

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval of depreciation rate
applicable to new plant subaccounts for Hines
Unit 2 by Progress Energy Florida, Inc.

DOCKET NO. 040008-EI
ORDER NO. PSC-04-0524-PAA-EI
ISSUED: May 24, 2004

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
LILA A. JABER
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING DEPRECIATION RATE

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service 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.).

Pursuant to Rule 25-6.0436(3)(a), F.A.C., electric utilities are required to maintain depreciation rates and accumulated depreciation reserves in accounts or subaccounts as prescribed in Rule 25-6.014(1), F.A.C. (i.e., the FERC Uniform Systems Of Accounts). Rule 25-6.0436(3)(b), F.A.C., further 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 5, 2004, Progress Energy Florida, Inc. (PEF) filed its petition in accordance with this rule for Hines Unit 2. PEF requested preliminary implementation of its proposed rate as of December 4, 2003. We approved this request by Order No. PSC-04-0357-PCO-EI, issued April 5, 2004. We kept the docket open pending our further review and final action concerning the appropriate depreciation rates. We have jurisdiction in this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

PEF has proposed a 30-year average service life, 10% negative net salvage, and a resulting whole life depreciation rate of 3.7% for the newly established Hines Unit 2 subaccounts. The company has gained more knowledge and experience with combined cycle generating units since the 1997 and 1999 in-service date for Tiger Bay and Hines Unit 1,

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respectively. Currently, PEF's Hines Unit 1 has an average service life of 20 years, net salvage value of a negative 10%, and a depreciation rate of 5.5%. The historical data of the other state regulated investor-owned utilities with combined cycle generating units were reviewed for comparison to PEF's proposed average service life, negative net salvage, and resulting depreciation rate.

In Florida, the average service lives, net salvage, and depreciation rates for each combined cycle subaccount vary among investor-owned electric utilities. However, for Hines Unit 2, PEF proposed an identical depreciation rate for each subaccount. PEF's proposed depreciation rate is within the range of depreciation rates for combined cycle units previously approved by this Commission for Florida regulated electric utilities. Florida's combined cycle units net salvage ranges from 0 to a negative 4% by subaccount and a negative 10% by plant unit. Florida's historical data supports PEF's 10% negative net salvage for Hines Unit 2 subaccounts taken as a whole or by plant unit. Also, the industry's subaccounts' average service life ranges from 9.4 to 31 years. Having reviewed PEF's supporting data used to develop the proposed average service life, net salvage value, and depreciation rate for Hines Unit 2, we find that a 30-year average service life, a negative 10% net salvage, and a resulting whole life depreciation rate of 3.7 % is appropriate and those figures are approved. The depreciation rate for Hines Unit 2 shall be effective as of December 4, 2003, the commercially operational or in-service date of the combined cycle generating unit.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the petition of Progress Energy Florida, Inc., for a 30-year average service life, a negative 10% net salvage, and a resulting whole life depreciation rate of 3.7% for its Hines Unit 2 is approved as set forth in the body of this Order. It is further

ORDERED that the depreciation rate for Hines Unit 2 shall be effective on December 4, 2003. 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 Director, Division of the Commission Clerk and Administrative Services, 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 if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of this Order, this docket shall be closed upon the issuance of a Consummating Order.

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By ORDER of the Florida Public Service Commission this 24th day of May, 2004.



BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

(S E A L)

RRJ

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 Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 14, 2004.

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.