

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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RECORDS AND REPORTING

DATE: NOVEMBER 16, 2000

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (P. LEE, SWAIN) PSL DM PNT
DIVISION OF LEGAL SERVICES (ISAAC) MS RVE
DIVISION OF SAFETY AND ELECTRIC RELIABILITY (COLSON) JFC

RE: DOCKET NO. 000518-EI - REVISED DEPRECIATION STUDY FOR SANFORD SITE BY FLORIDA POWER & LIGHT COMPANY.

AGENDA: 11/28/00 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\000518.RCM
R:\000518.123

CASE BACKGROUND

By Order Nos. PSC-99-0073-FOF-EI and PSC-99-0958-FOF-EI, issued January 8, 1999 and May 11, 1999, respectively, in Docket No. 971660-EI, the depreciation rates and capital recovery schedules for Florida Power & Light Company (FPL or company) were revised. The rates and recovery schedules approved for the Sanford units recognized the planned re-powering of Units 3 and 4 by 2003. Subsequent to the above orders, FPL's plans have changed. Current planning is to re-power the Sanford Units 4 and 5 by 2002 and not to re-power Unit 3.

On March 10, 1999, the parties of Docket No. 990067-EI, In Re: Petition for a Full Revenue Requirements Rate Case for Florida Power & Light Company, filed a Joint Motion for Approval of Stipulation and Settlement together with the Stipulation and Settlement (Stipulation). By Order No. PSC-99-0519-AS-EI, issued March 17, 1999, the Stipulation was approved. Pursuant to

DOCUMENT NUMBER-DATE

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paragraph 8 of the Stipulation, the depreciation rates addressed in Order No. PSC-99-0073-FOF-EI will not be increased for the term of the Stipulation period, which will end April 15, 2002.

On April 28, 2000, FPL filed a depreciation study in the instant docket addressing the need to revise its depreciation rates and recovery schedules for the Sanford units to reflect the current re-powering plans. The company also requested preliminary implementation of its proposed revised depreciation rates and recovery schedules as of January 1, 2000. By Order No. PSC-00-1224-PCO-EI and Amendatory Order No. PSC-00-1224A-PCO-EI, issued July 6, 2000, and July 7, 2000, respectively, this request was approved. The docket remained open pending review and Commission action concerning the appropriate depreciation rates and recovery schedules under consideration.

On November 8, 2000, FPL filed a request for withdrawal of its request to revise the depreciation rates and recovery schedules for the Sanford Site stating that it has determined that its request is not permitted at this time by the Stipulation.

Staff has completed its review and presents its recommendation herein.

DISCUSSION OF ISSUES

ISSUE 1: Should FPL's November 8, 2000 request for withdrawal be approved?

RECOMMENDATION: Yes. By the Stipulation approved by Order No. PSC-99-0519-AS-EI, depreciation rates approved by Order No. PSC-99-0073-FOF-EI should not be increased through April 15, 2002. In its November 8, 2000 letter, FPL states it has determined that the Sanford depreciation request is not permitted at this time due to the Stipulation. (P. LEE, ISAAC)

STAFF ANALYSIS: At the time of the last depreciation study, FPL's plans were to re-power the Sanford Units 3 and 4 by 2003. Accordingly, a recovery schedule was approved designed to recover the assets estimated to retire at these units over the associated

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remaining life span and depreciation rates were developed for those assets expected to remain in service with the re-powering.

FPL now reports that its plans have changed and Units 4 and 5 will be re-powered and not Unit 3. Furthermore, the re-powering will be completed by 2002 rather than 2003. The instant docket was opened to address the company's proposed revision to its recovery schedule as well as revisions to the depreciation rates prescribed for the Sanford site to reflect the changed plans.

Staff believes depreciation rates and capital recovery schedules should be revised as soon as the need is perceived, and certainly a change in planning indicates a perceived need. However, FPL is currently operating under a Stipulation that specifically states that depreciation rates approved by Order No. PSC-99-0073-FOF-EI will not be increased for the term of the Stipulation period, which will end April 15, 2002. The revision of depreciation rates and recovery schedules FPL is seeking in this case for the Sanford site represents an increase in the currently prescribed recovery position. Recognizing this, FPL, by its letter of November 8, 2000, requests withdrawal of its application for revised depreciation rates and recovery schedules for the Sanford Site. Staff therefore recommends approval of FPL's request for withdrawal.

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ISSUE 2: What action should the Commission take given Order No. PSC-00-1224-PCO-EI and Amendatory Order No. PSC-00-1224A-PCO-EI granting preliminary implementation of FPL's proposed depreciation rates and recovery schedule revisions to the Sanford Site?

RECOMMENDATION: Staff recommends that the depreciation rates approved for preliminary implementation be revised to reflect those approved by Order No. PSC-99-0073-FOF-EI and PSC-99-0958-FOF-EI as shown on Attachment A, page 5. Additionally, the company should true-up the resulting expenses effective January 1, 2000. (P. LEE, SWAIN)

STAFF ANALYSIS: By Order No. PSC-00-1224-PCO-EI and Amendatory Order No. PSC-00-1224A-PCO-EI, FPL's request for preliminary implementation of its proposed depreciation rates and recovery schedules for the Sanford Site was approved. If the Commission approves FPL's request for withdrawal of its Sanford Site revised study addressed in Issue 1, staff recommends that FPL true-up its 2000 depreciation and recovery schedule expenses to reflect the continuation of the rates and schedules approved in its last depreciation prescription by Order Nos. PSC-99-0073-FOF-EI and PSC-99-0958-FOF-EI, in Docket No. 971660-EI.

ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes. This docket should be closed unless any part adversely affected by this decision requests reconsideration within fifteen (15) days of the issuance of this order, or seeks judicial review within thirty (30) days after the issuance of the Commission's Order. (ISAAC)

STAFF ANALYSIS: This docket should be closed unless any party adversely affected by this decision requests reconsideration within fifteen (15) days of the issuance of this order, or seeks judicial review withing thirty (30) days after the issuance of the Commission's Order.

FLORIDA POWER AND LIGHT COMPANY
2000 DEPRECIATION STUDY
SANFORD DIVISION
COMPARISON OF RATES AND COMPONENTS

ACCOUNT	PRELIMINARY IMPLEMENTATION				STAFF RECOMMENDATION *			
	AVERAGE	NET	01/01/2000	REMAINING	AVERAGE	NET	01/01/2000	REMAINING
	REMAINING	SALVAGE	RESERVE	LIFE	REMAINING	SALVAGE	RESERVE	LIFE
	LIFE	(%)	(%)	RATE	LIFE	(%)	(%)	RATE
	(Yrs.)	(%)	(%)	(%)	(Yrs.)	(%)	(%)	(%)
STEAM PRODUCTION								
Sanford Common (Remaining)								
311 Structures and Improvements	17.2	(2.0)	47.54	3.2	21.0	(2.0)	44.03	2.8
312 Boiler Plant Equip.	23.0	(14.0)	91.34	1.0	22.0	(14.0)	35.99	3.5
314 Turbogenerator Units	18.7	(8.0)	61.26	2.5	22.0	(8.0)	57.32	2.3
315 Accessory Electric Equip.	21.0	(6.0)	59.19	2.2	23.0	(6.0)	54.79	2.2
316 Misc. Power Plant Equip.	9.7	0.0	34.26	6.8	10.1	0.0	50.53	4.9
Sanford Unit 3 (Remaining)								
311 Structures and Improvements	9.8	(14.0)	65.38	3.1	21.0	(2.0)	50.88	2.4
312 Boiler Plant Equip.	9.1	(8.0)	83.48	3.1	17.0	(14.0)	73.20	2.4
314 Turbogenerator Units	9.6	(6.0)	82.31	2.8	12.9	(8.0)	78.05	2.3
315 Accessory Electric Equip.	8.9	0.0	65.23	4.2	10.2	(6.0)	75.66	3.0
316 Misc. Power Plant Equip.	0.0	0.0	86.57	1.5	3.7	0.0	91.10	2.4
Sanford Unit 4 (Remaining)								
311 Structures and Improvements	24.0	(2.0)	47.94	2.3	28.0	(2.0)	45.32	2.0
312 Boiler Plant Equip.	17.7	(14.0)	14.86	5.6	23.0	(14.0)	54.98	2.6
314 Turbogenerator Units	16.8	(8.0)	49.83	3.5	20.0	(8.0)	49.86	2.9
315 Accessory Electric Equip.	19.0	(6.0)	61.4	2.3	20.0	(6.0)	57.24	2.4
316 Misc. Power Plant Equip.	7.4	0.0	82.6	2.4	2.5	0.0	87.99	4.8
Sanford Unit 5								
311 Structures and Improvements	24.0	(2.0)	65.94	1.5	15.4	(2.0)	60.54	2.7
312 Boiler Plant Equip.	22.0	(14.0)	81.26	1.5	9.2	(14.0)	75.40	4.2
314 Turbogenerator Units	16.2	(8.0)	63.61	2.7	14.6	(8.0)	56.61	3.5
315 Accessory Electric Equip.	18.8	(6.0)	68.87	2.0	15.1	(6.0)	63.27	2.8
316 Misc. Power Plant Equip.	7.5	0.0	83.01	2.3	7.0	0.0	76.20	3.4
Recovery Schedule								
Sanford Repowering Retirements								
	2.5 Year Amortization				5.5 Year Amortization			

*Reflects depreciation rates and recovery schedules approved by Order No. PSC-99-0073-FOF-EI, effective January 1, 1998.

FLORIDA POWER AND LIGHT COMPANY
2000 DEPRECIATION STUDY
SANFORD DIVISION
COMPARISON OF EXPENSES

ACCOUNT	01/01/2000 INVESTMENT (\$)	01/01/2000 RESERVE (\$)	PRELIMINARY IMPLEMENTATION		STAFF RECOMMENDATION *		
			RATE (%)	EXPENSES (\$)	RATE (%)	2000 EXPENSES (\$)	CHANGE IN EXPENSES (\$)
STEAM PRODUCTION							
Sanford Common (Remaining)							
311 Structures and Improvements	23,878,130	11,351,380	3.2	764,100	2.8	668,588	(95,512)
312 Boiler Plant Equip.	207,591	189,619	1.0	2,076	3.5	7,266	5,190
314 Turbogenerator Units	1,693,848	1,037,615	2.5	42,346	2.3	38,959	(3,387)
315 Accessory Electric Equip.	449,478	266,059	2.2	9,889	2.2	9,889	0
316 Misc. Power Plant Equip.	424,926	145,595	6.8	28,895	4.9	20,821	(8,074)
Total Sanford Common	26,653,973	12,990,268		847,306		745,523	(101,783)
Sanford Unit 3 (Remaining)							
311 Structures and Improvements	1,180,526	771,828	3.1	36,596	2.4	28,333	(8,263)
312 Boiler Plant Equip.	9,062,143	7,564,874	3.1	280,926	2.4	217,491	(63,435)
314 Turbogenerator Units	5,640,251	4,642,488	2.8	157,927	2.3	129,726	(28,201)
315 Accessory Electric Equip.	1,590,267	1,037,407	4.2	66,791	3.0	47,708	(19,083)
316 Misc. Power Plant Equip.	325,961	282,200	1.5	4,889	2.4	7,823	2,934
Total Sanford Unit 3	17,799,148	14,298,797		547,129		431,081	(116,048)
Sanford Unit 4 (Remaining)							
311 Structures and Improvements	2,528,900	1,212,266	2.3	58,165	2.0	50,578	(7,587)
312 Boiler Plant Equip.	3,475,247	516,528	5.6	194,614	2.6	90,356	(104,258)
314 Turbogenerator Units	11,277,748	5,619,595	3.5	394,721	2.9	327,055	(67,666)
315 Accessory Electric Equip.	3,233,266	1,985,289	2.3	74,365	2.4	77,598	3,233
316 Misc. Power Plant Equip.	47,373	39,130	2.4	1,137	4.8	2,274	1,137
Total Sanford Unit 4	20,562,534	9,372,808		723,002		547,861	(175,141)
Sanford Unit 5							
311 Structures and Improvements	2,213,006	1,459,319	1.5	33,195	2.7	59,751	26,556
312 Boiler Plant Equip.	725,515	589,526	1.5	10,883	4.2	30,472	19,589
314 Turbogenerator Units	13,091,759	8,327,253	2.7	353,477	3.5	458,212	104,735
315 Accessory Electric Equip.	2,545,531	1,753,118	2.0	50,911	2.8	71,275	20,364
316 Misc. Power Plant Equip.	45,706	37,939	2.3	1,051	3.4	1,554	503
Total Sanford Unit 5	18,621,517	12,167,155		449,517		621,264	171,747
Total Sanford	83,637,172	48,829,028		2,566,954		2,345,729	(221,225)
Recovery Schedule							
Sanford Repowering Retirements	71,822,217	59,699,354	2.5 Yrs	4,849,145	5.5 Yrs	1,303,978	(3,545,167)
Total Sanford Plant	155,459,389	108,528,382		7,416,099		3,649,707	(3,766,392)

*Denotes depreciation rates and recovery schedules approved by Order No. PSC-99-0073-FOF-EI, effective January 1, 1998.

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ATTACHMENT A
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