



October 17, 1997

Ms. Patricia S. Lee  
US/C Engineer Supervisor  
Florida Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Blvd  
Tallahassee, Florida 32399-0850

Re: Docket No **970785-E1**

Dear Ms. Lee

Attached are Florida Power & Light Company's responses to Staffs additional review questions relating to the depreciation studies filed in the above Docket. If you have any questions concerning these responses or need additional information please call me at 905-552-4790.

Sincerely,

Donald L. Babka  
Manager of Regulatory and Tax Accounting

cc: W G Walker, III  
Matthew M Childs

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FLORIDA POWER & LIGHT COMPANY

1997 DEPRECIATION STUDY

DOCKET NO. 970785-EI  
RESPONSES TO STAFF'S INITIAL REVIEW QUESTIONS

1. Q. According to FPL's study in Docket No. 970785-EI, FPL estimated capital recovery dates of five units located at four different plant sites (Ft. Myers, Port Everglades, Sanford and Riviera) of 2002 or 2003. If these units are actually retired by year end 2003, please provide time lines for each possible replacement power scenario, i.e. purchase power, new generation, cogeneration, conservation, etc. that FPL might add by 2003.
- A. FPL has not yet made a final decision on retirement of these units. A final decision will be made following an analysis of whether retirement, replacement or additional capital investment to keep the units running beyond their economic recovery date is the most cost effective alternative. This decision, and the corresponding commitment of capital, does not need to be made until action is required to ensure that new capacity can be added in time to replace the retired unit, if that is the economic choice. Thus, for a unit with an economic recovery date of 2002, FPL must evaluate replacement or refurbishment and decide on a course of action in 1998, given that adding new capacity requires approximately 2½ to 4 years, depending on the technology. Of the units in question, the retirement dates for four of the units are the same as the retirement dates in the depreciation studies filed in Docket No. 931231. FPL's 1997 Ten Year Site Plan does not reflect a final decision on retirement for these units because that decision has not yet been made, nor is it required.
2. Q. Retirement of these units would represent 1307 MW of existing summer generation. What is the most likely (cost effective) scenario for replacement power of the responses given in the answer above?
- A. Without evaluating the cost effectiveness of retirement and replacement versus refurbishment of the units, it is difficult to answer this question. FPL will be issuing an RFP in the fourth quarter of 1997, and the responses will provide a basis for evaluation of unit retirements.
3. Q. If retirement [of] these units had been considered in FPL's Ten Year Plant Site Plan (1997 - 2006), without replacement capacity, what would FPL's summer peak reserve margin be in 2003?
- A. FPL would not retire these units without securing adequate replacement capacity. Furthermore, as stated above, FPL currently has not committed to retiring these units. However, if all other factors remain the same, assuming exclusion of the combined generating capacity of 1307 MW and that no replacement capacity is added, then FPL's summer reserve margin during peak load could decline to 7% from 15%.

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4. Q In FPL's Schedule Five, Docket No. 931231, several units had capital recovery dates of 2003. In this current study, the capital recovery dates for these units remain at 2003. But, according to FPL's Ten Year Site Plan (1997 - 2006), there are no retirement dates shown for any of its existing plants. The concern is that these potential retirements have never been included in FPL's 10 year site plan. For each scenario provided in response to question 1, when would FPL include the associated cost(s) in the budget planning?

A As explained in the response to question 1, it would require approximately 2 1/2 to 4 years of lead time (assuming a construction alternative) to adequately respond to the prospective loss of capacity. As such FPL's budget planning could reflect this as early as 1999.