

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: 1997 Depreciation Study
by Florida Power Corporation.

DOCKET NO. 971570-EI
ORDER NO. PSC-98-1723-FOF-EI
ISSUED: December 18, 1998

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

NOTICE OF PROPOSED AGENCY ACTION
ORDER REVISING DEPRECIATION RATES AND
APPROVING RECOVERY/AMORTIZATION SCHEDULES

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.

CASE BACKGROUND

Rule 25-6.0436, Florida Administrative Code, requires Investor Owned Utilities to file comprehensive depreciation studies at least once every four years. On December 1, 1997, Florida Power Corporation (FPC or the company) filed its regular depreciation study in accordance with this rule. FPC also requested preliminary implementation of its proposed depreciation rates and amortization/recovery schedules as of January 1, 1998, in accordance with Rule 25-6.0436(5), Florida Administrative Code. By Order No. PSC-98-0383-PCO-EI, issued March 10, 1998, this request was approved. The docket remained open pending review and further action concerning the appropriate depreciation rates and recovery schedules under consideration.

DOCUMENT NUMBER DATE

14193 DEC 18 98

FLORIDA PUBLIC SERVICE COMMISSION

The purpose of this study is to determine and provide for the appropriate depreciation rates, recovery schedules, and amortization schedules for FPC's production, transmission, distribution, and general plant. We have completed our analysis and review of the company's depreciation study and, by this Order, we are requiring revisions to the approved preliminary rates. Therefore, the preliminarily implemented expenses approved in Order No. PSC-98-0383-PCO-EI shall be trued-up if this proposed action becomes final.

Company data and related calculations reflect the January 1, 1998 implementation date. This is the appropriate date of implementation, being the earliest practicable date for utilizing the revised rates and recovery/amortization schedules. We therefore approve the company's proposed January 1, 1998 implementation date.

Sale of Combustion Turbine formerly located at Port St. Joe

On May 27, 1997, FPC sold the combustion turbine located at Port St. Joe to the Bahamas Electricity Corporation. FPC advised the Federal Energy Regulatory Commission (FERC) of the journal entries it had made to record the sale. These journal entries included debiting Electric Plant Sold (Account 102), crediting Electric Plant in Service (Account 101) and crediting the Gain on Disposition of Property (Account 421) with the difference between the net book value and the net sales price (\$937,219). FERC, in a letter dated April 28, 1998, accepted FPC's journal entries as presented, thereby recognizing the transaction as the sale of an operating unit. For purposes of our earnings surveillance program, FPC is amortizing the amount over five years.

In an attempt to determine what defines an operating unit, clarification was requested from both FERC and the company. The company provided the following statement which had been made in a previous FERC docket:

The term "operating unit or system" is a term of art. The principal considerations are whether customers are attached, amount of investment, character of the property, and continuity of operation. It is unnecessary, however, that an operating system embrace a complete transmission or distribution system or that it serve completely an incorporated or unincorporated area.

Staff of the FERC has indicated this definition is appropriate.

Historically, the treatment approved by this Commission for assets no longer useful to a company is to retire them and to recognize the net of removal costs and any monies received for the assets as net salvage. In this particular case, we find no reason for a deviation in this treatment. We do not agree that the Port St. Joe turbine unit constitutes an operating unit.

In the sales agreement between FPC and Bahamas Electricity Corporation, there is recognition of the transformer at Port St. Joe as one component being transferred. The sales agreement also states that the transformer will be rewound from 69kv to 33kv and that the seller will share in the cost of the rewind. Further, there is no accompanying transfer of land associated with the combustive unit. The unit will require removal from its foundation, shipment, and, upon arrival at its destination, the unit will require the addition of some supporting structure in order to become operational. Accordingly, there are no Port St. Joe customers attached to this unit and no continuity of operation.

Regarding the amount of investment involved, the original cost of the unit was \$2,049,144, net book value at the time of the sale was \$756,991, and the net sales price was \$1,694,209. With total plant investment of almost \$6 billion, the investment associated with the Port St. Joe unit does not appear to be material.

In the telecommunications industry, gains are recognized when plant is sold with traffic or with customers. Plant sold without traffic is accounted for in the normal treatment as net salvage credited to the reserve.

Typically, gains from sales of utility assets are amortized over five years. In this case, however, we believe that the net proceeds from the sale of the turbine unit should have been recognized as a credit to the depreciation reserve rather than as a gain. Any surplus in the reserve could then be transferred to help offset a reserve deficiency existing at another peaking plant. An existing reserve deficiency for the Suwannee Peaking Plant of \$4,443,092 has been calculated. In an effort to assure that the sale proceeds achieve the appropriate reserve benefit, we find that the Port St. Joe gain shall be amortized over one year beginning January 1, 1998, with an associated amortization of the same amount in the reserve for the Suwannee Peaking Plant. This

will help correct the reserve deficiency at Suwannee and will have the same result as treating the "gain" as net salvage.

Appropriate Depreciation Rates and Recovery/Amortization Schedules

The approved depreciation rates and recovery/amortization schedules are the result of a comprehensive review of the company's submitted study. Investments and reserves reflect actual amounts as of January 1, 1998 rather than estimates as originally submitted by the company. In addition, the reserve position for the Suwannee Peaking Plant has been restated to reflect the corrective action approved in the previous section of this Order.

We find that the lives, net salvages, reserves, and resultant depreciation rates shown on Attachment A are approved. We find that the approved recovery schedules also shown on Attachment A are approved. Expenses for 1998 should be trued-up to reflect the approved rates and recovery schedules.

The most significant changes in resulting expenses are seen in the area of production plants and amortization/recovery schedules.

Production

In the current study, the company stratified its investment into groups of assets with similar life characteristics and determined the average age and average service life for each stratified group by location. An Iowa curve representing the expected survivor characteristics was matched to each primary account, by location. We find these service lives and curve shapes are reasonable when compared to similar sites in the industry.

In developing its proposed life factors for production plant, FPC inadvertently calculated the average age for each account for each production site by inversely weighting each strata's investment with its age rather than directly weighting the investment with the age. The average ages for each account for each production site have been recalculated to reflect the appropriate weighting. Utilizing the company selected curve shapes and average service lives with the recalculated average ages, the approved remaining service lives shown on Attachment A were developed.

Other Production

The company proposed remaining life rates for its peaking plants were developed by individual site location rather than by primary account. Units built prior to 1973 were assumed to have an overall life span of 30 years; units built after 1973 were assumed to have an overall life span of 40 years. As with the steam and nuclear sites, the peaker investments were stratified into homogeneous groups. The determined average age and average service life of each strata were then composited by site and a remaining life for the site was developed. The average service lives and remaining lives appear reasonable compared to other peaker sites reviewed.

The company analyzed reserve transactions for the period 1976-1996 to determine the appropriate net salvage ratios. Based on the limited retirement experience, continued use of a negative 10% net salvage appears reasonable.

The Higgins, Rio Pinar, Avon Park and Turner (P1 and P2) Peaking units indicate retirement dates that are in close proximity to the next depreciation study filing date. Any change shortening the interval until retirement at these locations will precipitate a need for the company to make a request for possible additional recovery prior to the next normal filing date.

Transmission

Life and salvage parameters approved for the majority of the accounts in this function reflect the status quo. In other words, the service life and salvage values approved in the last rescription are being maintained. The approved remaining lives simply reflect an update of activity.

Differences between these approved life and salvage values and those approved on a preliminary basis exist for Easements (Account 350.1), Towers and Fixtures (Account 354), and Underground Conduit (Account 357). These accounts have experienced insufficient retirement activity to perform any meaningful statistical analyses. The remaining lives and salvage values we have approved are based on judgement and industry expectations.

Distribution

As with the transmission accounts, the approved life factors and salvage values for the majority of the distribution accounts reflect an update of remaining life with activity since the last depreciation review. However, differences in life factors between those approved for preliminary implementation and those now approved are noted in Easements (Account 360.1) and Installations on Customers Premises (Account 371). Differences in salvage values are found in Poles, Towers and Fixtures (Account 364), Meters (Account 370), and Street Light Systems (Account 373). Differences in both life and salvage values are found in Underground Services (Account 369.1).

The approved life for Easements (Account 360.1) is based on the life of the longest lived distribution plant. For Installations on Customers Premises (Account 371), the 21 year life resulting from the company performed statistical analysis initially appears to be a good fit. However, the study narrative states that retirements for this account are priced using First In, First Out (FIFO). The assumption is that the plant being retired comes from the oldest surviving vintage and is therefore priced using the average cost of that vintage. Use of FIFO will overestimate the age of retirement which in turn overstates life indications. Recognizing this, we find that the 19 year life approved in the last review shall be maintained. The remaining life reflects an update of the activity.

The approved negative 25% net salvage for Poles, Towers & Fixtures (Account 364) is in line with the account's recent experience and recognizes the labor intensiveness associated with the retirement of this equipment. For Meters (Account 370) and Street Light Systems (Account 373), the approved net salvage values, negative 10% for each, reflect a combination of recent experience and the company's future expectations.

The investment in Underground Services (Account 369.1) has nearly doubled in the last ten years. Growth during the 1993-1996 period has averaged about 19%. The statistical model the company used in analyzing this account indicates that an R2.5, 40 year life is a relatively good fit. However, recognizing that retirements are accounted for using FIFO, life indications are somewhat overstated. For this reason and also considering the lives of other companies in the State, a 35 year service life is approved, rather than the 40 year service life preliminarily approved.

Net salvage has averaged zero historically with the 1991-1996 period averaging negative 4% (30% salvage, 34% cost of removal). Reliance on judgement and industry averages is necessary given the general lack of retirement activity. A negative 15% net salvage is approved as being more consistent with other companies than the preliminarily approved negative 20%.

General Plant Amortization

FPC has proposed expanding the amortizations currently in place for certain general plant accounts. Specifically, the January 1, 1998 net unrecovered depreciable portions of Accounts 393 (Stores), 394 (Tools, Shop, & Garage), and 397 (Official Communications) are approved to be amortized over seven years. Subsequent additions will be maintained by vintage and amortized accordingly. These accounts represent minor investments of numerous items that are difficult to track or trace. On a going forward basis, each vintage year's additions associated with each account will be amortized over a like period of time. The use of amortization is in line with our efforts to simplify the depreciation study process, where possible, and is acceptable.

The differences in resulting expenses in this function relate specifically to use of January 1, 1998, actual investments and reserves, rather than estimated.

Recovery Schedules

As part of the study filing, a retirement date of December, 1998 was indicated for the Suwannee River Steam Production units. FPC, therefore, proposed a recovery schedule addressing the associated net investments, beginning January 1, 1998. A four year recovery period was proposed as representing the time period between depreciation studies.

In response to our review, FPC indicated that its current budget provides for continued operation of these steam units through 1999.

There are two additional recovery schedules for the Higgins and Turner plants. These were approved as part of the last depreciation study in Order No. PSC-94-1331-FOF-EI, issued October 27, 1994, and relate to the recovery of those assets that are not viable for reuse during the repowering of the plants, planned to

begin during the year 2000. The approved recovery period represents the remaining service period of the related assets.

FPC's Request to Accelerate the Write-Off of Certain Amortizable Assets

As part of its response to the Staff Report, FPC requested the flexibility to accelerate the write-off of certain amortizable assets, if earnings permit, without additional Commission approval. The specific assets under discussion are as follows:

1. Unrecovered net investment associated with the Suwannee Steam Plant.
2. Embedded net investments for Account 393, Stores Equipment, Account 394, Tools and Garage Equipment, and Account 397, Communication Equipment-Non Fiber.
3. Account 303.1, Customer Service System.

As previously discussed, the unrecovered net investments associated with the Suwannee Steam Plant will be amortized over a three year period, beginning January 1, 1998. The period of recovery is designed to match expenses with the remaining service period of the plant. To write this net amount off over a shorter period will provide recovery before the associated retirement of the plant.

Account 393 (Stores Equipment), Account 394 (Tools and Garage Equipment), and Account 397 (Communication Equipment-Non Fiber) have been separated into depreciable assets and amortizable assets. Because the depreciable portions of these accounts represent high volume items of small value which do not warrant individual tracking, we find that these investments shall be amortized over seven years in accord with their amortizable counterparts.

FPC opines that since the average age of the associated embedded assets is greater than seven years, an amortization period of less than seven years appears to be appropriate. We believe that implementation of the amortization approach for these January 1, 1998, net embedded investments should be accomplished in a similar fashion to other instances when the Commission moved from depreciation to amortization. In all cases the net investment as of a certain date was amortized. No acceleration of that amortization was contemplated regardless of age. For information,

the net investments associated with this proposal are about \$18.5 million as of January 1, 1998.

FPC's Customer Service System handles all customer billing, cash processing, complete on-line customer history, and tracking of connections, disconnections, and customer deposits. In the last depreciation rescription, FPC proposed, and the Commission approved, a ten year amortization period for the associated investment as approximating the period of time the benefits of this system will be realized. The company now states that with technology advancement and the coming of competition, the original ten year amortization period may have been optimistic. Upgrades to the system have been made annually and charged to expense. For these reasons, FPC is seeking flexibility in accelerating the amortization of this related investment without additional Commission approval. Consistent with our previous decision in FPC's last rescription, the amortization period of this investment shall be based on the period the benefits of the system will be realized. Amortization over a shorter period of time would result in recovery of the investment before the benefits of the asset are fully realized.

One of the basic axioms of depreciation is to match capital recovery with consumption. We are concerned with the concept of adjusting depreciation expenses which are matched to service life in response to economic conditions. In the past, we have approved faster write-off of perceived reserve deficits, and of unrecovered net plant; such actions were considered not to conflict with the matching principle since those deficits did not relate to existing plant. In such cases, the amortization period is arbitrary. The shortest economically practicable period is appropriate for such amounts since they relate to failure of the past to recover and will result in lowering future revenue requirements.

FPC's proposal would prepay recovery of equipments now on recovery/amortization schedules that match their expected dates of retirement. This is not the writing off of a perceived deficit, but simply accelerated depreciation, in conflict with the matching principle.

We believe that depreciation reserve deficits should be written-off as soon as economically practicable. The concern is with the practice of adjusting depreciation expenses which are associated with service lives to match economic conditions. Each step made in accord with this practice makes the next step easier

and can lead to the design of depreciation rates that will no longer reflect the matching principle but rather the level of the companies' earnings. Therefore, we find that FPC shall not be allowed flexibility to accelerate the write-off of the selected assets detailed in this section without additional Commission approval.

Amortization of Investment Tax Credits (ITCs) and the Flowback of Excess Deferred Income Taxes (EDIT)

In this Order we have approved revisions to the company's remaining lives, to be effective January 1, 1998. Revising a utility's book depreciation lives generally results in a change in its rate of ITC amortization and flow back of EDIT in order to comply with the normalization requirements of the Internal Revenue Code (IRC) and underlying Regulations found in Sections 46, 167, and 168 and 1.46, 1.67, and 1.68, respectively.

Section 46(f)(6), IRC, states that the amortization of ITC should be determined by the period of time actually used in computing depreciation expense for rate making purposes and on the regulated books of the utility. Since we have approved changes in remaining lives, it is also important to change the amortization of ITC.

Section 203(3) of the Tax Reform Act of 1986 (the Act) prohibits rapid flow back of depreciation related (protected) EDIT. Further Rule 25-14.013, Accounting for Deferred Income Taxes Under SFAS 109, Florida Administrative Code, generally prohibits EDIT from being written off any faster than allowed under the Act. Therefore, the Act, SFAS 109, and Rule 25-14.013, Florida Administrative Code regulate the flow back of EDIT. Therefore, find that the flow back of EDIT shall be adjusted to comply with the ACT, SFAS 109, and Rule 25-14012, Florida Administrative Code.

This Commission, the Internal Revenue Service, and independent outside auditors look to a company's books and records and at the orders and rules of the jurisdictional regulatory authorities to determine if the books and records are maintained in the appropriate manner and to determine the intent of the regulatory bodies in regard to normalization. Therefore, we find that the current amortization of ITC and the flow back of excess depreciation shall be revised to reflect the approved remaining lives. In order for there to be a clear audit trail, a prudent utility will revise ITC and excess deferred tax amortization

ORDER NO. PSC-98-1723-FOF-EI
DOCKET NO. 971570-EI
PAGE 11

produce work papers to show how the revisions were made. The utility shall file detailed calculations of the revised ITC amortization and flow back of EDIT at the same time it files its surveillance report covering the period ending December 31, 1998.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the preliminarily implemented expenses approved in Order No. PSC-98-0383-PCO-EI shall be trued-up if this proposed action becomes final. It is further

ORDERED that the gain associated with the sale of the Port St. Joe combustion turbine shall be amortized over one year beginning January 1, 1998, with an associated amortization of the same amount in the reserve for the Suwannee Peaking Plant. It is further

ORDERED that the remaining lives, net salvages, reserves, and resultant depreciation rates for Florida Power Corporation shown on Attachment A are approved. It is further

ORDERED that the recovery schedules shown on Attachment A are approved. It is further

ORDERED that the remaining lives, net salvages, reserves, and resultant depreciation rates approved by this Order shall be implemented effective January 1, 1998. It is further

ORDERED that FPC shall not be allowed the flexibility to accelerate the write-off of the selected assets detailed in this Order without additional Commission approval.


ORDERED that the current amortization of investment tax credits (ITC) and the flow back of excess deferred income taxes (EDIT) should be revised to match the actual recovery periods for the related property. It is further

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

ORDER NO. PSC-98-1723-FOF-EI
DOCKET NO. 971570-EI
PAGE 12

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

By ORDER of the Florida Public Service Commission this 18th day of December, 1998.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

RVE

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.

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 Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 8, 1999.

ORDER NO. PSC-98-1723-FOF-EI
DOCKET NO. 971570-EI
PAGE 13

In the absence of such a petition, this order shall become effective on the day subsequent to the above date.

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

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

FLORIDA POWER CORPORATION
 1997 DEPRECIATION STUDY

ACCOUNT	AVERAGE REMAINING LIFE	NET SALVAGE	RESERVE	REMAINING LIFE RATE
STEAM PLANTS				
Crystal River 1 & 2				
311 Structures and Improvements	13.8	(5.0)	46.42	4.2
312 Boiler Plant Equip.	12.6	(25.0)	58.05	5.3
314 Turbogenerator Units	13.6	(25.0)	52.94	5.3
315 Accessory Electric Equip.	14.0	(10.0)	42.00	4.9
316 Misc. Power Plant Equip.	9.0	(5.0)	47.93	6.3
Crystal River 4 & 5				
311 Structures and Improvements	25.0	(5.0)	31.06	3.0
312 Boiler Plant Equip.	16.6	(10.0)	52.30	3.5
314 Turbogenerator Units	12.0	(10.0)	50.19	5.0
315 Accessory Electric Equip.	16.6	(10.0)	49.01	3.7
316 Misc. Power Plant Equip.	10.2	(5.0)	52.84	5.1
Anclote Steam Plant				
311 Structures and Improvements	19.5	(5.0)	44.78	3.1
312 Boiler Plant Equip.	12.4	(20.0)	59.35	4.9
314 Turbogenerator Units	11.9	(10.0)	64.03	3.9
315 Accessory Electric Equip.	13.2	(10.0)	52.23	4.4
316 Misc. Power Plant Equip.	7.4	(5.0)	62.63	5.7
Bartow Steam Plant				
311 Structures and Improvements	8.8	(5.0)	68.77	4.1
312 Boiler Plant Equip.	10.1	(20.0)	50.22	6.9
314 Turbogenerator Units	8.6	(20.0)	63.94	6.5
315 Accessory Electric Equip.	10.1	(20.0)	53.59	6.5
316 Misc. Power Plant Equip.	7.2	(5.0)	54.56	7.0
Bartow-Anclote Pipelines	17.7	(5.0)	41.02	3.6
Crystal River 3				
321 Structures and Improvements	16.2	(10.0)	51.06	3.6
322 Boiler Plant Equip.	13.1	(20.0)	55.74	4.9
323 Turbogenerator Units	14.0	(20.0)	44.36	5.4
324 Accessory Electric Equip.	14.4	(20.0)	47.23	5.1
325 Misc. Power Plant Equip.	8.0	(5.0)	71.99	4.1
Peaking Plants				
Bayboro Peaking Plant	9.9	(10.0)	80.28	3.0
Higgins Peaking Plant	5.9	(10.0)	72.80	6.3
Avon Park Peaking Plant	6.6	(10.0)	73.70	5.5
Debery Peaking Plant 1-6	12.8	(10.0)	55.12	4.3
Debery Peaking Plant 7-10	26.0	(10.0)	17.37	3.6
Bartow Peaking Plant	8.9	(10.0)	59.40	5.7
Intercession City 1-6	11.9	(10.0)	65.91	3.7
Intercession City 7-10	27.0	(10.0)	14.59	3.5
Intercession City - Siemens	25.0	(10.0)	N/A	4.4
Rio Pinar Peaking Plant	6.1	(10.0)	71.27	6.3
Suwannee River Peaking Plant	10.8	(10.0)	60.50	4.6
Univ. of Fla. - Combustion Turbine	15.6	(10.0)	20.11	5.8
Turner Peaking Plant	9.8	(10.0)	62.93	4.8
Tiger Bay Combined Cycle	18.0	(10.0)	2.52	6.0
Hines Energy Combined Cycle	20.0	(10.0)	0.00	5.5
Gas Conversion Projects				

5 Year Amortization

* Denotes whole life rate

** Denotes restated reserve after corrective reserve action

FLORIDA POWER CORPORATION
 1997 DEPRECIATION STUDY

ACCOUNT	AVERAGE REMAINING LIFE	NET BALVAOE	RESERVE	REMAINING LIFE RATE
TRANSMISSION PLANT				
350.1 Easements	33.0	0.0	28.26	2.2
352.0 Structures and Improvements	35.0	(5.0)	32.04	2.1
353.0 Station Equipment	29.0	10.0	25.74	2.2
353.1 Energy Control Center	5.0	0.0	45.38	10.9
354.0 Towers and Pictures	27.0	(30.0)	65.75	2.4
355.0 Poles and Pictures	22.0	(30.0)	41.07	4.0
356.0 Overhead Conductors & Devices	21.0	(20.0)	50.59	3.3
357.0 Underground Conduit	18.8	0.0	65.41	1.8
358.0 Underground Conductor & Devices	16.8	0.0	71.41	1.7
359.0 Roads and Trails	31.0	0.0	44.62	1.8
DISTRIBUTION PLANT				
360.1 Easements	31.0	0.0	31.07	2.2
361.0 Structures & Improvements	39.0	(5.0)	24.72	2.1
362.0 Station Equipment	27.0	15.0	23.55	2.3
364.0 Poles, Towers & Pictures	20.0	(25.0)	41.74	4.2
365.0 OH Conductor & Devices	20.0	(35.0)	40.17	4.7
366.0 Underground Conduit	35.0	0.0	22.89	2.2
367.0 Underground Conductors	26.0	0.0	24.96	2.9
368.0 Line Transformers	15.2	(15.0)	40.44	4.9
369.1 Services-Overhead	24.0	(50.0)	43.51	4.4
369.2 Services-Underground	26.0	(15.0)	27.94	3.3
370.0 Meters	19.6	(10.0)	36.45	3.8
371.0 Installations on Cust. Premises	10.3	0.0	37.76	6.0
372.0 Leased Property on Cust. Premises	25.0	0.0	0.00	4.0
373.0 Street Light & Signal Sys.	9.1	(10.0)	36.91	8.0
OTHER PLANT				
390.0 Structures & Improvements	26.0	(15.0)	18.97	3.7
392.1 Transportation-Automobiles	2.6	18.0	59.50	8.7
392.2 Transportation-Light Trucks	4.0	22.0	43.35	8.7
392.3 Transportation-Heavy Trucks	7.0	12.0	54.30	4.8
392.4 Transportation - Special Equipment	9.5	15.0	37.76	5.0
392.5 Transportation - Trailers	18.8	40.0	27.92	1.7
392.6 Transportation - Aircraft (Used)	N/A	N/A	100.00	N/A
392.7 Transportation - Aircraft (New)	3.6	50.0	32.11	5.0
396.0 Power Operated Equipment	5.1	10.0	60.50	5.8
397.2 Communication Equipment - Fiber	9.4	0.0	23.46	8.1

FLORIDA POWER CORPORATION
 1997 DEPRECIATION STUDY

ACCOUNT	AVERAGE REMAINING LIFE	NET SALVAGE RESERVE	REMAINING LIFE RATE
391.1 Office Furniture			7 Yr. Amortization
391.2 Office Equipment			7 Yr. Amortization
391.3 Computers			5 Yr. Amortization
391.5 Duplicating & Mailing Equipment			7 Yr. Amortization
393.1 Motorized Handling Equipment			7 Yr. Amortization
393.2 Stores Equipment - Storage			7 Yr. Amortization
393.3 Handling Equipment - Portable			7 Yr. Amortization
394.1 Tools, Shop & Garage Equip.-Stationary			7 Yr. Amortization
394.2 Tools, Shop & Garage Equip.-Portable			7 Yr. Amortization
395.2 Laboratory Equipment - Portable			7 Yr. Amortization
397.1 Comm. Equip. - Non-Fiber			7 Yr. Amortization
398.1 Energy Conservation			5 Yr. Amortization
398.2 Miscellaneous Equipment			7 Yr. Amortization
303.0 Intangible			5 Year Amortization
303.1 Customer Service System			10 Year Amortization
Recovery			
Suwannee River Steam Plant			3.0 Year Recovery
Higgins Retirements			1.5 Year Recovery
Turner Retirements			2.5 Year Recovery