



Florida Public Service Commission

SPECIAL REPORT

MARCH 2005 NO. 2

Petition for Approval of a Storm Cost Recovery Clause for the Recovery of Extraordinary Expenditures
Related to Hurricanes Charley, Frances, Jeanne, and Ivan by
Progress Energy Florida, Inc.

DOCKET NO. 041272-E1

In November of 2004, Progress Energy Florida, Inc. (PEF or the company) filed a petition with the Florida Public Service Commission (PSC or Commission) for approval of a Storm Cost Recovery Clause for the recovery of extraordinary expenditures related to Hurricanes Charley, Frances, Jeanne and Ivan. PEF petitioned the Commission to recover the storm damage costs over a period of two years. The purpose of the new clause would be to recover the storm damage costs in excess of the amount contained in the utility's Storm Damage Reserve.

PEF serves approximately 1.5 million retail customers in its service area in Florida. Its service area is comprised of approximately 20,000 square miles in 35 of the state's 67 counties. Its service area encompasses the cities of St. Petersburg and Clearwater and densely populated areas surrounding Orlando, Ocala, and Tallahassee. PEF supplies electricity at retail to approximately 350 communities and at wholesale to about 21 Florida municipalities, utilities, and power agencies.

Recognizing that full insurance for transmission and distribution facilities would result in unacceptably high electric rates after Hurricane Andrew, the Commission authorized PEF to accrue \$6 million per year through base rates to provide a self-insurance program for storm damage. These funds are accumulated in PEF's Storm Damage Reserve. In August and September 2004, Hurricanes Charley, Frances, Jeanne, and Ivan struck the State of Florida. These four storms impacted virtually every county in PEF's service territory and caused over two million cumulative customer outages and millions of dollars in damages which will be applied to the Storm Damage Reserve.

For PEF, the storm related costs are currently estimated at \$366.3 million on a total system basis. Of this amount, approximately \$311.4 million are storm related operation and maintenance expenses. PEF expected to have a balance of \$46.9 million in its Storm Damage Reserve as of December 31, 2004. After the storm damage charges are applied, the Storm Damage Reserve will have a negative balance of approximately \$264.5 million. The retail portion for which PEF is requesting recovery is \$251.9 million.

The impact to the average residential customer bill (1,000 kWh per month) is expected to be \$3.81 for 2005 and \$3.59 for 2006. These estimates are based on a start date of January 1, 2005 and could change as that date has passed.

The PSC scheduled six customer service hearings to receive customer testimony regarding the utility's petition to implement a Storm Cost Recovery Clause and to receive comments on the utility's recovery efforts for each hurricane event. In accordance with Florida Statutes, the PSC will consider the utility's quality of service and other matters in this case.

The technical portion of the administrative hearing is scheduled for March 30, 31 and April 1 in Tallahassee. A technical hearing is a legal proceeding, similar to a court proceeding or trial, that is held to gather technical evidence and testimony related to the utility's petition. In making its final determination, the Commission will consider the evidence and testimony presented by both customers and other parties.

PSC staff is scheduled to file a recommendation with the Commission on June 2, 2005. The Commissioners are expected to vote on this matter at the June 14, 2005, Agenda Conference.

PSC COMMISSIONERS



Chairman Baez

Braulio L. Baez was appointed to the Florida Public Service Commission by Governor Jeb Bush on August 23, 2000, to complete a term ending January 2002. He was then reappointed by the Governor to a four-year term ending January 2006. Prior to his appointment, Chairman Baez was an attorney in Miami, Florida, with a statewide practice representing municipal and county governments in telecommunications, cable franchising and other regulatory matters. He was Executive Assistant to Commissioner Joe Garcia from 1994 to 1998. A native of South Florida, Chairman Baez received his undergraduate degree from Florida International University in 1988, and his Juris Doctorate degree from Nova University, Shepard Broad Law Center, in 1993. Chairman Baez is a member of the National Association of Regulatory Utility Commissioners Committees on Electricity and International Relations, and has served as President of the Southeastern Association of Regulatory Utility Commissioners. He was named to the State Regulatory Advisory Council to the FCC Federal Advisory Committee on Diversity in the Digital Age. He is a member of Leadership Florida Class XXII, the Florida Bar, and is a past Director of the Hispanic Bar Association, 2nd Judicial District.



Commissioner Deason

J. Terry Deason was first appointed to the Commission by the Florida Public Service Commission Nominating Council in January 1991 for a term ending in January 1995. He was subsequently reappointed by the late Governor Lawton Chiles for a term ending in January 1999. Commissioner Deason was then reappointed by Governor Jeb Bush to a term ending in January 2003, and to his current term which ends in January 2007. Commissioner Deason has served as Chairman of the Commission on two occasions, from January 1993 to January 1995, and from July 2000 to January 2001. Commissioner Deason is an active member of the National Association of Regulatory Utility Commissioners (NARUC). He currently serves on NARUC's Board of Directors, its Finance and Technology Committee, and the Federal/State Joint Conference on Accounting. Commissioner Deason also serves on the executive committee for the Nuclear Waste Strategy Coalition. Prior to his appointment, he served as Chief Regulatory Analyst in the Office of Public Counsel. In that capacity, he was responsible for the coordination of accounting and financial analysis used by the Public Counsel in cases before the Public Service Commission, presented testimony as an expert witness, and consulted with the Public Counsel on technical issues and ratemaking policies concerning regulated utilities in the State of Florida. From 1981 to 1987, Commissioner Deason served as Executive Assistant to PSC Commissioner Gerald L. Gunter, during which time he reviewed and analyzed staff recommendations and advised the Commissioner on those recommendations and other pertinent policy determinations. From 1977 to 1981, he served as a Legislative Analyst with the Office of Public Counsel. He attended the U.S. Military Academy at West Point, and in 1975 received his bachelor of science degree in accounting, summa cum laude, from Florida State University. He also received his master of accounting degree from FSU in 1989.

Rudolph (Rudy) Bradley was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four year term beginning January 8, 2002. Commissioner Bradley serves on the National Association of Regulatory Utility Commissioners' Committees on Consumer Affairs, Water, and International Relations. He is also a member of the Energy Market Access Partnership Board which is a joint project between the Department of Energy and the National Association of Regulatory Utility Commissioners. Prior to his appointment to the Commission, Commissioner Bradley served as a member of the Florida Legislature for seven years representing District 55 which includes Pinellas, Manatee and Hillsborough Counties. As a member of the Legislature, he served as the Vice Chairman of the Utilities and Telecommunications Committee and as the Chairman of the Select Committee on Energy Restructuring. Commissioner Bradley also served as the Chairman of the Business Development and International Trade Committee and Chairman of the Economic Development Council. As a legislator, Commissioner Bradley maintained a special interest in improving Florida's educational system and expanding business opportunities for all citizens. Commissioner Bradley earned his Bachelor of Science Degree from the University of Tampa and his Masters Degree from the University of Michigan. He served as an educator in Pinellas County for several years and he developed several private enterprises involving real estate and livestock.



Commissioner Bradley

Following the unanimous recommendation of the PSC Nominating Council, Governor Jeb Bush appointed **Charles Davidson** to the Florida Public Service Commission for a four-year term ending January 2007. Commissioner Davidson relocated from New York to Florida in 2000 to serve in the Office of Governor Bush, as the Executive Director of Florida's Information Technology Taskforce. In that role, he was responsible for developing public policies to help ensure that Florida maintains progressive economic development processes and rational regulatory regimes. In 2001, Davidson was recruited by the Florida House of Representatives to launch the state's first Committee on Information Technology. He currently serves *ex officio* as a member of the board of directors of ITFlorida, a statewide not-for-profit organization that is focused on developing sound technology-related public policies. From 1993 to 1999, Commissioner Davidson was an attorney resident in the New York Office of Baker & McKenzie, the world's largest law firm. In 1999, he joined the New York Office of Duane Morris with other attorneys from Baker & McKenzie to form a new international dispute resolution practice group. While in private practice, Davidson was responsible for an array of regulatory, commercial, international, and technology matters in the United States and abroad. His work included multi-jurisdiction antitrust disputes, compliance proceedings before the Department of Justice and the Securities & Exchange Commission, complex commercial dispute resolution, and international technology disputes. His work also included international commercial claims against the Government of Iran before the Iran-United States Claims Tribunal and claims against the Government of Iraq before the United Nations Compensation Commission. Commissioner Davidson has handled an array of domestic and international arbitrations and mediations. While in New York, Davidson served as Special Professor of Law at Hofstra University School of Law. Commissioner Davidson speaks frequently on technology and public policy issues. Recently, Commissioner Davidson testified before Congress on the regulatory treatment that should be afforded broadband technologies. Commissioner Davidson also recently testified before the FCC on the regulatory issues impacting and impacted by Voice over Internet Protocol (VoIP). A Phi Beta Kappa graduate, Commissioner Davidson holds a Masters of Law in Trade Regulation from New York University. He also holds a Masters in International Business from Columbia University. Davidson received his baccalaureate and juris doctorate degrees from the University of Florida, where he served as a fellowship instructor at the College of Law.



Commissioner Davidson

Lisa Polak Edgar was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four year term beginning January 2005. Commissioner Edgar served as Deputy Secretary for Planning and Management for the Florida Department of Environmental Protection (DEP) from August 1999 through January 2005. Ms. Edgar's responsibilities included oversight of the agency's \$2.1 billion budget, fiscal and strategic planning, accountability measures, information technology, administrative services, and coordination between the state and federal government on environmental issues, including oil and gas drilling on the Outer Continental Shelf. Prior to serving at DEP, Commissioner Edgar served as chief analyst on Environmental Policy for the Executive Office of the Governor. There Commissioner Edgar helped develop state policy on issues regarding the environment and natural resources, energy, transportation, and economic and community development. She served as liaison with state and federal agencies, Congressional delegation and staff, Cabinet offices, and the Florida Legislature. During her career in public service, Commissioner Edgar has also served as a senior cabinet aide in the Department of Agriculture and Consumer Services, as staff counsel and legislative analyst for the Florida Senate Committees on Reapportionment and Regulated Industries, completed the Harvard Kennedy School of Government program for Senior Executives in State and Local Government, and co-taught a special topics graduate course on the Everglades at Florida A&M University. Commissioner Edgar served as the State of Florida representative to the Minerals Management Service Advisory Board's Outer Continental Shelf (OCS) Policy Committee from 1993-2003, serving on the Subcommittees on Environmental Studies in OCS Areas under Moratoria and OCS Hard Minerals. She was appointed in 2004 to represent the State of Florida on the re-established Department of the Interior Outer Continental Shelf Policy Committee. Commissioner Edgar graduated cum laude from Florida State University in 1985 with a Bachelor's degree in political science and minor in English. She studied in London during her undergraduate education and in Yugoslavia during law school. She received a juris doctorate from the Florida State University College of Law in 1988 and is a member of the Florida Bar.



Commissioner Edgar

Consumer Statements at PSC Hearings

The Commissioners are interested in what consumers have to say about the petition for approval of a Storm Cost Recovery Clause for the recovery of extraordinary expenditures related to Hurricanes Charley, Frances, Jeanne, and Ivan by Progress Energy Florida, Inc. The main purpose of these hearings is to receive comments from the public.

Anyone may make a statement, and speaking is an effective way to let the Commissioners know how you feel about the case under review. At the beginning of the hearings, procedures will be set up to establish an order for comments. PSC staff will have sign-up sheets that will be used to call consumers to speak. PSC staff will also be available to coordinate consumer comments and assist members of the public.

Any person who wishes to comment or provide information to the PSC staff, orally or in writing, may do so at the hearings. Written comments also may be sent to: Florida Public Service Commission, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, or fax at 1-800-511-0809. Correspondence will be placed in the file of this docket (Docket No. 041272-EI). For your convenience, a comment form is attached to this Special Report.

Any person who wishes to obtain a copy of the recommendation or the order may do so by writing to: Florida Public Service Commission, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, or on-line at www.floridapsc.com.

Florida Public Service Commission

2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

The Public Service Commission provides a staff of information specialists who are available to answer questions from Florida consumers.

To reach a consumer representative, please call the Public Service Commission during business hours at **1-800-342-3552**, or send a fax to 1-800-511-0809. See the PSC's Internet home page at www.floridapsc.com.

CUSTOMER SERVICE HEARINGS

Tuesday, March 15, 2005

10:00 a.m. – 2:00 p.m.
City Council Chambers
City Hall, 2nd Floor
151 SE Osceola Avenue
Ocala, Florida

6:00 p.m. – 9:00 p.m.
City Council Chambers
City Hall
120 E. Main Street
Apopka, Florida

Wednesday, March 16, 2005

10:00 a.m. – 2:00 p.m.
City Commission Chambers
City Hall
450 N. Wilson Avenue
Bartow, Florida

6:00 p.m. – 9:00 p.m.
City Council Chambers, 2nd Floor
City Hall
175 5th Street North
St. Petersburg, Florida

Thursday, March 17, 2005

10:00 a.m. – 2:00 p.m.
City Council Chambers, 3rd Floor
City Hall
112 S. Osceola Avenue
Clearwater, Florida

Wednesday, March 30, 2005

9:30 a.m.
Florida Public Service Commission
Betty Easley Conference Center, Room 148
4075 Esplanade Way
Tallahassee, Florida

For technical questions, contact:

John Slemkewicz
(850) 413-6420

For legal questions, contact:

Jennifer Brubaker
(850) 413-6228

For general questions, contact:

Bev DeMello
(850) 413-6107

Dick Durbin
(850) 413-6121

Or call toll-free 1-800-342-3552
(1-800-511-0809 to fax)

E-mail: contact@psc.state.fl.us

Internet Home Page: www.floridapsc.com

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Tallahassee, Florida 32399-0850

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