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September 10, 2004

VIA HAND DELIVERY

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

041085-EZ

Re: Petition for Approval to Establish a Regulatory Asset

Dear Ms. Bayo:

Enclosed for filing are an original and fifteen (15) copies of Progress Energy Florida Inc.'s Petition for Approval to Establish a Regulatory Asset.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. A 3" inch disk containing the above-referenced Petition in Word format is also enclosed. Thank you for your assistance in this matter.

Respectfully yours,

Bonnie E. Davis

BED/lms

cc: Office of Public Counsel (via hand delivery)

Progress Energy
File Label

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[Handwritten Signature]
FPSC BUREAU OF RECORDS

DOCUMENT NUMBER-DATE
09937 SEP 10 04
FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Progress Energy Florida's)
Petition for Approval to)
Establish a Regulatory Asset)

Docket No:
Filed September 10, 2004

PETITION OF PROGRESS ENERGY FLORIDA FOR APPROVAL
TO ESTABLISH A REGULATORY ASSET

Progress Energy Florida ("PEF" or the "Company") hereby requests approval to establish a regulatory asset for the costs associated with the restoration and repair of the PEF system caused by Hurricanes Charley and Frances to the extent those costs exceed the balance of the Storm Damage Reserve Fund. The costs to repair and restore PEF's system as a result of these storms are still being collected but will almost certainly exceed the Storm Damage Reserve Fund. Therefore, the Company requests that the Commission enter an order that PEF can recover storm restoration in excess of the Storm Damage Reserve Fund costs that the Commission determines to be reasonable and prudently incurred. Such an order will allow PEF to record these costs as a regulatory asset in conformance with Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation. Establishment of such a regulatory asset at this would not affect base rates without further action by the Commission. When the costs of repair and restoration can be comprehensively estimated, PEF will make a supplementary filing that will address issues such as the timing of commencement of the recovery, length of the amortization period, and the recovery mechanism. PEF requests that this Petition be considered at the September 21, 2004 Agenda Conference.

DOCUMENT NUMBER-DATE

09937 SEP 10 3

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In support of this Petition PEF states:

1. PEF is a Florida corporation whose principal offices are located at 100 Central Avenue, St Petersburg, Florida 33701. The Company is an investor-owned electric utility subject to the regulatory jurisdiction of the Commission under Chapter 366, Florida Statutes.

2. The representatives of the Company who should receive notice and pleadings in this docket are:

Javier Portoundo
Progress Energy Florida, Inc.
100 Central Avenue
St. Petersburg, FL 33701-3324

Bonnie E. Davis
Progress Energy Florida, Inc.
101 East College Avenue
Suite 800
Tallahassee, FL 32301

3. PEF is not aware of any disputed issue of material fact. This Petition is not filed in response to any agency decision.

4. Pursuant to prior Commission orders and consistent with Rule 25-6.0143, Florida Administrative Code, PEF has established a storm and property insurance reserve ("Storm Damage Reserve Fund") Account No. 228.1, Accumulated Provision for Property Insurance, which is intended to provide the reserve necessary to cover the costs of repair and restoration caused by damage from storms. As of August 3, 2004, the balance in PEF's Storm Damage Reserve Fund was approximately \$44.4 million.

5. PEF's system has sustained extensive damage from Hurricanes Charley and Frances. The first preliminary comprehensive estimate of the costs of Hurricane Charley is not yet available but will almost certainly exceed the Storm Damage Reserve Fund by a substantial amount. Although Hurricane Frances was not as intense a storm, because of

its wider geographic impact, it is expected that storm costs will be greater than those for Hurricane Charley.

6. On Aug. 13, 2004, Hurricane Charley slammed into Ft. Myers/Sanibel Island, Florida, about 110 miles south of Tampa Bay. The Category 4 hurricane made landfall with sustained winds of 145 mph. The storm impacted 8 counties served by Progress Energy Florida, resulting in approximately 502,000 customers without power at the height of the storm. Approximately 83 substations, 628 transmission structures and roughly 700 miles of transmission line were affected. System components in these areas have been or are in the process of being completely rebuilt.

Progress Energy mobilized more than 7,300 line crews, tree crews, first responders and other personnel from 17 states to perform storm restoration. Of that figure, the Company deployed more than 3,500 employees and brought in an additional 3,800 line and service and tree personnel to assist in the restoration effort. Hundreds of other personnel involved in staging, logistics and other storm support roles also played a crucial part in the Company's response.

During the course of the Charley restoration, the Company ordered and used supplies in enormous numbers: approximately 2,300 distribution poles, 5,800 transformers, 127,000 splices, 43,000 insulators and 6 million feet of wire.

As Progress Energy's reconstruction effort for Hurricane Charley was being completed, Hurricane Frances came ashore September 4, 2004, near Stuart, Florida, as a Category 2 hurricane with 105 mph winds. Unlike Charley, this enormous, slow-moving storm affected the Company's entire service area in Florida – 34 counties and 20,000 square miles. Frances' torrential rains, high winds and lengthy duration resulted in

832,898 customers without power. Approximately 105 substations were affected and 1,131 miles of line were damaged.

Progress Energy mobilized nearly 9,000 workers from 24 states and Canada to perform restoration work. This number includes Progress Energy crews, contract workers and personnel from other utilities. In addition, hundreds of other company personnel have been involved in staging, logistics and storm support roles.

Due to the recent damage done by Hurricane Charley, the Company had supplies and materials readily available to put toward the significant damage caused by Hurricane Frances. Thus far in the Hurricane Frances restoration, Progress Energy has ordered approximately 2.6 million feet of wire, 440 poles, 925 transformers, 33,000 insulators and 70,000 splices.

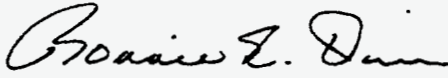
7. At this time, PEF cannot estimate with certainty the total restoration costs associated with Hurricanes Charley and Frances, or predict what additional costs might be incurred in connection with Hurricane Ivan or additional storms that may strike PEF's service territory during the remainder of 2004. What PEF seeks now is authorization to establish a regulatory asset for costs that exceed the balance in the Storm Damage Reserve Fund at the time Hurricane Charley struck. As the costs of restoration become more known, and the need to replenish the Storm Damage Reserve Fund is evaluated, PEF will file a petition proposing a cost recovery mechanism that will address issues related to the commencement and length of the amortization period and replenishment of the Storm Damage Reserve Fund. Accordingly, PEF requests that the Commission enter an order that PEF can recover storm restoration costs in excess of the Storm Damage Reserve Fund that the Commission determines to be reasonable and prudently

incurred, thus allowing the Company to establish as a regulatory asset any costs incurred which are charged to Account No. 228.1 in excess of the Storm Damage Reserve Fund.

8. In view of the need to assure the financial markets of continued financial stability the Company requests that this petition be considered at the September 21, 2004 Agenda Conference.

WHEREFORE, Progress Energy requests that the Commission enter an order authorizing Progress Energy to establish a regulatory asset for costs in excess of the Storm Damage Reserve Fund and a finding that PEF can recover storm restoration costs in excess of the Storm Damage Reserve Fund that the Commission determines to be reasonable and prudently incurred.

Respectfully submitted,

By: 

Deputy General Counsel
Progress Energy Florida, Inc.
106 East College Avenue
Suite 800
Tallahassee, FL 32301
(850) 222-8738
Florida Bar 335630