Current Capital Recovery Schedule f	Current Capital Recovery Accrual g = f x 5.5	Total Current Accrual h = e + g	Proposed Depreciable Plant Balance 31-Dec-99 i	Proposed Depreciation Rates j	Proposed Depreciation Accrual k = i x j	Proposed Capital Recovery Schedule l	Proposed Capital Recovery Accrual m = l x 2.5	Total Proposed Accrual n = k + m	Increase/ (Decrease) in Total Accrual o = n - h
a	b	c	d	e = c x d	f	g = f x 5.5	h = e + g	i	j	k = i x j	l	m = l x 2.5	n = k + m	o = n - h
Common	311	23,878,129.55	2.80%	668,587.63				23,878,129.55	3.20%	764,100.15				
	312	207,590.37	3.50%	7,265.66				207,590.37	1.00%	2,075.90				
	314	1,693,850.28	2.30%	38,958.56				1,693,850.28	2.50%	42,348.28				
	315	449,476.54	2.20%	9,888.48				449,476.54	2.20%	9,888.48				
	316	424,926.07	4.90%	20,821.38				424,926.07	6.60%	28,894.97				
			26,653,972.81		745,521.71	1,146,727.00	208,495.82	954,017.53	26,653,972.81		847,305.76	1,146,909.10	459,563.64	1,306,869.40
Unit 3	311	583,574.72	2.40%	14,005.79				1,180,525.42	3.10%	36,596.29				
	312	665,488.21	2.40%	15,971.72				9,062,138.24	3.10%	280,926.22				
	314	5,415,744.25	2.30%	124,562.12				5,640,249.56	2.80%	157,926.99				
	315	1,419,164.46	3.00%	42,574.93				1,590,263.85	4.20%	66,791.08				
	316	2,393.79	2.40%	57.45				325,961.11	1.50%	4,889.42				
			8,086,365.43		197,172.01	1,567,780.00	288,883.84	485,855.85	17,799,136.18		547,130.00	0.00	0.00	547,130.00
Unit 4	311	2,528,899.07	2.00%	50,577.88				2,528,899.07	2.30%	58,164.68				
	312	3,475,256.51	2.60%	90,356.67				3,475,256.51	5.60%	194,614.36				
	314	11,277,733.73	2.90%	327,054.28				11,277,733.73	3.50%	394,720.68				
	315	3,233,266.38	2.40%	77,598.39				3,233,266.38	2.30%	74,365.13				
	316	47,370.60	4.80%	2,273.79				47,370.60	2.40%	1,136.89				
			20,562,526.29		547,861.11	4,437,392.00	806,798.55	1,354,659.66	20,562,526.29		723,001.74	4,575,402.90	1,830,161.16	2,553,162.90
Unit 5	311	2,434,665.32	2.70%	65,735.96				2,213,006.00	1.50%	33,195.09				
	312	29,152,911.95	4.20%	1,224,422.30				725,515.00	1.50%	10,882.73				
	314	16,157,510.83	3.50%	565,512.88				13,091,759.00	2.70%	353,477.49				
	315	3,454,894.30	2.80%	96,737.04				2,545,531.00	2.00%	50,910.62				
	316	1,064,304.48	3.40%	36,186.35				45,708.00	2.30%	1,051.24				
			52,264,286.88		1,988,594.54	0.00	0.00	1,988,594.54	18,821,517.00		449,517.17	6,398,551.49	2,559,420.60	3,008,937.76
Totals		107,567,151.41		3,479,149.37	7,171,879.00	1,303,978.00	4,783,127.37	83,637,152.28		2,566,954.67	12,122,863.49	4,849,145.40	7,416,100.07	2,632,972.70