



Public Service Commission

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RECORDS AND REPORTING

DATE: NOVEMBER 16, 2000

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

FROM: DIVISION OF ECONOMIC REGULATION (P. LEE) *BY DM RHT*
 DIVISION OF LEGAL SERVICES (HART) *RVE*
 DIVISION OF SAFETY AND ELECTRIC RELIABILITY (BREMAN, D. LEE) *JB WBM DL*

RE: DOCKET NO. 001437-EI - REQUEST BY FLORIDA POWER & LIGHT COMPANY FOR APPROVAL TO BEGIN DEPRECIATING FT. MYERS POWER PLANT USING WHOLE LIFE DEPRECIATION RATES CURRENTLY APPROVED FOR MARTIN POWER PLANT, UNIT NO. 4.

AGENDA: 11/28/00 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\001437.RCM
R:\001437.123

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 company's re-powering plans for the Ft. Myers site.

On March 10, 1999, the parties of Docket No. 990067-EI, In Re: Petition for a Full Revenue Requirements Rate Case for Florida Power & Light Company, filed a Joint Motion for Approval of Stipulation and Settlement together with the Stipulation and Settlement (Stipulation). By Order No. PSC-99-0519-AS-EI issued

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

March 17, 1999, the Stipulation was approved. Pursuant to paragraph 8 of the Stipulation, the depreciation rates addressed in Order No. PSC-99-0073-FOF-EI will not be increased for the term of the Stipulation period, which will end April 15, 2002.

On September 15, 2000, FPL filed a request for approval to begin depreciating its Ft. Myers Plant using the whole life depreciation rates currently approved for the Martin Plant, Unit No. 4 and Common, effective with the in-service dates of the units.

Staff has completed its review and presents its recommendation herein. The Commission has jurisdiction in this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should new depreciation rates be approved for the Ft. Myers Plant?

RECOMMENDATION: Yes, the whole life depreciation rates shown on Attachment A, page 5, should be approved for the combustion turbine units being installed at the Ft. Myers site, pending a comprehensive study in 2002. The rates reflect those underlying the currently prescribed remaining life rates for Martin Common and Unit No. 4. (P. LEE)

STAFF ANALYSIS: The Ft. Myers repowering project will involve the installation of six new combustion turbines (CTs) and six heat recovery steam generators (HRSGs) to supply steam to the existing steam turbines at Units 1 and 2. As part of FPL's last comprehensive depreciation study by Order No. PSC-99-0073-FOF-EI, the embedded assets expected to retire as a result of the repowering were identified and placed on a recovery schedule designed to provide full recovery by the time repowering would be completed, estimated the end of 2003. Additionally, the depreciation rates prescribed for Ft. Myers reflected that repowering will extend the life of the site by about 23 years while various stratified asset categories will continue to experience a shorter life.

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Subsequently, by Order No. PSC-99-2507-S-EU, issued December 22, 1999, in Docket No. 981890-EU, FPL agreed to a minimum reserve margin planning criterion of twenty percent reserve beginning with the Summer of 2004. To achieve this goal, FPL now plans to install six CTs at Ft. Myers which will initially operate in a stand-alone mode until the overall completion of the repowering, currently projected for June 1, 2002. This will result in immediate capacity increases to the FPL system. The in-service dates for the various combustion turbines are November 1, 2000, December 1, 2000, April 1, 2001, May 1, 2001, and June 1, 2001.

According to FPL, the Ft. Myers CTs will be similar to those installed at the Martin site, but notes that the Ft. Myers CTs will have a higher firing temperature, resulting in improved performance, and will have the latest combustion system design. Until a specific depreciation and dismantlement study is prepared for the combined cycle unit, FPL is requesting that the underlying whole life rates approved for Martin, Unit No. 4, be approved for the new Ft. Myers CTs. The combined cycle study is projected to be submitted sometime in 2002 after the unit becomes operational and the costs are unitized.

The six Ft. Myers CTs will be installed and will operate as individual simple cycle generating facilities until the Ft. Myers repowering is complete. There are no currently prescribed depreciation rates that apply to these new facilities. Staff believes that FPL's request to use the underlying whole life rates prescribed for Martin Unit No. 4 does not violate the Stipulation approved by Order No. PSC-99-0519-AS-EI. The rates approved in FPL's last depreciation study by Order Nos. PSC-99-0073-FOF-EI and PSC-99-0958-FOF-EI addressed estimated rates for the repowered facility, not for the individual generating units. Staff believes that approval for applying the whole life rates currently prescribed for Martin Unit No. 4 does not exceed those depreciation rates prescribed in 1999. Staff therefore recommends approval of FPL's request to implement the underlying whole life depreciation rates currently approved for Martin Unit No. 4 until a comprehensive study is made in 2002.

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ISSUE 2: What should be the implementation date for depreciation rates for the Ft. Myers CT units?

RECOMMENDATION: Staff recommends approval of FPL's proposal that depreciation rates be implemented effective with the in-service date of each CT unit (November 1, 2000, December 1, 2000, April 1, 2001, May 1, 2001, and June 1, 2001). (P. LEE)

STAFF ANALYSIS: Depreciation rates for new installations should be implemented when the installations become commercially operational. Accordingly, FPL has requested that depreciation rates for the new CTs be effective with the individual unit in-service dates (November 1, 2000, December 1, 2000, April 1, 2001, May 1, 2001, and June 1, 2001). Staff recommends acceptance of FPL's proposal.

ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes. 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 should be closed upon the issuance of a consummating order. (D. HART)

STAFF ANALYSIS: At the conclusion of the protest period, if no protest is filed, this docket should be closed upon the issuance of a consummating order.

FLORIDA POWER AND LIGHT COMPANY
 Ft. Myers Combustion Turbines
 Docket No. 001437-EI

COMPANY PROPOSED/
 STAFF RECOMMENDED

| | Average Service Life (YRS.) | Net Salvage (%) | Whole Life Depreciation Rate (%) |
|--|--------------------------------------|-----------------------|---|
| Common | | | |
| 341 Structures & Improvements | 21.0 | (4.0) | 5.0 |
| 342 Fuel Holders, Producers, and Accessories | 22.0 | 0.0 | 4.5 |
| 343 Prime Movers | 9.4 | (2.0) | 10.9 |
| 345 Accessory Electric Equipment | 25.0 | (1.0) | 4.0 |
| 346 Miscellaneous Equipment | 12.0 | 0.0 | 8.3 |
| Combustion Turbines | | | |
| 341 Structures & Improvements | 25.0 | (4.0) | 4.2 |
| 342 Fuel Holders, Producers, and Accessories | 21.0 | 0.0 | 4.8 |
| 343 Prime Movers | 18.5 | (2.0) | 5.5 |
| 344 Generators | 25.0 | 0.0 | 4.0 |
| 345 Accessory Electric Equipment | 14.5 | (1.0) | 7.0 |
| 346 Miscellaneous Equipment | 15.0 | 0.0 | 6.7 |