**FLORIDA PUBLIC SERVICE COMMISSION**

 **Fletcher Building**

 **101 East Gaines Street**

 **Tallahassee, Florida 32399-0850**

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

 **September 30, 1993**

**TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING**

**FROM : DIVISION OF AUDITING AND FINANCIAL ANALYSIS (LEE, BRAND)**

 **DIVISION OF ELECTRIC AND GAS (TAYLOR)**

 **DIVISION OF LEGAL SERVICES (CHRIST)**

**RE : DOCKET NO. 930566-EI - FLORIDA POWER AND LIGHT COMPANY - REQUEST OF FOR APPROVAL TO BEGIN DEPRECIATING FT. LAUDERDALE POWER PLANT, UNITS 4 & 5, USING WHOLE LIFE DEPRECIATION RATES APPROVED FOR PUTNAM POWER PLANT EFFECTIVE WITH IN-SERVICE DATES OF UNITS BY FLORIDA POWER AND LIGHT COMPANY**

**AGENDA : 10/12/93 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE**

**CRITICAL DATES: NONE**

**SPECIAL INSTRUCTIONS: I:\PSC\AFA\WP\930566.RCM**

 **R:LAUDERA.WK3**

 **DISCUSSION OF ISSUES**

 **ISSUE :** Should the request of Florida Power and Light Company (FPL or Company) to begin depreciating Ft. Lauderdale Units 4 and 5 using the whole life rates for Putnam Power Plant be approved?

**RECOMMENDATION:** Yes. These rates shown on Attachment A, however, should be subject to further review in FPL's comprehensive study due the end of this year and revised as necessary. (LEE)

**STAFF ANALYSIS:** Repowering at the Ft. Lauderdale Plant has now been completed. Unit 4 was placed into service on May 24, 1993 and Unit 5 followed on June 9, 1993. In this case, the main steam source has been changed from a conventional boiler to a combined cycle unit that employs a pair of industrial jet engines with mechanically connected electric generators and a heat recovery unit to produce steam to drive the existing electrical generator. In addition, the megawatt capability of each unit has increased from 140 Mw to 375 Mw.

 As a result of the repowering, it is Staff's understanding that Ft. Lauderdale is now very similar to the Putnam Power Plant in that both are combined cycled plants. The economic life as well as the interim retirement activity associated with a conventional steam production plant can be expected to be different from that of a combined cycle plant. Agreeably this makes the current prescribed rates for Ft. Lauderdale inadequate. FPL has, therefore, proposed to implement the whole life rates that underlie the currently prescribed remaining life rates of the Putnam Plant until a site specific study for Ft. Lauderdale is filed in December, 1993.

 Staff's initial reaction to the FPL request was that there is little reason to revise the Ft. Lauderdale rates now when an impending comprehensive depreciation study is due by year end. In addition, the currently prescribed depreciation rates for this plant were based on FPL's estimates of life and salvage for the assets remaining in service after repowering. It therefore appeared to Staff that the whole life rates underlying the currently prescribed remaining life rates for Putnam Plant would be appropriate only for the new plant added at Ft. Lauderdale as the result of repowering. For embedded plant, currently prescribed remaining life rates should be maintained. However, after a review of the additions that were made due to repowering, we recognize that the embedded assets represent less than 5% of the total investment for the repowered plant. This makes FPL's request more viable and, for this reason, we recommend its approval.

**ISSUE 2:** What should be the date the depreciation rates should be implemented?

**RECOMMENDATION:** Implementation should begin effective with each unit's in-service date; i.e., May 24, 1993 for Unit 4 and June 9, 1993 for Unit 5. (LEE)

**STAFF ANALYSIS:** As FPL has proposed, the ideal implementation date for new depreciation rates for this repowered plant is when each of the units begin service.

**ISSUE 3:** Should this docket be closed?

**RECOMMENDATION:** Yes, assuming no protests to the Proposed Agency Action Order are filed. (LEE)

**STAFF ANALYSIS:** In Staff's opinion, no further action is necessary if no protest is file within 21 days of the date of the PAA Order.

 Attachment A

 Page 1 of 1

 **FLORIDA POWER AND LIGHT COMPANY**

 AVERAGE WHOLE

 SERVICE NET LIFE

ACCOUNT LIFE SALVAGE RATE

 (Yrs.) (%) (%)

 **Ft. Lauderdale Common**

 341 Structures & Improvements 30.0 (2.0) 3.4

 342 Fuel Holders 26.0 (2.0) 3.9

 343 Prime Movers 31.0 (2.0) 3.3

 344 Generator Unite 25.0 (2.0) 4.1

 345 Accessory Electric Equip. 24.0 (1.0) 4.2

 346 Misc. Power Plant Equip. 22.0 (1.0) 4.6

 **Ft. Lauderdale Units 4 & 5**

 341 Structures & Improvements 31.0 (2.0) 3.3

 342 Fuel Holders 30.0 (2.0) 3.4

 343 Prime Movers 25.0 (2.0) 4.1

 344 Generator Unite 28.0 (2.0) 3.6

 345 Accessory Electric Equip. 30.0 (1.0) 3.4

 346 Misc. Power Plant Equip. 22.0 (1.0) 4.6