

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval to initiate depreciation of a Landfill Gas to Energy Facility in Escambia County by Gulf Power Company.

DOCKET NO. 100368-EI
ORDER NO. PSC-10-0674-PAA-EI
ISSUED: November 9, 2010

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
NATHAN A. SKOP
RONALD A. BRISÉ

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING DEPRECIATION RATE

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

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 reserve in accounts or subaccounts as prescribed in Rule 25-6.014(1), F.A.C. (i.e., the Federal Energy Regulatory Commission Uniform System of Accounts). Rule 25-6.0436(2)(a), F.A.C., provides that “no utility shall change any existing depreciation rate or initiate any new depreciation rate without Commission approval.” On July 28, 2010, Gulf Power Company (Gulf or Company) filed its request in accordance with this rule, for a depreciation rate for its Perdido Landfill Gas to Energy Facility (Facility) located in Escambia County, Florida. We have jurisdiction in this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

Decision

The Facility is comprised of two 1.6 MW landfill gas-fired generators, with Gulf’s investment estimated at approximately \$5.1 million. Gulf has an agreement with Escambia County to lease the land below its Facility (the land is adjacent to Escambia County’s Perdido Landfill). Gulf is using a third party, LFG Technologies LLC, to operate the Facility. The Facility’s in-service date (or date of commercial operation) was October 7, 2010.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

Gulf's proposed five percent whole life depreciation rate is predicated on two assumptions: a 20-year average service life (ASL) and a zero percent net salvage. The 20-year ASL is based on Gulf's 20-year landfill gas sales contract with Escambia County. Gulf has proposed a zero percent net salvage based on its expected "relatively minor" cost of removal and low value scrap metal salvage associated with future retirements of assets at the Facility.

We believe that a 20-year ASL and a net salvage of zero percent are reasonable for this Facility at this time. These parameters result in a five percent whole life depreciation rate. Gulf's next depreciation and dismantlement study is due to the Commission in 2013. The 2013 study will include a review of the life and salvage parameters as well as the dismantlement provision of this Facility.

Table 1 displays the parameters and resulting depreciation rate. We hereby approve a whole life depreciation rate of five percent, contained in Table 1, for the Perdido Landfill Gas to Energy Facility.

Table 1: Commission-Approved Whole Life Depreciation Rate and Underlying Parameters

Investment	Average Service Life (Years)	Net Salvage (%)	Whole Life Depreciation Rate (%)
\$5.1 million	20	0	5.0

Implementation Date

Gulf proposed a depreciation implementation date of October 1, 2010, when Gulf's expected in-service date was in late September 2010. Gulf explained that "projects placed in service during the month of September become part of the depreciable base used to calculate depreciation expense for the month of October." The Facility's actual in-service date (date of commercial operation) was October 7, 2010.

Depreciation is the recovery of invested capital representing equipment that is providing service to the public. This recovery is designed to take place over the related period of service to the public. The period of service begins with the in-service date of the plant (date of commercial operation). In prior cases, we have ordered effective dates for depreciation rates of new installations to coincide with the in-service date of the plant.¹ Accordingly, we find that the

¹ Order No. PSC-09-0662-EI, issued October 5, 2009, in Docket No. 090403-EI, In re: Request for approval to begin depreciating West Count Energy Center Units 1 and 2 combined cycle units using whole life depreciation rates currently approved for Martin Power Plant Unit 4, by Florida Power & Light Company, p. 3; Order No. 08-0341-PAA-EI, issued May 28, 2008, in Docket No. 080145-EI, In re: Petition for approval of depreciation rates for new plant subaccounts by Progress Energy Florida, Inc., p. 3; Order No. PSC-05-0821-PAA-EI, issued August 11, 2005, in Docket No. 050300-EI, In re: 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 Commons, by Florida Power & Light Company, p. 2; Order No. PSC-04-0524-PAA-EI, issued May 24, 2004 in Docket No. 040008-EI, In re: Petition for approval of depreciation rate applicable to new plant subaccounts for Hines Unit 2 by

depreciation rate shall be implemented effective with the in-service date of the Perdido Landfill Gas to Energy Facility, which was October 7, 2010.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that a whole life depreciation rate of five percent is hereby approved for Gulf Power Company's Perdido Landfill Gas to Energy Facility, as set forth herein. It is further

ORDERED that the effective date for the new depreciation rate shall be October 7, 2010. It is further

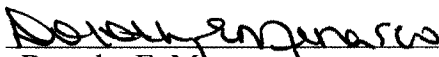
ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

Progress Energy Florida, Inc., p. 2; Order No. PSC-03-0869-PAA-EI, issued July 28, 2003, in Docket No. 030512-EI, In re: 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, p. 4; Order No. PSC-03-0634-PAA-EI, issued May 23, 2003, in Docket No. 030139-EI, In re: Request for approval to begin depreciating Sanford Unit No. 4 using whole life depreciation rates currently approved for Martin Power Plant, Unit No. 4, by Florida Power & Light Company, p. 3; Order No. PSC-01-1337-PAA-EI, issued June 19, 2001, in Docket No. 010107-EI, In re: Request for approval to begin depreciating Martin Simple Cycle Expansion Project by use of Whole Life Depreciation Rates currently approved for Martin Power Plant, Unit No. 4 and Common effective with in-service dates of units, by Florida Power & Light Company, p. 3; and Order No. PSC-00-2434-PAA-EI, issued December 19, 2000, in Docket No. 001437-EI, In re: 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, p. 3.

By ORDER of the Florida Public Service Commission this 9th day of November, 2010.

ANN COLE
Commission Clerk

By: 
Dorothy E. Menasco
Chief Deputy Commission Clerk

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 30, 2010.

ORDER NO. PSC-10-0674-PAA-EI
DOCKET NO. 100368-EI
PAGE 5

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.