

ORIGINAL



Florida Power Corporation

JAMES A. MCGEE
SENIOR COUNSEL

June 30, 1998

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 971570-EI

Dear Ms. Bayó:

In accordance with Ms. Patricia Lee's letter of May 21, 1998, enclosed for filing in the subject docket are an original and fifteen copies of Florida Power Corporation's response to the Staff Report on our current depreciation study.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Thank you for your assistance in this matter.

RECEIVED & FILED

Very truly yours,

FPSC BUREAU OF RECORDS

James A. McGee

- ACK
- AFA *Sichel*
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG *2*
- LEG *1*
- LIN _____
- OPC _____
- RCH _____
- SEC *1*
- WAS _____
- OTH _____

JAM/ka
Enclosure
cc: Ms. Patricia S. Lee

DOCUMENT NUMBER DATE

97015 JUL-6 88

FPSC-RECORDS/REPORTING

GENERAL OFFICE

3201 Thirty-fourth Street South • Post Office Box 14042 • St. Petersburg, Florida 33733-4042 • (813) 866-5184 • Fax: (813) 866-4931

A Florida Progress Company

FLORIDA POWER CORPORATION'S
RESPONSE TO FPSC STAFF REPORT
DOCKET NO. 971570 - EI

ORIGINAL

PRODUCTION:

The Company agrees with the Staff's proposed changes.

TRANSMISSION:

Account 354, Towers and Fixtures: The remaining life for this account utilizing a 50 year average service life and an R4 curve is 27 years.

Account 357, Underground Conduit: The remaining life for this account utilizing a 50 year average service life and an R4 curve is 18.8 years.

DISTRIBUTION:

Account 369.2, Underground Services: The remaining life for this account utilizing a 35 year average service life and an R2.5 curve is 26 years.

Account 371, Installations on Customers Premises: The remaining life for this account utilizing a 19 year average service life and an S2 curve is 10.3 years.

Account 373, Street Light Systems: High Pressure Sodium (HPS) luminaires were designed to live the same life as the mercury vapor luminaires, approximately 10 years. As with any item, as the unit gets older, the maintenance activity increases. The single largest difference between the two types of luminaires is the HPS luminaires require a starter aid component which is a high fail item. Luminaire failure or starter aid failure require replacement of the luminaire.

INTANGIBLE:

Account 303, Intangible Plant: The new accounting bulletin should not affect the software amortization period of 5 years.

DOCUMENT NUMBER-DATE
07015 JUL-68
FPSC-RECORDS/REPORTING

Account 303.1, Customer Service System: This system was declared in service on March 17, 1995. A copy of the Federal Energy Regulatory Commission letter approving the 10 year amortization period is attached, along with Florida Power's letter requesting a 10 year period.

OTHER COST RECOVERY:

The Company requests permission (if earnings and circumstances permits) the opportunity/flexibility to accelerate the write-off of certain amortizable assets without additional Commission approval. These assets consist of:

- 1) Suwannee Steam Plant (\$6.5 million at December 31, 1997).
- 2) Embedded net investment for Account 393, Stores Equipment (\$1.3 million at 12/97), Account 394, Tools and Garage Equipment (\$3.2 million at 12/97), and Account 397, Communication Equipment-Non Fiber (\$14.1 million at 12/97).

The average age of the embedded investment exceeds the amortization period of seven years. These assets are not verified by physical inventory and generally these assets represent a low dollar value with high volume.

Since the average age exceeds the amortization period, an amortization period less than the 7 year period for assets purchased new seems appropriate for this older equipment.

- 3) Account 303.1, Customer Service System - With technology advancement and the coming of competition, the original 10 year life may have been optimistic. Upgrades to the system have been made annually and charged to expense.

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John Scardino, Jr.
VICE PRESIDENT BUSINESS DEVELOPMENT

**Florida
Power**
CORPORATION

7

May 9, 1995

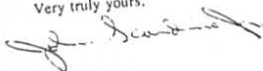
Federal Energy Regulatory Commission
825 North Capital Street N.E.
Washington, D.C. 20426

Attention: Mr. James Guest

On March 17, 1995, Florida Power Corporation (the Company) placed into service a new state-of-the-art Customer Service System (CSS). The CSS was approved for development by Company management in August, 1991 and replaced the existing Customer Accounting System which had been in service since the early 1960's. This new software system handles all customer billing, cash processing, complete on-line customer history, and tracking of connections, disconnections and customer deposits. The CSS will also enable the Company to issue a single bill to customers with multiple service locations instead of the multiple bills which were issued by the old system. The development cost of the CSS was accumulated in Account 107, Construction Work in Progress and is approximately \$49 million. The system is designed to decrease paperwork and increase employee productivity as a result of the system being on-line.

The new CSS should provide benefits to the Company for a period of at least ten years. Changing technology makes any period greater than ten years quite speculative. Accordingly, the Company requests approval to record the development costs in Account 303, Miscellaneous Intangible Plant. The Company further requests approval to amortize this asset over a ten year period to Account 404, Amortization of Limited-term Electric Plant and record the credits in Account 111, Accumulated Provision for Amortization of Electric Utility Plant. A ten year amortization period was approved by the Florida Public Service Commission in Docket No. 931142-EI, Order No. PSC-94-1331-FOF-EI issued October 27, 1994. If you have any questions regarding this matter please call Larry Enos at (813) 866-4721.

Very truly yours,



JS/kf

GENERAL OFFICE

3221 NORTH FOURTH STREET SOUTH POST OFFICE BOX 14042 ST. PETERSBURG, FLORIDA 33713-0442 (813) 866-1111
A FLORIDA POWER COMPANY

112 - 0002 No.
Please file
15

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

In Reply Refer To:
OCA-DAS
Docket No. AC95-144-000

JUN 06 1995

Florida Power Corporation
Attention: Mr. John Scardino, Jr.
Vice President & Controller
P.O. Box 14042
St. Petersburg, FL 33733-4042

Ladies and Gentlemen:

This is in reply to your letter dated May 9, 1995, concerning Florida Power Corporation's (FPC) proposed accounting for the development cost of a new Customer Service System (CSS).

Specifically, you request approval for FPC to record the CSS development cost in Account 303, Miscellaneous Intangible Plant, and to amortize the cost, over a 10-year period, by debits to Account 404, Amortization of Limited-Term Electric Plant, and credits to Account 111, Accumulated Provision for Amortization of Electric Utility Plant.

You state that the CSS replaced the existing customer accounting system which had been in service since the early 1960s. You also state that the new software handles all customer billing, cash processing, complete on-line customer history, and tracking of connections, disconnections and customer deposits. You indicate that the CSS will enable FPC to issue a single bill to customers with multiple service locations instead of the multiple bills which were issued by the old system. You also indicate that the CSS is designed to decrease paperwork and increase employee productivity as a result of the system being on-line.

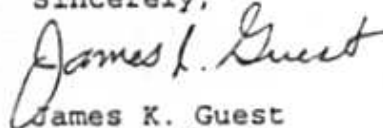
The development cost of the CSS was accumulated in Account 107, Construction Work in Progress - Electric, and is approximately \$49 million. You indicate that the new CSS should provide benefits to FPC for a period of at least 10 years.

FPC's proposed accounting for the cost of its new CSS is approved.

RECEIVED
JUN 8 1995
CONTROLLER

Authority to act on this matter is delegated to the Deputy Chief Accountant pursuant to § 375.303 of the Commission's regulations. This letter order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this letter order, pursuant to 18 C.F.R. § 385.713.

Sincerely,

A handwritten signature in cursive script that reads "James K. Guest". The signature is written in dark ink and is positioned above the typed name.

James K. Guest
Deputy Chief Accountant