

ate of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: July 7, 2005

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Gardner)
Office of the General Counsel (Keating, Fleming)

RE: Docket No. 050300-EI – Request for approval to begin depreciating Martin Unit No. 8 and Manatee Unit No. 3 using whole life depreciation rates currently approved for Martin Power Plant, Unit No. 4 and Common, by Florida Power & Light Company.

AGENDA: 07/19/05 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Deason

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\050300.RCM.DOC

Case Background

On May 3, 2005, Florida Power and Light Company (FPL or company), filed a petition requesting approval to begin depreciating Manatee Unit No. 3 and Martin Unit No. 8, using the whole life depreciation rates as approved in Docket No. 971660-EI, In re: 1997 depreciation study by Florida Power & Light Company, for Martin Unit No. 4 and Common.

Pursuant to Rule 25-6.0436(3)(a), Florida Administrative Code (F.A.C.), electric utilities are required to maintain depreciation rates and accumulated depreciation reserves in accounts and sub accounts as prescribed in Rule 25-6.014(1), F.A.C. (i.e., the FERC Uniform Systems of Accounts). Rule 25-6.0436(3)(b), F.A.C, further provides that, “Upon establishing a new

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account or sub account classification, each utility shall request Commission approval of a depreciation rate for the new plant category.”

FPL has established new subaccount classifications within FERC accounts 341 through 346 to record the investment of Manatee Unit No. 3 and Martin Unit No. 8. Each unit will be an 1150 megawatt combined cycle generating facility. The in service date for each unit was initially proposed in the petition for July 1, but was placed in service on June 30, 2005.

Staff has completed its review and presents its recommendations 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 Florida Power and Light's Manatee Unit No. 3 and Martin Unit No. 8 plant subaccounts based upon the whole life depreciation rate prescribed for Martin Unit No. 4?

Recommendation: Yes. For Manatee Unit No. 3 and Martin Unit No. 8, FPL proposes the whole life depreciation rates as shown on Attachment A. These rates should be approved for the combined cycle generating units, pending a comprehensive depreciation study in 2009. The depreciation rates reflect those currently prescribed whole life depreciation rates for Martin Unit No. 4 and Common plant subaccounts. (Gardner)

Staff Analysis: FPL has requested, in accordance with the Commission's depreciation rules, that it be allowed to implement its proposed whole life depreciation rates for Manatee Unit No. 3 and Martin Unit No. 8, previously approved for Martin Unit No. 4 and Common.¹ According to the company, Manatee Unit No. 3 and Martin Unit No. 8 are similar to the units installed at Martin Unit No. 4 because all are installed with the most advanced technology and design of combustion turbines and materials which allows the units to operate at greater efficiency. Martin Unit No. 8 will convert to a new 1150 megawatt combined cycle unit by integrating the existing Combustion Turbine Units 8a and 8b, which are currently operating in simple cycle mode, with two additional combustion turbines, four heat recovery steam generators, and one steam turbine. Also, Manatee Unit No. 3 will be an 1150 megawatt combined cycle generating facility using four combustion turbines fueled with natural gas, each exhausting into a multi-pressure waste heat recovery steam generator, which will supply steam to a single common steam turbine generator.

Once the units are placed in service and the plant dollars have been unitized, FPL will prepare and file site-specific depreciation and dismantlement studies. FPL's next comprehensive depreciation study is due to be filed in 2009. The units were placed in service on June 30, 2005. Accordingly, staff recommends approval of FPL's request to implement the underlying whole life depreciation rates currently approved for Martin Unit No. 4 for Manatee Unit No. 3 and Martin Unit No. 8 until the comprehensive study is made in 2009.

¹ Components of plant that are shared by two or more generating units at the plant site.

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Issue 2: What should be the implementation date for the depreciation rates for Manatee Unit No. 3 and Martin Unit No. 8?

Recommendation: Staff recommends June 30, 2005, as an implementation date for FPL's whole life depreciation rates for Manatee Unit No. 3 and Martin Unit No. 8. (Gardner)

Staff Analysis: The whole life depreciation rates for Manatee Unit No. 3 and Martin Unit No. 8 new accounts or subaccounts should be implemented when the plant becomes commercially operational or placed in service. Initially, FPL had requested that the whole life depreciation rates for the new units become effective July 1, but on June 30, 2005, the plants became commercially operational as combined cycle generating units. Staff recommends acceptance of FPL's change in proposal and that the resulting depreciation rates should be used in FPL's current depreciation study and rate case consolidated for review in Docket No. 0500045-EI, In re: Petition for rate increase by Florida Power and Light Company, and Docket No. 050188-EI, In re: 2005 comprehensive depreciation study by Florida Power & Light Company.

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 issuance of a consummating order. (Keating, Fleming)

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.