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TIMOTHY DEVLIN, DIRECTOR
AUDITING & FINANCIAL ANALYSIS
(850) 413-6480

Public Service Commission

May 12, 1998

Mr. K. M. Davis
Vice President and Controller
Florida Power & Light Company
P.O. Box 029100
Miami, Florida 33102

Re: Docket No. 971660-EI

Dear Mr. Davis:

We are in the process of reviewing the depreciation study for Florida Power and Light Company filed in the above reference docket. As a result, questions and the need for additional information have arisen and are covered on the attached. Additionally, we have enclosed a diskette of the Initial Review formatted in WordPerfect, Version 6.1.

Please provide your written response and the enclosed diskette by June 29, 1998. Should you have any questions, please contact either Bob Holroyd at (850) 413-6471 or me at (850) 413-6453.

Sincerely,

Patricia S. Lee
U.S.C.E. Supervisor

- ACK _____
- AFA _____ PSL:frp
- APP _____ Attachment
- CAF _____
- CMU _____ cc: **Division of Records and Reporting**
- CTR _____ Division of Electric and Gas
- EAG _____ Division of Legal Services
- LEG _____ Division of Audit and Finance (C. Romig, Holroyd, Sickel, Swain)
- LIN _____ Office of Public Counsel
- OPC _____ Florida Power and Light Company (W.G. Walker, III)
- RCH _____ Steel Hector & Davis LLP (Mathew M. Childs, P.A.)

DOCUMENT NUMBER - DATE
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FPSC-RECORDS/REPORTING

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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)

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<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)

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<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)

- 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.

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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.

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

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- 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?
6. St. Lucie and Turkey Point - Nuclear
 - a. What considerations has FPL given regarding early shutdown or license renewal of its nuclear units?
 - 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?
 - c. What things (steps, timeline) does NRC require for license extension?

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"?
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.
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.

10. Overhead Conductors and Devices (Account 365)

- a. Please explain the rationale supporting the company's salvage proposal of 30%.
- b. Are salvage proceeds from distribution scrap wire charged to this account?

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.
- 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.

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

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.

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

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 affect on the resulting remaining life is negligible, this data should be corrected.
- b. For automobiles, do the survivors from the 1959 and 1957 vintages really exist?

16. Communication Equipment (Account 397)

- a. What portion of the 1/1/98 account investment relates to fiber cable?
- b. What is the number of sheath miles represented by the investment above?
- c. What portion of the account investment relates to fiber electronics?
- d. What portion of fiber cable investment is considered "dark fiber"?

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- e. What portion of the "dark" fiber investment is currently being leased by others?
- f. Does FPL own any ATM switches? If so, how many?
- g. What account includes the investment associated with ATM switches or other switching equipment?
- h. Please provide a map showing the location of your fiber and switching investment. Please differentiate between "lit" cable and "dark" cable.
- i. What are FPL's plans for future fiber optic deployment?
- j. What are FPL's near term and long term plans for leasing "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.
- 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.