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ACCOUNTING &
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June 22, 1998

Ms. Pat Lee
Utility Systems/Communications Engineer Supervisor
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Docket No. 971660-EI, 1997 Depreciation Study by Florida Power & Light Company

Dear Ms. Lee:

Attached is a copy of Florida Power & Light Company's responses to your questions concerning its depreciation studies that were filed in Docket No. 971660-EI. In addition, I have enclosed your diskette which contains the same information. Please let me know if there is any additional information you need.

Sincerely,

Donald L. Babka
Director of Regulatory and Tax Accounting

Attachments

cc: W.G. Walker III
Matthew M. Childs

- ACK
- AFA ACG
- APP
- CAF
- CMU
- CTR
- EAG
- LEG
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an FPL Group Company
FPC-RECORDS/REPORTING

**FLORIDA POWER & LIGHT COMPANY
DEPRECIATION STUDY - DOCKET NO. 971660-EI
INITIAL REVIEW**

1997 Activity:

- 1 In reviewing the 1997 activity provided, we have found cases where reserve was transferred without any associated investment. There are also instances where transfers of investment and reserve appear to be in opposite directions from what logic would dictate. These areas of concern are listed in the following table with the given location and account.

<i>Location</i>	<i>Account</i>	<i>Investment (Sch. 1)</i>	<i>Reserve (Sch.2)</i>
Manatee Unit 1	314.0	\$ (52,929.25)	\$2,301,554.18
Martin Unit 2	311.0	- 0 -	339,140.56
	312.0	- 0 -	247,431.07
	314.0	- 0 -	(2,341,616.98)
Port Everglades Common	311.0	(159,072.75)	1,378.82
Riviera Common	311.0	- 0 -	788.11
	315.0	- 0 -	1,783.88
	316.0	- 0 -	(38,446.09)
Sanford Common	311.0	- 0 -	(4,599.51)
	312.0	(11,001.43)	16,536.49
Sanford Unit 5	312.0	11,001.43	(16,697.94)
Scherer Unit 4	312.0	(754,119.23)	145,116.28
SJRPP Common	311.0	- 0 -	(7,986.44)
SJRPP Unit 1	311.0	- 0 -	131,695.66
Turkey Point Common	311.0	39,972.13	(6,580.75)
Turkey Point Unit 1	311.0	(39,972.13)	23,866.09
	312.0	- 0 -	(28,496.14)

Attachment I
Docket No. 971660-EI

<i>Location</i>	<i>Account</i>	<i>Investment (Sch. 1)</i>	<i>Reserve (Sch. 2)</i>
Turkey Point Unit 2	311.0	- 0 -	(2,565.19)
	312.0	- 0 -	19,621.81
St Lucie Common	322.0	(512,564.71)	48,553.39
	323.0	- 0 -	147,060.63
St Lucie Unit 1	321.0	- 0 -	203,160.70
	322.0	(3,395.66)	2,019.29
St Lucie Unit 2	322.0	515,960.37	50,572.68
	323.0	8,580.00	(21,024.70)
Turkey Point Common	323.0	- 0 -	(4,631.51)
Lauderdale Unit 4	341.0	- 0 -	(6,814.28)
	344.0	- 0 -	(5,698.42)
Pt Everglades GT's	341.0	- 0 -	(1,300.31)
	345.0	- 0 -	3,510.64
Putnam Common	343.0	(255,973.57)	35,640.87
Putnam Unit 1	343.0	255,973.57	(35,640.87)
Other Production	344.0	- 0 -	8,800.38
Transmission Plant	354.0	- 0 -	(272,355.43)
	355.0	10,790.45	(13,566.01)
	357.0	- 0 -	(936,914.37)
	358.0	- 0 -	936,914.37
	359.0	- 0 -	302,665.55
Distribution Plant	362.9	7,174,103.06	(882,578.21)

Attachment I
Docket No. 971660-EI

<i>Location</i>	<i>Account</i>	<i>Investment (Sch 1)</i>	<i>Reserve (Sch 2)</i>
Distribution Plant (cont.)	364.0	11,245.80	(1,692.27)
	365.0	- 0 -	(272,801.61)
	367.7	- 0 -	61,349.34
	369.1	- 0 -	(54,949.92)
	370.0	2,371.45	(324,076.63)
	371.0	- 0 -	(1,665,521.09)
	371.2	20.00	3,413,561.51
General Plant Depreciable	391.6	- 0 -	(7,397.99)
	392.0	- 0 -	(162,317.62)
	392.1	- 0 -	8,894.89
	392.2	- 0 -	(156,779.89)
	392.3	(965,941.38)	141,227.81
	393.1	- 0 -	(7,154.70)
	395.6	- 0 -	1,195.02
	395.8	- 0 -	2,895.13
	397.3	6,437.00	2.00
	391.9	67,182.52	(158,081.79)
	395.2	- 0 -	(135,805.38)

Pages 1 and 2 of Attachment III provide the reason code for each account and Pages 3 and 4 provide explanations for each reason code.

2. **Staff has noted that there are numerous retirements with no associated cost of removal shown on Schedule II, as of 12/31/97. While we recognize that there can be delays in booking removal costs, this does not seem to be a reasonable conclusion considering that the retirements without removal costs represent about 38% of the total steam production retirements for the year. Please explain each retirement for which there is no cost of removal.**

Pages 1 through 3 of Attachment II provides a description of the work order, the retirement amount and a note reference for each retirement with zero cost of removal. Pages 4 and 5 provide explanations for each note reference.

3. **A cost of removal of \$1,548,001.37 is shown for Martin Unit 2, Account 314.0 Turbogenerator Units, on Schedule II as of 12/31/97 with no associated retirement. For prior years, Schedule II indicates retirements as follows;**

1996	\$31,487.72
1995	\$13,004.75
1994	- 0 -
Total	\$44,492.47

Less than \$50,000 in retirements over the four year period does not seem reasonable support for \$1.5 million in cost of removal. Please explain the cost of removal entry.

The \$1.5 million cost of removal relates to the replacement of Low Pressure Turbine Rotors at Martin Unit 2 (Account 314). The associated retirement, \$4,551,124.86, was not recorded until February, 1998.

PRODUCTION PLANT

4. **Please provide estimates, as available, by account by unit for each site for the costs of asbestos removal expected to take place in the period 1998-2001. Additionally, please provide updated estimates of currently projected overhauls/replacements expected to take place in the same period. This should include investments to be retired and associated salvage and costs of removal/disposal.**

FPL changed its classification of property retirement units effective in 1997 and as a result, insulation is no longer considered a retirement unit. Therefore, the costs of asbestos

insulation removed during maintenance or overhauls would normally be charged to expense. Currently, FPL does not plan to expedite the removal of asbestos, and as such there is not a defined schedule for its removal. However, asbestos will be removed when encountered in conjunction with plant modifications, overhauls and maintenance. It's assumed that some asbestos will not be removed until the final dismantlement of a unit. These amounts are currently being identified by the Power Generation Business Unit for inclusion in FPL's dismantlement studies that will be filed later this year.

Sanford Unit 4 is the only remaining unit that FPL has plans to do major overhaul renovation work in the 1998-2001 time period. The scope of this project includes boiler refurbishment and turbine blade replacements. The cost of this overhaul is estimated at \$12 million, of which approximately \$10 million is maintenance expense and \$2 million is capital. The capital expenditures include the replacement of economizer headers and dampers. Retirement and removal estimates are not known at this time but will be provided to Staff when the information is available.

5. In Docket No. 941317-EI, staff questioned the 6 year replacement intervals for certain strata at the Martin Power Plant Site, Combined Cycle Units 3 & 4.

a. Account number 343.0252 Transition Nozzle.

FPL stated that the 6 year replacement interval was based on a 6 year warranty specified by General Electric. In the current 1997 study, however, the Company indicates a replacement interval of 5 years.

1) If these nozzles are replaced in 5 years, will they be replaced under warranty? If not, what has changed since the 1994 study?

No. In answering Staff's Initial Review Question No. 5 in Docket No. 941317-EI, FPL stated that "General Electric Co. has warranted, in their documentation with the Company, that the fired hour replacement life of these parts is 48,000 hours (6 years)". The word warranted should not have been used in this statement. The 48,000 hours (6 years at base load) was the best estimate at that time of the replacement interval for this equipment based on General Electric Co. recommendations.

The warranty from General Electric Co. on the transition nozzles is 24,000 operating hours (3 years at base load) during the first five

years of unit operation. After the first five years of operation, the warranty period for the transition nozzles is 12 months.

- 2) **If the nozzles will be replaced under warranty, what is the Company's planned treatment of retirements, cost of removal, and salvage?**

If a nozzle is replaced under warranty the replacement nozzle would carry the same original cost and depreciation reserve as the original nozzle. Cost of removal, if not covered under the warranty, would be charged to expense. There would not be any salvage since the part would be returned to General Electric Co. as part of their research for parts improvement or testing.

- b. **Account number 343.0265 Combustion Assemble.**

In the 1994 updated study, FPL stated that information which General Electric Company had identified since the original study was filed caused it to shorten the replacement interval to 3 years. In the current study, a 5 year replacement interval is now proposed. What has occurred since the 1994 study to indicate a longer replacement interval for this strata?

This parts assembly has a targeted life from General Electric Co. of 40,000 hours (or 5 years at base load) and a warranty life of 18,000 hours (2.25 years at base load). In the 1994 study FPL chose to use an average, conservative, life of 3 years for these parts due to the unknowns in the technology. With 5 years of experience behind us, we are able to utilize the repair intervals and upgrades that General Electric Co. has proposed. Our experience is proving that we can obtain 5 years of repairable service from these parts before they are no longer useful.

6. **St. Lucie and Turkey Point - Nuclear**

- a. **What considerations has FPL given regarding early shutdown or license renewal of its nuclear units?**

At present, FPL is not aware of any issues that result in a high probability of shutdown of its nuclear units prior to the end of the current operating licenses. When

a significant regulatory, operational or equipment replacement issue arises, FPL weighs the cost of addressing the issue versus the anticipated benefit of continued operation of its nuclear units.

As a matter of policy, FPL's Nuclear Division is committed to preserving the license renewal option for all its nuclear units. At this time FPL has not made a decision whether or not to pursue license renewal.

- b. **With license termination scheduled for 2012 and 2013, respectively, for Turkey Point Units 3 and 4, how far in advance will FPL need to make the decision internally whether or not to seek a license extension?**

To date, no nuclear plant operator has received a license extension so there is no experience upon which to base our response. However, given FPL's system planning horizon and a reasonable estimate for the time to obtain a license extension, FPL believes that a decision would need to be made within the next few years.

- c. **What things (steps, timeline) does NRC require for license extension?**

Title 10 of the Code of Federal Regulations (CFR) Part 54, outlines the requirements for renewal of operating licenses for nuclear power plants. The application must answer the question: Can the plant continue to operate safely in the renewal period? The applicant must demonstrate that it can manage aging effects adequately over the renewal term through:

1. aging evaluations of equipment;
2. assessments of existing maintenance and surveillance programs; and
3. identification of equipment and programmatic enhancements necessary to operate over the renewal term.

10 CFR Part 54.17(C) prohibits submittal of a license renewal application earlier than 20 years before the expiration of the operating license currently in effect.

TRANSMISSION, DISTRIBUTION, AND GENERAL PLANT

7. **In your salvage analysis, what types of activities are considered as "other recoveries" and what activities are considered as "salvage"?**

Salvage is considered to be any retired item that is returned to a FPL storeroom and inventory system either for future reuse or disposal as scrap.

Other recoveries in the salvage analysis includes only proceeds from sales. Reimbursements received for plant related items such as insurance recoveries, Department of Transportation reimbursement, and vendor warranty reimbursement are excluded from the study, as are the associated retirements.

8. **Easements (Account 350.2)**

Is the cost of easements generally for contracts which are held in perpetuity or until the line or substation is removed from the location? If so, it has been suggested that these costs are really intangible in nature and should be amortized over their useful life not to exceed 40 years, in accordance with APB #17. We would appreciate your thoughts in this regard.

Generally FPL's easements are held in perpetuity. Its contracts for easements state "an easement forever for a right-of-way".

Statement of Financial Accounting Standards (SFAS) No. 71, Accounting for the Effects of Certain Types of Regulation, provides guidance on accounting for intangible assets by a regulated enterprise at paragraph 29 and 30. The SFAS uses goodwill as an example of an intangible asset and states that "If the regulator permits the goodwill to be amortized over a specific time period as an allowable cost for rate-making purposes, the regulator's action provides reasonable assurance of the existence of an asset (paragraph 9). The goodwill would be amortized for financial reporting purposes over the period during which it will be allowed for rate-making purposes..." SFAS No. 71 provides the appropriate accounting for a regulated enterprise until the regulated enterprise comes off of SFAS 71. FPL has not come off of SFAS No. 71 and, therefore, the recovery period allowed by the Florida Public Service Commission for easements is still appropriate for FPL.

Even if FPL were to come off of SFAS No. 71 the above suggestion would not be entirely true. Accounting Principles Board (APB) Opinion No. 17, Intangible Assets, requires that the cost of an intangible asset acquired after October 30, 1970 be amortized over the shorter

of its estimated useful life or 40 years. This Opinion superseded prospectively Accounting Research Bulletin (ARB) No. 43, Chapter 5, paragraphs 1 through 9. ARB No. 43, Chapter 5 relates to intangible assets acquired prior to October 30, 1970 and does not require amortization of those intangible assets that do not indicate a limited life. The ARB does however, allow for amortization at the discretion of the company and states that the period should be reasonably long. Since APB Opinion No. 17 relates only to intangible assets acquired after October 30, 1970 and approximately 20% of FPL's easements were acquired prior to that time, it would not be appropriate to suggest that the cost of all of FPL's easements should be amortized over a period not to exceed 40 years even if FPL did not come under SFAS No. 71.

9. **Overhead Conductors and Devices (Account 356)**

Looking at the most recent 5 years of net salvage activity, cost of removal has averaged about 50% with salvage averaging 7% and other recoveries averaging 41%. While FPL's projected removal costs are in line with this recent activity, we are having some difficulty in understanding the rationale for projected salvage of 25%. Please enlighten us.

The Annual Status Reports contain all transactions that occur in a particular ledger year, however, for depreciation study purposes certain items have been removed. For instance, the Annual Status Reports for 1993 and 1994 include approximately \$3.7 million in other recoveries for Account 356. Of this amount, approximately \$1.9 million was due to insurance recoveries resulting from Hurricane Andrew and an additional \$1.0 million was due to reimbursable relocations. If all aspects of the reimbursables (i.e., the retirements as well as any related reserve activity) are removed from the analysis and five-year rolling bands covering the 1985 through 1996 period (i.e., 1985-1989, 1986-1990 and 1992-1996) are examined, the salvage and other recoveries combined have remained generally in the mid 20% range. FPL feels that 25% is a reasonable estimate for salvage.

10. **Overhead Conductors and Devices (Account 365)**

a. **Please explain the rationale supporting the company's salvage proposal of 30%.**

Excluding insurance recoveries from Hurricane Andrew and other reimbursables, a five-year rolling band analysis indicates that salvage (i.e., gross salvage and other recoveries) has been running in the 20% to 40% range. FPL feels that the 30% estimate is well within this range and should be indicative of the future.

- b. **Are salvage proceeds from distribution scrap wire charged to this account?**

When wire is removed from service and it is determined to be unusable, the current market price of scrap wire is recorded as salvage to the depreciation reserve account associated with Account 365.

11. **Station Equipment (Accounts 353 and 362)**

- a. **Is any of this equipment subject to reuse? If so, please provide a description of the subject equipment and a discussion of your reuse practices.**

Yes. Approximately 2% of the 1997 retirement dollars in these accounts represents equipment which was retired and salvaged for reuse. When any equipment is removed from service it is evaluated for possible reuse. Reuse depends on the items physical condition and whether the item is still compatible with equipment still in-service. If it is determined to be reusable the item is returned to M&S inventory and the reserve is credited for the current average unit cost. If the reusable item has to be refurbished, salvage is recorded at the current average unit cost and the cost incurred to refurbish the unit is charged to operations and maintenance expense.

- b. **For other companies, we are hearing that distribution station equipment is subject to more frequent retirement than transmission station equipment to accommodate growth and changing customer needs. Accordingly, a shorter life is generally proposed for distribution station equipment than for transmission equipment. In this study, however, we are seeing the opposite. A shorter life is being proposed for transmission station equipment than for distribution equipment. Please comment.**

Distribution station equipment, Account 362, and transmission station equipment, Account 353, are relatively similar in nature. For example, both have many comparable types of equipment, the investment in both accounts have more than doubled in the past 15 years, and the retirements of both are relatively low as a percentage of the current plant account balance. On a quantity basis, the distribution substation account certainly has more retirement activity than the transmission substation account. However, analysis based on plant investment indicates that the transmission equipment has a slightly shorter average service life. While growth and

changing customer needs do influence the retirement pattern of distribution equipment they also influence the transmission accounts as well. The average service lives and average remaining lives for these two accounts remain close, however, based on FPL's analysis transmission substation equipment does have a two year shorter life than the distribution substation equipment.

12. **Line Transformers (Account 368)**

The company's net salvage proposal is comprised of a 30% cost of removal and a 5% salvage factor. According to data taken from annual status reports, other recoveries for the 1992 - 1996 period have averaged 15% with salvage averaging zero.

a. Please help us understand the rationale for your proposed 5% salvage factor.

After the removal of insurance recoveries from Hurricane Andrew and other reimbursables, rolling and shrinking band analysis were run covering the 1985 through 1997 period. Five-year rolling band analysis indicated that salvage (i.e., gross salvage and other recoveries) has been running in the 0% to 10% range. Although salvage, other recoveries, and removal costs associated with this account may be impacted by voltage regulators transferred from Account 362 in 1997, FPL feels that a salvage estimate (i.e., gross salvage and other recoveries combined) of 5% is a reasonable estimate of future salvage and that negative 25% should be indicative of net salvage in the future.

b. The accounting procedure for line transformers is "cradle to grave". As such, the cost to remove the transformer and transporting to inventory, where the decision is made whether or not to refurbish, should be expensed. Cost of removal should relate to the final disposition when the transformer is junked. For this reason, please explain the removal costs FPL is incurring with the final retirement of this equipment.

The removal costs that FPL is recording in Account 368, Line Transformers, relates only to the final disposition of the transformer. The removal costs that FPL is incurring with the final retirement of the transformer includes the following:

The crew's time and expenses to remove the transformer from the last in service location.

The costs to prepare for and dispose of the equipment, including costs to remove and dispose of the oil, testing for contaminants, and dismantling of the core and casing.

- c. **What portion of the 1997 retirements and removal costs are associated with the removal of other retirement units in this account besides transformers?**

Removal costs are reported and captured at the plant account level and, therefore, it is extremely difficult to determine the percent of removal costs that relates to specific retirement units. Based on a review of the non-transformer items that were retired in 1997, the removal costs associated with the non-transformer items would be less than 5% of the total.

13. **Overhead Services (Account 369.1)**

Net salvage activity over the past five years indicates costs of removal averaging over 100%. Your proposal indicates that this level of removal costs is not expected in the future. Please provide some insight into your thinking.

Although the removal costs recorded in this account over the past five years have averaged over 100%, FPL used a more conservative approach based on almost twenty years of history and recommended for purposes of this depreciation study to continue to use the 70% removal cost as was approved by the FPSC in FPL's last studies. The 70% removal cost is still on the high side of those used by the other Florida utilities.

14. **Installations on Customer's Premises (Account 371)**

We have noticed that removal costs have decreased during the 1993-1996 period while, at the same time, the level of retirements have increased rather dramatically. During the 1982 - 1992 period, retirements totaled about \$9.2 million; during 1993-1996, retirements totaled \$63.3 million.

- a. **What was the cause for the increase in retirements?**

From the late 1980's on, FPL purchased and installed transponders for use in the Load Management System (LMS). Transponders, like the other components of the Load Management System, are depreciated over a five year period and recovered through the Energy Conservation Cost Recovery Clause. The capital investments are

automatically retired after they are fully recovered. The first major LMS retirements were recorded in 1993 and represented assets installed in ledger year 1988 and prior. Except for the Annual Status Reports prior to 1989 (when LMS costs were not completely segregated), the LMS investment and related reserve components installed on customer premises can be found in subaccounts 371.2, Residential Load Management, and 371.3, Commercial Load Management. Since the investment and related reserve components are depreciated and recovered through the Energy Conservation Cost Recovery Clause they are not included in the life determination, theoretical reserve computation, or salvage analysis of Account 371.0.

- b. Removal costs during the 1982-1996 period have averaged about 4% with the 1992-1996 period averaging about 2%. Why do you believe that a negative 20% net salvage is still appropriate for this type of plant?**

In the determination of FPL's proposed net salvage percentage for this account, the LMS equipment, Hurricane Andrew related activity and reimbursables were removed from the data, as was done for the life analysis, and various rolling and shrinking bands were analyzed. Five-year rolling bands covering the 1985 through 1997 period (i.e., 1985-1989, 1986-1990, and 1993-1997), indicated that net salvage is becoming increasingly negative, from approximately negative 15% in rolling bands which span the 1985 through 1993 periods, to negative a 20 to 30% range in subsequent periods. The negative 20% net salvage which FPL recommends in this study is a conservative estimation of what is anticipated to occur in the future.

- c. Please explain why the removal cost data shown in the study is different from that submitted in annual status reports.**

In the depreciation study analysis and proposals, the retirements and related reserve components used in developing the rates exclude reimbursements, since they cannot be relied upon to continue in the future. For example, the Annual Status Report for the year-ended 1997 indicates that \$226,281.08 of removal cost was recorded during 1997. However, of that amount \$126,613.74 was due to reimbursable projects. After these reimbursed removal costs were removed, \$99,667.34 remained as normal removal costs and were used in determining the proposed net salvage.

15. **Motor Vehicles (Account 392)**

- a. **In reviewing your analyses for these accounts, we have noticed the existence of negative survivors. Because surviving plant relates to the amount of gross additions placed in a given year that remain in service, the concept of negative survivors is not logical. While the effect on the resulting remaining life is negligible, this data should be corrected.**

The negative balance in Account 392.1 was caused by an incorrect vintage year, 1985, used on an entry recorded in 1987. The correct vintage year should have been 1986. This error is being corrected and will result in both vintage years (1985 and 1986) having zero survivors.

- b. **For automobiles, do the survivors from the 1959 and 1957 vintages really exist?**

No. The surviving balance shown for vintage years 1957 and 1959, \$8,917 and \$768, respectively, on Page 22 of the General Plant Section of the Depreciation Study filing (Volume 6 of 6) do not represent any automobiles still in service. These dollars remain from the initial creation of the reserve accounting module of our Property Record System. These stranded balances will be addressed during the conversion process to FPL's new fixed asset system and will cease to exist when the system is implemented.

16. **Communication Equipment (Account 397)**

- a. **What portion of the 1/1/98 account investment relates to fiber cable?**

Approximately 42% of the investment in Account 397.8, Communication Equipment-Fiber Optics, relates to fiber optic cable.

- b.. **What is the number of sheath miles represented by the investment above?**

Approximately 1,061 miles.

c. What portion of the account investment relates to fiber electronics?

Approximately 58% of the investment in Account 397.8, Communication Equipment-Fiber Optics, relates to fiber electronics.

d. What portion of fiber cable investment is considered "dark fiber"?

Approximately 19% of the fiber cable investment is considered dark fiber.

e. What portion of the "dark" fiber investment is currently being leased by others?

None.

f. Does FPL own any ATM switches? If so, how many?

Yes. FPL has installed 47 ATM switches.

g. What account includes the investment associated with ATM switches or other switching equipment?

The investment in ATM switches is recorded in Account 397.1, Communication Equipment - Other.

h. Please provide a map showing the location of your fiber and switching investment. Please differentiate between "lit" cable and "dark" cable.

The map is available for FPSC Staff's review at FPL's Tallahassee office. FPL considers this document to be confidential.

I. What are FPL's plans for future fiber optic deployment?

FPL plans to continue expanding its fiber optic system to reduce operating cost and improve the reliability of the telecommunication services.

- j. **What are FPL's near term and long term plans for leasing "dark" fiber?**

FPL does not have plans to lease "dark" fiber.

- k. **In what capacity is your "lit" fiber cable currently being used? Please provide a list of all services currently being provided. These services should be separated between regulated and nonregulated.**

The lit fiber cable is currently used for the following internal utility telecommunications services; voice communications, data communications, video services, and teleconferencing. In addition, lit fiber capacity is currently being leased to registered telecommunications companies.

Lit fiber cable used for internal utility telecommunications services would be considered regulated. The lease of lit fiber capacity to registered telecommunications companies would be considered a nonregulated activity.

- l. **Please provide a list of services that FPL is planning to offer in the next 10 years over its "lit" fiber. Again, these services should be separated between regulated and nonregulated.**

FPL plans to continue to provide voice communications, data communications, video services and teleconferencing services for utility operations and to continue to lease capacity to registered telecommunications companies.

Lit fiber cable used for internal utility telecommunications services would be considered regulated. The lease of lit fiber capacity to registered telecommunications companies would be considered a nonregulated activity.

1997 Steam Plant Retirements with zero Cost of Removal

Account	CPR	CPR Description	WO	ER	Loc	WO Description	Retirement	Notes
312	5020413100	CAPE CANAVERAL POWER PLANT UNIT #1	07110	000	0913	REPLACE CEMS COMPUTER-PCC	(\$3,359.62)	1
312	5020413100	CAPE CANAVERAL POWER PLANT UNIT #1	07244	000	0913	REPLACE SOOTBLOWER CONTROL SYSTEM-UNIT 1	(\$18,749.86)	2
312	5020413100	CAPE CANAVERAL POWER PLANT UNIT #1	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$110,928.06)	13
312	5020413100	CAPE CANAVERAL POWER PLANT UNIT #1	07034	000	0913	WATER SAMPLING COLLECTION EQUIPMENT	(\$7,482.57)	1
		Total					(\$145,520.11)	
315	5020413100	CAPE CANAVERAL POWER PLANT UNIT #1	06224	000	0913	UNIT 1 LOAD FREQUENCY CONTROL REPLACEMENT	(\$53,172.79)	3
312	5020413200	CAPE CANAVERAL POWER PLANT UNIT #2	07110	000	0913	REPLACE CEMS COMPUTER-PCC	(\$8,359.61)	1
312	5020413200	CAPE CANAVERAL POWER PLANT UNIT #2	07211	000	0913	REPLACE SOOTBLOWER EQUIPMENT-UNIT 2	(\$218,225.77)	4
312	5020413200	CAPE CANAVERAL POWER PLANT UNIT #2	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$14,415.47)	13
		Total					(\$239,000.85)	
315	5020413200	CAPE CANAVERAL POWER PLANT UNIT #2	06226	000	0913	UNIT 2 LOAD FREQUENCY CONTROL REPLACEMENT	(\$6,193.34)	3
314	5042804000	RIVIERA POWER PLANT COMMON	07248	000	0904	REPLACE TRAVEL SCREEN-COMplete	(\$25,750.97)	2
314	5051911000	FT MYERS PLANT COMMON	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$7,055.70)	13
315	5051911000	FT MYERS PLANT COMMON	07188	000	0911	REPLACEMENT OF THE UNIT 1 START-UP TRANSFORMER	(\$47,100.41)	5
316	5051911000	FT MYERS PLANT COMMON	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$11,574.36)	13
312	5051911100	FT MYERS POWER PLANT UNIT #1	09700	008	0009	CIAC ANNUAL RETIREMENT	\$44.97	14
312	5051911100	FT MYERS POWER PLANT UNIT #1	07061	000	0911	PFM COMMON WATER SAMPLING SYSTEM REPLACEMENT	(\$28,579.67)	1
312	5051911100	FT MYERS POWER PLANT UNIT #1	07111	000	0911	REPLACE CEMS COMPUTER-PFM	(\$8,359.62)	1
312	5051911100	FT MYERS POWER PLANT UNIT #1	06705	000	0911	REPLACE UNIT #1 AIR PREHEATER COLD END BASKETS	(\$43,605.00)	6
312	5051911100	FT MYERS POWER PLANT UNIT #1	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$65,228.22)	13
		Total					(\$145,727.54)	
314	5051911100	FT MYERS POWER PLANT UNIT #1	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$31,290.28)	13
315	5051911100	FT MYERS POWER PLANT UNIT #1	09700	008	0009	CIAC ANNUAL RETIREMENT	\$622.65	14
315	5051911100	FT MYERS POWER PLANT UNIT #1	07188	000	0911	REPLACEMENT OF THE UNIT 1 START-UP TRANSFORMER	(\$10,071.60)	5
315	5051911100	FT MYERS POWER PLANT UNIT #1	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$7,369.00)	13
		Total					(\$16,817.95)	
314	5052017007	MANATEE PLANT STOREROOM	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$227,911.20)	7
315	5070512007	PORT EVERGLADES POWER PLANT STOREROOM	09703	014	0966	CAPITALIZED SPARE PARTS - OTHER PRODUCTION	(\$19,826.81)	7
314	5070512100	PORT EVERGLADES POWER PLANT UNIT #1	09700	008	0009	CIAC ANNUAL RETIREMENT	\$3,176.09	14
314	5070512100	PORT EVERGLADES POWER PLANT UNIT #1	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$2,669.13)	13
314	5070512100	PORT EVERGLADES POWER PLANT UNIT #1	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$41,096.46)	13

1997 Steam Plant Retirements with zero Cost of Removal

Account	CPR		WO	ER	Loc	WO Description	Retirement	Units
		Total					(\$40,589.50)	
315	5070512100	PORT EVERGLADES POWER PLANT UNIT #1	09700	008	0009	CIAC ANNUAL RETIREMENT	\$125.83	14
315	5070512100	PORT EVERGLADES POWER PLANT UNIT #1	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$53,947.76)	13
		Total					(\$53,818.93)	
314	5070512200	PORT EVERGLADES POWER PLANT UNIT #2	09700	008	0009	CIAC ANNUAL RETIREMENT	\$2,162.77	14
314	5070512200	PORT EVERGLADES POWER PLANT UNIT #2	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$912.09)	13
314	5070512200	PORT EVERGLADES POWER PLANT UNIT #2	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$40,485.23)	13
		Total					(\$39,234.55)	
312	5070512300	PORT EVERGLADES POWER PLANT UNIT #3	07115	000	0924	REPLACE CEMS COMPUTER-PPE 3 & 4	(\$8,359.62)	1
312	5070512300	PORT EVERGLADES POWER PLANT UNIT #3	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$685,047.23)	13
		Total					(\$693,406.85)	
314	5070512300	PORT EVERGLADES POWER PLANT UNIT #3	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$4,392.35)	13
315	5070512300	PORT EVERGLADES POWER PLANT UNIT #3	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$3,366.56)	13
316	5070512300	PORT EVERGLADES POWER PLANT UNIT #3	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$3,747.84)	13
312	5070512400	PORT EVERGLADES POWER PLANT UNIT #4	07115	000	0924	REPLACE CEMS COMPUTER-PPE 3 & 4	(\$8,359.61)	1
312	5070512400	PORT EVERGLADES POWER PLANT UNIT #4	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$931,962.08)	13
		Total					(\$940,321.69)	
314	5070512400	PORT EVERGLADES POWER PLANT UNIT #4	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$80,479.64)	13
314	5081001000	CUTLER POWER PLANT COMMON	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$2,067.52)	13
312	5081001600	CUTLER POWER PLANT UNIT #6	07102	000	0901	REPLACE CEMS COMPUTER - PCU	(\$8,359.61)	1
312	5081014200	TURKEY POINT POWER PLANT UNIT #2	07116	000	0926	REPLACE CEMS COMPUTER-PTF	(\$8,359.61)	1
311	5991250023	SJRPP GYPSUM & ASH EQUIPMENT	7212	000	0950	HVAC SYSTEM BUILDING 30 (97026)	(\$7,361.27)	2
316	5991250026	ST JOHNS RIVER POWER PARK (JEA) COMMON	07041	000	0950	REPLACE FORK LIFTS (97020-97021)	(\$9,748.59)	8
315	5991250226	ST JOHNS RIVER POWER PARK (JEA)-UNIT #2	06783	000	0950	REPLACE AQCS CABLE TRAY UNIT 2	(\$5,992.56)	2
312	5997027000	SCHERER SITE COMMON	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	\$583.76	12
312	5997027000	SCHERER SITE COMMON	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$227,203.80)	11
		Total					(\$226,620.04)	
316	5997027000	SCHERER SITE COMMON	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	\$115,104.55	12
316	5997027000	SCHERER SITE COMMON	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$10,966.35)	10
		Total					\$104,138.20	

1997 Steam Plant Retirements with zero Cost of Removal

Account	CPR	CPR Description	WD	ER	Loc	WD Description	Retirement	Notes
312	5997027001	SCHERER UNITS 3 & 4 COMMON	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$14,402.84)	12
312	5997027029	SCHERER COAL CARS	06966	000	0927	PLANT SCHERER-PURCHASE COAL CARS	(\$676,055.47)	9
312	5997027029	SCHERER COAL CARS	06966	000	0927	PLANT SCHERER-PURCHASE COAL CARS	(\$0.04)	9
		Total					(\$676,055.51)	
312	5997027400	SCHERER UNIT #4	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$251,765.82)	12
314	5997027400	SCHERER UNIT #4	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	(\$68,281.11)	12
316	5997027400	SCHERER UNIT #4	07500	000	0009	RETIREMENT CORRECTIONS FOUND DURING PRS/CPR EX	\$34,540.73	12

1997 Steam Plant Retirements with Zero Cost of Removal

Footnote Explanations:

1. The original equipment was charged to a unit specific Continuing Property Record (CPR) location, but the new replacement equipment was identified to the Common CPR location. Retirements were processed against the Unit Specific CPR locations, however, removal labor was associated and charged by the Property Record System to the Common CPR location. Total removal cost incorrectly charged to the wrong CPR location amounted to \$3,485.
2. Removal costs were not charged by the field when the construction work was done. This was identified during Work Order review and closing. Removal cost of \$14,112 was recorded in 1998.
3. The removal costs associated with this retirement was incurred and properly recorded in November and December, 1996. The retirement was posted in 1997 when the new replacement equipment became operational.
4. The retirement was posted in December, 1997. The removal costs were posted in 1998 when the contractor invoices were received and processed.
5. The vendor who purchased the transformer from FPL provided his own equipment and labor to remove and load the transformer onto his truck. No costs were incurred by FPL for removal.
6. Removal costs associated with this retirement were incurred and properly recorded in late 1996. The retirement posted in January, 1997, when the new replacement equipment became operational.
7. This retirement is for a capital spare part that was located in a warehouse.
8. This retirement is for forklifts, no removal costs incurred.
9. Retirement of coal cars that were destroyed due to a derailing. The cars were salvaged by Union Pacific Railroad. No removal costs incurred.
10. This is the retirement of radios, no removal costs incurred.
11. Retirement of a dozer, no removal costs incurred.

12. Adjustment to retirements resulting from the historical unitization of Scherer Plant investment in 1997.
13. Upon completion of all historical unitization of production plant a physical audit of installed equipment quantities was performed at each plant location in order to verify the recorded unitization by CPR location, system, and retirement unit. The results of the physical audits identified certain equipment which was either no longer in existence or was abandoned in place. In order to properly reflect property records, retirements were processed to reflect the actual inventories at the site.
14. Retirement of Contributions in Aid of Construction (CIAC), no removal costs incurred.

Florida Power & Light Company
Attachment III
Docket No. 971660-EI
1997 Activity

Line	Location	Account	Investment (Sch. 1)	Reserve (Sch. 2)	Reason(s)
1	Manatee Unit 1	314.0	(52,929.25)	2,301,554.18	(3)
2	Martin Unit 2	311.0	0.00	339,140.56	(3)
3		312.0	0.00	247,431.07	(3)
4		314.0	0.00	(2,341,616.98)	(3)
5	Port Everglades Common	311.0	(159,072.75)	1,378.82	(1)
6	Riviera Common	311.0	0.00	788.11	(5)
7		315.0	0.00	1,783.88	(5)
8		316.0	0.00	(38,446.09)	(5)
9	Sanford Common	311.0	0.00	(4,599.51)	(5)
10		312.0	(11,001.43)	16,536.49	(1)
11	Sanford Unit 5	312.0	11,001.43	(16,697.94)	(1)
12	Scherer Unit 4	312.0	(754,119.23)	145,116.28	(1) . (3)
13	SJRPP Common	311.0	0.00	(7,986.44)	(5)
14	SJRPP Unit 1	311.0	0.00	(131,695.66)	(3) . (5)
15	Turkey Point Common	311.0	39,972.13	(6,580.75)	(1) . (2)
16	Turkey Point Unit 1	311.0	(39,972.13)	23,866.09	(2)
17		312.0	0.00	(28,496.14)	(5)
18	Turkey Point Unit 2	311.0	0.00	(2,565.19)	(5)
19		312.0	0.00	19,621.81	(5)
20	St. Lucie Common	322.0	(512,564.71)	48,553.39	(2) . (5)
21		323.0	0.00	147,060.63	(3)
22	St. Lucie Unit 1	321.0	0.00	203,160.70	(3)
23		322.0	(3,395.66)	2,019.29	(3) . (4)
24	St. Lucie Unit 2	322.0	515,960.37	(50,572.65)	(4)
25		323.0	8,580.00	(21,024.70)	(3)
26	Turkey Point Common	323.0	0.00	(4,631.51)	(5)
27	Lauderdale Unit 4	341.0	0.00	(6,814.28)	(3) . (5)
28		344.0	0.00	5,698.42	(3)
29	Pt. Everglades GT's	341.0	0.00	(1,300.31)	(5)
30		345.0	0.00	3,510.64	(5)
31	Putnam Common	343.0	(255,973.57)	35,640.87	(4)
32	Putnam Unit 1	343.0	255,973.57	(35,640.87)	(4)
33	Other Production (See Note)	344.0	0.00	5,698.42	(3)
34	Transmission Plant	354.0	0.00	(272,355.43)	(5)
35		355.0	10,790.45	(13,566.01)	(4) . (5)
36		357.0	0.00	(936,914.37)	(2)
37		358.0	0.00	936,914.37	(2)
38		359.0	0.00	302,665.55	(2)
39	Distribution Plant	362.9	7,175,103.06	(882,578.21)	(5)
40		364.0	11,245.80	(1,692.27)	(4) . (5)
41		365.0	0.00	(272,801.61)	(5)
42		367.7	0.00	61,349.34	(5)
43		369.1	0.00	(54,949.92)	(5)
44		370.0	2,371.45	(324,076.63)	(5)
45		371.0	0.00	(1,665,521.09)	(5)
46		371.2	20.00	3,413,561.51	(5)

Florida Power & Light Company
 Attachment III
 Docket No. 971660-EI
 1997 Activity

Line	Location	Account	Investment (Sch. 1)	Reserve (Sch. 2)	Reason(s)
47	General Plant Depreciable	391.6	0.00	(7,397.99)	(5)
48		392.0	0.00	(162,317.62)	(2)
49		392.1	0.00	8,894.89	(2)
50		392.2	0.00	(156,779.89)	(2)
51		392.3	(965,941.38)	141,227.81	(5)
52		393.1	0.00	(7,154.70)	(5)
53		395.6	0.00	1,195.02	(5)
54		395.8	0.00	2,895.13	(5)
55		397.3	6,437.00	(2,765.42)	(5)
56		391.9	67,182.52	(158,081.79)	(2)
57		395.2	0.00	(135,805.38)	(5)

Reserve transfers can look to be contrary to the proper direction, or be present when no plant investment appears to be transferring due to several reasons:

1. Plant transfers move dollars of all different vintages into and out of accounts or Continuing Property Record (CPR) locations. Since FPL's reserve is kept by plant account/CPR location/vintage level, these transactions may sometimes appear unusual. For example :

Plant transfer out of Account XXX (assuming a recovery period of 5 years)

Investment Amount : \$100,000

Length of Time In Account : 4 Years

Reserve Balance to transfer: $100,000 \times (4/5) = \$80,000$

Plant transfer into Account XXX (assuming a recovery period of 10 years)

Investment Amount : \$200,000

Length of Time In Account : 1 Year

Reserve Balance to transfer: $200,000 \times (1/10) = \$20,000$

Account XXX Transactions:

Plant Transfer column : $(\$100,000) + \$200,000 = \$100,000$
[increase in plant]

Reserve Transfer column : $(\$80,000) + \$20,000 = (\$60,000)$
[decrease in reserve]

As can be seen from this illustration, the individual transfers of investment and reserve are appropriate although the account totals appear to be in opposite direction.

2. Plant transfers are not the only transactions that can cause reserve transfers. Changes in plant account and CPR location balances caused by reversals of additions may also cause reserve to be moved. This usually results from the unitization efforts or corrections and adjustments. The effect of these transactions on the reserve cannot be readily seen in the Annual Status Reports, since the reversal of additions are commingled with all other additions and, therefore, can give the impression that there are reserve transfers with no related plant dollars being transferred.
3. Movement of plant investment in and out of a suspense CPR location can move the associated reserve.
4. The automated reserve transfer process in FPL's Property Record System (PRS) moves a proportionate share of the reserve when a plant transfer is made. The transfer program does not distinguish between a positive or negative reserve balance

and, therefore, it is possible that a plant in service transfer for a certain plant account/CPR location/vintage year that has a deficient reserve (e.g., one that has a negative reserve caused by retirements and removal costs which exceeded the accruals, salvage and other recoveries) can result in a transfer of a negative reserve amounts.

5. Occasions arise that require manual transfers of reserves between plant accounts, CPR locations, and/or vintage years. Two examples of manual transfers are; (1) when an error in the reserve is corrected, and (2) clearing residual reserves relating to plant account/CPR location/vintage years which no longer have plant investment.