

State of Florida



Public Service Commission

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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) *DM RMT*  
DIVISION OF LEGAL SERVICES (D. HART) *DH RVE*  
DIVISION OF SAFETY AND ELECTRIC RELIABILITY (L. COLSON) *LC*

RE: DOCKET NO. 001608-EI - PETITION FOR APPROVAL OF DEPRECIATION RATES FOR NEW PLANT SUBACCOUNTS BY FLORIDA POWER CORPORATION.

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

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\001608.RCM

CASE BACKGROUND

By Order No. PSC-98-1723-FOF-EI, issued December 18, 1998, in Docket No. 971570-EI, depreciation rates for Florida Power Corporation (FPC or company) were prescribed effective January 1, 1998. The company's next comprehensive depreciation study is due to be filed December 1, 2001 in accordance with Rule 25-6.0436, Florida Administrative Code.

On October 25, 2000, FPC filed a petition requesting approval of depreciation rates for three new combustion turbine (CT) units being installed at its existing Intercession City Plant site. Staff has completed its review of the company's petition and presents its recommendation herein. The Commission has jurisdiction in this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

DOCUMENT NUMBER-DATE

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FPSC-RECJRDS/REPORTING

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should depreciation rates be approved for three new combustion turbine units at FPC's Intercession City Plant site?

**RECOMMENDATION:** Yes. Staff recommends that FPC's proposed 3.7% whole life depreciation rate (30 year average service life and negative 10% net salvage value) be approved for the new CT units being installed at the Intercession City Plant site. Based on an estimated in-service investment of \$87,000,000, the resulting annual depreciation expenses for these units will be about \$3.2 million. (P. LEE)

**STAFF ANALYSIS:** The purpose of this petition is to establish depreciation rates for three new CTs at the Intercession City Plant site which are expected to become operational by December 31, 2000. According to FPC, these units are needed to meet growth and system reliability needs as indicated in its Ten Year Site Plan submitted in April, 2000.

The company has proposed an average service life of 30 years, with a negative net salvage value of 10%, for these units. FPC asserts that the life and salvage characteristics for the new CTs are expected to be similar to those prescribed for the existing Intercession peaking units. It is staff's understanding that the new CTs will have the latest combustion system design and will operate at a lower heat rate, therefore being more efficient. A detailed life and dismantlement analysis will be performed as part of the company's next comprehensive depreciation and dismantlement study, due December 1, 2001.

New installations necessitate establishing applicable depreciation rates. Staff finds the company's proposed life and salvage values, resulting in a whole life rate of 3.7%, to be reasonable, pending a more detailed analysis in 2001.

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**ISSUE 2:** What should be the implementation date for the new depreciation rates?

**RECOMMENDATION:** Staff recommends, as the company has proposed, that depreciation rates for the three new CT units be implemented effective with the individual unit commercial operation date. (P. LEE)

**STAFF ANALYSIS:** Depreciation rates for new installations should be implemented when the installations become operational. The three Intercession City CT units are expected to be placed into service in December, 2000. As such, the company has requested depreciation rate implementation effective with the associated in-service date of each unit. Staff recommends approval of FPC's proposal.

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

**RECOMMENDATION:** Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (D. HART)

**STAFF ANALYSIS:** At the conclusion of the protest period, if no protest is filed, this docket should be closed upon the issuance of a consummating order.