

State of Florida



Public Service Commission
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COMMISSION CLERK

DATE: JULY 2, 2003

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK &
ADMINISTRATIVE SERVICES (BAYO)

FROM: DIVISION OF ECONOMIC REGULATION (P. LEE, SICKEL) *AL PSL JG JS DM*
OFFICE OF THE GENERAL COUNSEL (RODAN) *JAR*

RE: DOCKET NO. 030512-EI - REQUEST FOR APPROVAL TO BEGIN DEPRECIATING FORT MYERS COMBUSTION TURBINES 3A AND 3B USING WHOLE LIFE DEPRECIATION RATES CURRENTLY APPROVED FOR MARTIN POWER PLANT, UNIT NO. 4, BY FLORIDA POWER & LIGHT COMPANY.

AGENDA: 07/15/03 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\030512.RCM

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 the company) were revised. The rates and recovery schedules approved recognized the company's future repowering plans for the Fort Myers and Sanford sites.

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 1). By Order No. PSC-99-0519-AS-EI, issued March 17, 1999, the Stipulation was approved. Pursuant to

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paragraph 8 of Stipulation 1, the depreciation rates addressed in Order No. PSC-99-0073-FOF-EI were not to be increased for the term of the Stipulation period, which ended April 15, 2002.

By Order No. PSC-00-2434-PAA-EI, issued December 19, 2000, in Docket No. 001437-EI, depreciation rates were approved for the repowered Fort Myers simple cycle generating facilities. Also, Order No. PSC-01-1337-PAA-EI, issued June 19, 2001, in Docket No. 010107-EI, approved depreciation rates for FPL's Martin simple cycle expansion project.

Subsequently, on March 14, 2002, the parties of Docket No. 001148-EI, In Re: Review of the Retail Rates of Florida Power & Light Company, filed a Joint Motion For Approval Of Stipulation And Settlement together with a Stipulation and Settlement (Stipulation 2). Stipulation 2 extended FPL's existing revenue sharing plan through the end of 2005. By Order No. PSC-02-0501-AS-EI, issued April 11, 2002, Stipulation 2 was approved. Pursuant to paragraph 10 of Stipulation 2, the depreciation rates addressed in Order Nos. PSC-99-0073-FOF-EI, PSC-00-2434-PAA-EI, and PSC-01-1337-PAA-EI are not to be revised for the term of the Stipulation and Settlement.

On June 3, 2003, FPL filed a request to begin depreciating the Fort Myers Combustion Turbines 3A and 3B. FPL has asked to use the whole life depreciation rates that have already been approved for the Martin Plant, Unit 4 and Common, to be effective with the in-service date of June 1, 2003.

Staff has completed its review and presents its recommendation herein. The Commission has jurisdiction in this matter pursuant to Sections 366.04, 366.05, 366.06, and 366.07 Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should new depreciation rates be approved for Florida Power and Light's Fort Myers Combustion Turbines 3A and 3B?

RECOMMENDATION: Yes, the whole life depreciation rates shown on Attachment A should be approved for the Fort Myers Combustion Turbines 3A and 3B, pending a comprehensive study in 2005 pursuant to Order No. PSC-02-1103-PAA-EI, issued August 12, 2002, in Docket No. 020332-EI. The rates reflect those underlying the currently prescribed remaining life rates for Martin Common and Unit No. 4. (P. LEE)

STAFF ANALYSIS: The Fort Myers Combustion Turbines 3A and 3B (Fort Myers Combustion Turbines) are peaking units and began simple cycle operation on June 1, 2003. The new installations will add approximately 314 megawatts of generation at the Fort Myers site.

According to FPL, the Fort Myers Combustion Turbines are similar to the six combustion turbines installed at Fort Myers in 2000 and 2001, in that FPL is using the latest combustion system design, with higher firing temperatures and lower heat rates, resulting in improved performance. Until a specific depreciation and dismantlement study is prepared for the Fort Myers Combustion Turbines, FPL is requesting that the underlying whole life rates approved for the Martin Common and Combined Cycle Unit No. 4 be implemented. These rates are the same as approved by Order No. PSC-00-2434-PAA-EI for the Fort Myers six combustion turbines installed as part of the Fort Myers repowering project. The depreciation rates for the Martin Common and Combined Cycle Unit No. 4 were approved by the Commission in Order No. PSC-99-0073-FOF-EI.

There are no currently prescribed depreciation rates that apply to the Fort Myers Combustion Turbines. Staff believes that FPL's request to use the underlying whole life rates prescribed for the Martin Common and Combined Cycle Unit No. 4 does not violate the current Stipulation approved by Order No. PSC-02-0501-AS-EI, which states:

. . . depreciation rates as addressed in Order Nos. PSC-99-0073-FOF-EI, PSC-00-2434-PAA-EI and PSC-01-1337-PAA-EI will not be changed for the term of this Stipulation and Settlement.

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Approval of FPL's request for the Fort Myers Combustion Turbines does not change those depreciation rates currently prescribed since these are new units. Staff, therefore, recommends approval of FPL's request to implement the underlying whole life depreciation rates currently approved for the Martin Common and Combined Cycle Unit No. 4 for the Fort Myers Combustion Turbines.

By Order PSC-02-1103-PAA-EI, FPL is required to file its next comprehensive depreciation study by October 30, 2005, with an implementation date of January 1, 2006, for new depreciation rates. It is anticipated that site specific studies for the Fort Myers Combustion Turbines will be included in the 2005 filing.

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ISSUE 2: What should be the implementation date for depreciation rates for the Fort Myers Combustion Turbines 3A and 3B?

RECOMMENDATION: Depreciation rates should be implemented June 1, 2003, effective with the in-service date of the combustion turbines, as FPL has proposed. (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 Fort Myers Combustion Turbines 3A and 3B be effective with their in-service date, June 1, 2003. Staff recommends acceptance of FPL's proposal.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: 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. (RODAN)

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
Fort Myers Combustion Turbines 3A and 3B

COMPANY PROPOSED/STAFF RECOMMENDED
DEPRECIATION RATES

Accounts	Average Service Life	Net Salvage	Whole Life Depreciation Rate
Common	(Yrs.)	(%)	(%)
341 Structures & Improvements	21.0	(4.0)	5.0
342 Fuel Holders, Producers and Accessories	22.0	0.0	4.5
343 Prime Movers	8.8	(2.0)	11.6
345 Accessory Elec. Eqpt.	25.0	(1.0)	4.0
346 Misc. Eqpt.	12.6	0.0	7.9
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 Elec. Eqpt.	14.5	(1.0)	7.0
346 Misc. Eqpt.	15.0	0.0	6.7