

State 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: October 2, 2008

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Marsh)
Office of the General Counsel (Brown)

RE: Docket No. 080543-EI – Request for approval to begin depreciating new technology solar photovoltaic plant sites for DeSoto and Space Coast Solar Energy Centers over a 30-year period, effective with in-service dates of units, by Florida Power & Light Company.

AGENDA: 10/14/08 – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\080543.RCM.DOC

Case Background

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 or subaccounts as prescribed in Rule 25-6.0141, F.A.C. Rule 25-6.0436(3)(b), F.A.C., further provides that “[u]pon establishing a new account or subaccount classification, each utility shall request Commission approval of a depreciation rate for the new plant category.” On August 13, 2008, Florida Power & Light Company (FPL or company) filed its petition to establish depreciation rates for its new technology solar photovoltaic plant sites, DeSoto and Space Coast Solar Energy Centers. The units were authorized for inclusion in the Environmental Cost Recovery Clause by Order No. PSC-08-0491-PAA-EI, issued on August 4, 2008 in Docket No.

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080281-EI, In re: Petition for approval of Solar Energy Projects for Recovery through Environmental Cost Recovery Clause, by Florida Power & Light Company.

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 the Commission establish subaccounts with depreciation rates for the solar installations?

Recommendation: Yes. The Commission should establish the subaccounts shown in the staff analysis with a 30-year life and a whole life depreciation rate of 3.3 percent. (Marsh)

Staff Analysis: FPL is requesting Commission approval to begin depreciating two solar photovoltaic plant sites, DeSoto and Space Coast Solar Energy Centers, over a 30-year period. The DeSoto facility is anticipated to go into full-service operation by December 2009, while the Space Coast facility is anticipated to go into full service by July 2010. The DeSoto Next Generation Solar Energy Center will be constructed on FPL-owned property in DeSoto County, Florida. The Space Coast Next Generation Solar Energy Center will be constructed on federal land at the Kennedy Space Center. FPL has negotiated a 30-year lease of this federal land with the Kennedy Space Center in order to construct the project.

Both sites will use photovoltaic panels. The panels will be purchased from SunPower Corporation. SunPower provided information to FPL indicating that the design life of the panels and the associated tracking system is 30 years. SunPower warrants that the panels will produce at least 80 percent of their rated power output at the end of 25 years. Based on this information, the Company believes that 30 years is a good estimation of the depreciable life of the project. FPL proposes the use of a 3.3 percent whole life depreciation rate with zero net salvage for each plant account involved in these facilities.

FPL currently plans to utilize the Other Production function accounts and is currently evaluating the retirement unit structure that it will employ. The company will prepare and file a site-specific depreciation study for each facility as soon as it becomes operational.

Staff believes that the 30-year life proposed by FPL is appropriate, based on the information provided by SunPower. Use of this life with zero net salvage results in a whole life depreciation rate of 3.3 percent. The rate should be used for the following subaccounts:

30300 Intangible Plant

34100 Structures And Improvements

34300 Other Generation Plant

34500 Accessory Electric Equipment

Staff recommends that the subaccounts shown in the staff analysis should be established with a 30-year life and a whole life depreciation rate of 3.3 percent.

Issue 2: What should be the effective date for the implementation of the new depreciation rate for the DeSoto and Space Coast Solar Energy Centers?

Recommendation: The effective date for the implementation of the new depreciation rate for the DeSoto and Space Coast Solar Energy Centers should be January 1, 2009. (Marsh)

Staff Analysis: FPL has requested that a depreciation rate for the DeSoto and Space Coast Solar Energy Centers be effective as the systems are placed into service, either in increments or as a whole. The Company states that it expects the DeSoto facility to be in full service operation by December 2009, and the Space Coast facility is expected to be in full service by July 2010. Through discussion with the company, staff determined that an effective date of January 1, 2009, would meet FPL's need to establish a rate prior to placing the first solar plant in service.

When depreciation studies are filed pursuant to Rule 25-6.0436, F.A.C., the requested effective date for the implementation of the revised depreciation rates is either the beginning of the same fiscal year during which the study is filed or a later date. An effective date of January 1, 2009, is consistent with the rule. Therefore, staff recommends that the effective date of January 1, 2009, should be approved.

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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 issuance of a consummating order. (Brown)

Staff Analysis: 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 the order, this docket should be closed upon the issuance of a consummating order.