

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of depreciation
rates for solar photovoltaic generating units, by
Duke Energy Florida, LLC.

DOCKET NO. 160017-EI
ORDER NO. PSC-16-0115-PAA-EI
ISSUED: March 21, 2016

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman
LISA POLAK EDGAR
ART GRAHAM
RONALD A. BRISÉ
JIMMY PATRONIS

NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING DEPRECIATION RATES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

Pursuant to Rule 25-6.0436(3)(a), F.A.C., electric utilities are required to maintain depreciation rates and accumulated depreciation reserve in accounts or subaccounts as prescribed in Rule 25-6.014(1), F.A.C. Rule 25-6.0436(3)(b), F.A.C., provides that “[u]pon establishing a new account or subaccount classification, each utility shall request Commission approval of a depreciation rate for the new plant category.” On January 11, 2016, Duke Energy Florida, LLC (DEF or the company) filed its petition, in accordance with this rule, to establish depreciation rates for its solar photovoltaic generating units and associated equipment. We have jurisdiction in this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

Decision

DEF is seeking our approval of depreciation rates of 3.3 percent for specified subaccounts to apply to solar photovoltaic (PV) generating units and associated equipment it is constructing at two facilities: the Perry Solar Facility, in Taylor County, and the Osceola Solar Facility, in Osceola County. The Perry facility will be a 5.1 megawatt system, and the Osceola facility will be a 3.8 megawatt system. DEF notes that the depreciation rates and subaccounts would also apply to “. . . such other solar photovoltaic generating units as may be constructed in the future.” The two facilities will be constructed on property owned by DEF in Taylor and

Osceola counties, both located in DEF's service area. DEF will own all equipment associated with the two facilities. DEF assigns an expected operating life to the systems of 30 years for the Perry and Osceola facilities, and for the 9 other solar PV facilities planned by DEF.¹

At the time of the petition, DEF had not yet determined the retirement unit structure that it will use. The company plans to include these facilities in its next Annual Status Report, due on April 30, 2016. DEF seeks approval of the 3.3 percent depreciation rate for the following subaccounts:

303.xx Intangible Plant

341.xx Structures and Improvements

343.xx Other Generation Plant

345.xx Accessory Electric Equipment

The major components of the solar PV generating system include solar PV panels, inverters, racking support system, and transformers. DEF cites information from vendors, industry, and from the Technical Advisor of the Solar Energy Technologies Office of the US Department of Energy, as well as industry studies produced by the National Renewable Energy Laboratory (NREL), in support of its estimates of the expected life of the facilities and components.

In Order Nos. PSC-08-0731-PAA-EI and PSC-15-0573-PAA-EI,² we adopted a 30-year life with zero net salvage for comparable solar PV generating units for Florida Power & Light Company (FPL) and for Tampa Electric Company (TECO). We authorized FPL and TECO to use the resulting depreciation rate of 3.3 percent for the same subaccounts DEF proposes for its solar PV generating units and related equipment.

DEF's depreciation rate request is supported by industry information and studies and is consistent with our previous practice. Therefore, we find that a 30-year life and a whole life depreciation rate of 3.3 percent is appropriate at this time for DEF's solar photovoltaic generating units and associated equipment, applied to each of the related subaccounts discussed above.

The resolution of DEF's Petition establishing a depreciation rate does not constitute a determination or presumption that the aggregate cost of DEF's solar photovoltaic generating units and associated equipment at solar facilities are recoverable through customer rates nor a

¹ DEF response to Staff's First Data Request, No. 1b. The Solar 3 facility will be located in either Volusia or Suwannee County; the locations of the remaining projects remain to be determined.

² Order Nos. PSC-08-0731-PAA-EI, issued November 3, 2008, in Docket 080543-EI, In re: Request for approval to begin depreciating new technology solar photovoltaic plant sites for DeSoto and Space Coast Solar Energy Centers over 30-year period, effective with in-service dates of units, by Florida Power & Light Company; PSC-15-0573-PAA-EI, issued December 18, 2015, in Docket 150211-EI, In re: Petition for approval of depreciation rates for solar photovoltaic generating units, by Tampa Electric Company.

determination of prudence regarding DEF's possible installation of solar photovoltaic generating units and associated equipment at solar facilities.

Effective Date

Depreciation is the recovery of invested capital representing equipment that provides service to the public. This recovery is designed to take place over the related period of service to the public, beginning with the equipment's in-service date. In their responses to Commission staff's first data request, DEF provides in-service dates of May 2016 for the Osceola project and June 2016 for the Perry project. DEF is requesting that we approve the new depreciation rates for solar photovoltaic generating units and associated equipment, effective March 15, 2016. An effective date of March 15, 2016 would allow sufficient time for the company to make the necessary adjustments to its accounting system before the in-service dates of the Osceola and Perry projects. We find that an effective date of March 15, 2016 for the implementation of the depreciation rates for the generating units and associated equipment is appropriate.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Duke Energy Florida, LLC's Petition for Approval of Depreciation Rates for Solar Photovoltaic generating units over a 30-year life and a whole life depreciation rate of 3.3 percent is approved as provided herein. It is further

ORDERED that the rates approved herein shall have an effective date of March 15, 2016. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 21st day of March, 2016.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

DJ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on April 11, 2016.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.