

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-04-0357-PCO-EI  
ISSUED: April 5, 2004

The following Commissioners participated in the disposition of this matter:

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

ORDER GRANTING REQUEST TO IMPLEMENT  
DEPRECIATION RATES ON A PRELIMINARY BASIS

BY THE COMMISSION:

BACKGROUND

On January 5, 2004, Progress Energy Florida, Inc. (PEF) filed a petition with this Commission requesting preliminary approval of life and salvage parameters, and the resulting depreciation rate for the newly established Hines Unit 2. Pursuant to Rule 25-6.0436 (3)(a), Florida Administrative Code (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 "Upon establishing a new account or subaccount classification, each utility shall request Commission approval of a depreciation rate for the new plant category."

PEF has established new subaccount classifications within FERC accounts 340 through 346, to record the investment of Hines Unit 2. This is a 530 megawatts combined cycle generating unit located at Hines Energy Complex in Polk County Florida. The unit was placed in service December 4, 2003. Progress Energy has requested, in accordance with this Commission's depreciation rules, that it be allowed to implement, on a preliminary basis, its proposed depreciation rate for the newly established Hines Unit 2 subaccounts. This Order addresses PEF's request for preliminary implementation.

We have jurisdiction pursuant to Sections 366.05(1) and 366.06(1), Florida Statutes.

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FPSC-COMMISSION CLERK

IMPLEMENTATION ON PRELIMINARY BASIS

Because it is appropriate that the process of recovery begin as the assets become operational, we approve on a preliminary basis PEF's request for a 30-year average service life, a negative net salvage value of 10%, and a depreciation rate of 3.7%. However, preliminary implementation does not mean that, upon completion of the review of the company's filed request, we will be in full agreement with the company's proposal.

Our review of the Company's request will include an analysis of all data used to develop the proposed average service life, net salvage value, and depreciation rate for Hines Unit 2. Also, all accruals to the reserves for nuclear decommissioning and fossil dismantlement are suspended beginning with the implementation date of Hines Unit 2 (December 4, 2003) through December 31, 2005, in accordance with the Commission approved Stipulation and Settlement in Order No. PSC-02-0655-AS-EI; issued May 14, 2002, in Docket No. 000824-EI, "In re: Review of Florida Power Corporation's earnings, including effects of proposed acquisition of Florida Power Corporation by Carolina Power and Light," Section 10. The depreciation rate for Hines Unit 2 new accounts or subaccounts shall be implemented and become effective on 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 approval of a depreciation rate for its newly established Hines Unit 2 plant subaccounts is approved on a preliminary basis as set forth in the body of this Order. It is further

ORDERED that the effective date of the implementation of the new depreciation rate shall be December 4, 2003. It is further

ORDERED that this docket shall remain open pending this Commission's review, analysis, and final action on the proposed depreciation rate of Progress Energy Florida, Inc.

By ORDER of the Florida Public Service Commission this 5th day of April, 2004.

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

By:   
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 or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review 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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.