



JAMES A. MCGEE  
ASSOCIATE GENERAL COUNSEL  
PROGRESS ENERGY SERVICE COMPANY, LLC

January 2, 2004

Ms. Blanca S. Bayó, Director  
Division of the Commission Clerk  
and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

040008-E1

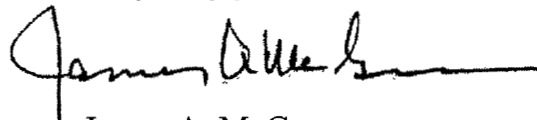
Re: Petition of Progress Energy Florida for approval of depreciation rates applicable to new plant subaccounts for Hines Unit 2.

Dear Ms. Bayó:

Enclosed for filing on behalf of Progress Energy Florida, Inc., are an original and fifteen copies of the subject petition.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. A 3½ inch diskette containing the above-referenced document in Word format is also enclosed. Thank you for your assistance in this matter.

Very truly yours,



James A. McGee

JAM/scc  
Enclosures

cc: Office of Public Counsel

DOCUMENT NUMBER-DATE  
00035 JAN-5 2004  
FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

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Docket No. \_\_\_\_\_

Submitted for filing:  
January 5, 2004

**P E T I T I O N**

Progress Energy Florida, Inc. (Progress Energy or the Company), pursuant to Rule 25-6.0436, F.A.C., hereby petitions the Florida Public Service Commission (the Commission) for approval of depreciation rates applicable to property recorded in newly established plant subaccounts under the Uniform System of Accounts for the Hines Unit 2, Progress Energy's new combined cycle generating unit. In support hereof, Progress Energy states as follows.

**Introduction**

1. Progress Energy is a public utility subject to the regulatory jurisdiction of the Commission pursuant to Chapter 366, Florida Statutes. The Company's principal place of business is located at 100 Central Avenue, St. Petersburg, Florida 33701.

2. All notices, pleadings and correspondence required to be served on the petitioner should be directed to:

James A. McGee, Esquire  
Post Office Box 14042  
St. Petersburg, FL 33733-4042  
Facsimile: (727) 820-5519

For express deliveries by private courier, the street address in paragraph 1 above should be used.

## Discussion

3. Paragraph (3)(b) of Rule 25-6.0436, F.A.C., requires that utilities maintain depreciation rates and accumulated depreciation reserves in accounts or subaccount prescribed in Rule 25-6.014(1), F.A.C. (*i.e.*, the FERC Uniform System of Accounts). Paragraph (3)(b) of the rule further provides that:

Upon establishing a new account or subaccount classification, each utility shall request Commission approval of a depreciation rate for the new plant category.

4. Progress Energy has established new subaccount classifications within FERC Accounts 340 through 346, *Other Production*, to record its investment in Hines Unit 2, the Company's new 530 MW combined cycle generating unit located at its Hines Energy Complex in Polk County, Florida, which was placed in service on December 4, 2003. Therefore, in accordance with the above-quoted provision of Rule 25-6.0436, this petition seeks Commission approval of depreciation rates for the property recorded in these new plant subaccounts.

5. Based on the operating life cycle and average service life of other comparable units, including Hines Unit 1, and related engineering experience, the average service life for Hines Unit 2 is estimated to be 30 years, with a negative net salvage value of 10%. This produces an annual depreciation rate of 3.7%. An estimate of dismantlement costs associated with the unit will be provided when the Company next updates its Fossil Dismantlement cost study.

6. In accordance with Subsection (5)<sup>1</sup> of Rule 25-6.0436, Progress Energy also seeks interim approval, pending the Commission's final decision, to

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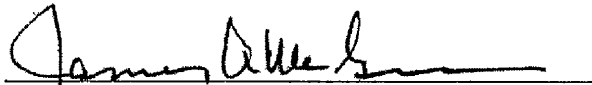
<sup>1</sup> Subsection (5) of Rule 25-6.0436 provides as follows:

"At the request of the utility and upon Commission approval by order establishing an effective date, the utility may reflect on its books and records the implementation of the proposed rates, subject to adjustment when final depreciation rates are approved."

implement the proposed depreciation rates effective December 4, 2003, the date certified by the Company that Hines Unit 2 was placed in commercial operation.

WHEREFORE, Progress Energy respectfully requests that the Commission (a) prescribe depreciation rates applicable to the property recorded in the new plant subaccounts as set forth above, and (b) effective with the in-service date of Hines Unit 2, approve implementation of the proposed depreciation rates on an interim basis, subject to adjustment when final depreciation rates are approved.

Respectfully submitted,



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Attorney for  
PROGRESS ENERGY FLORIDA, INC.