

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Petition for approval of  
storm reserve stipulation and  
settlement by Progress Energy  
Florida, Inc.

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Docket No. 041272-EI

Submitted for filing:  
April 26, 2006

**JOINT PETITION FOR APPROVAL OF  
STIPULATION AND SETTLEMENT**

Progress Energy Florida, Inc. ("PEF" or the "Company"), the Office of Public Counsel, Florida Industrial Power Users Group, the AARP, Sugarmill Woods Civic Association, Inc., Buddy L. Hansen, and the Florida Retail Federation (collectively, the "Parties") hereby jointly move the Commission to approve the Stipulation and Settlement Agreement, dated April 20, 2006, and attached hereto, which the Parties have entered into for the purpose of resolving issues related to the replenishment of PEF's depleted storm reserve fund. In support of this petition, the Parties hereby agree to the following:

1. The Parties have been engaged in negotiations for the purpose of reaching a comprehensive stipulation in settlement of the replenishment of PEF's depleted storm reserve fund and thereby avoiding the need for expensive, time consuming litigation of these issues in hearings before the Commission. These negotiations have culminated in the execution of the attached Stipulation and Settlement Agreement (Attachment A).

2. The Stipulation and Settlement Agreement provides for an extension of PEF's storm cost recovery surcharge currently being collected on all customers' bills

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through the last billing cycle in July 2008, in addition to the current \$6 million annual accrual to the reserve from base rates.

3. PEF shall calculate interest on the storm reserve by applying the 30-day commercial paper rate on the average after-tax balance of the storm reserve as more fully described in paragraph 2 of the Stipulation and Settlement Agreement.

4. The Stipulation and Settlement Agreement includes that if future storms exhaust the reserve account, PEF shall be able to collect upon thirty days notice to customers and subject to refund, an interim surcharge for 80% of the claimed deficiency. PEF may also petition the Commission to similarly recover the remaining 20% also subject to refund.

5. PEF shall calculate and collect interest on the claim by applying the 30-day commercial paper rate on the average unrecovered balance of the storm reserve as more fully described in paragraph 4 of the Stipulation and Settlement Agreement.

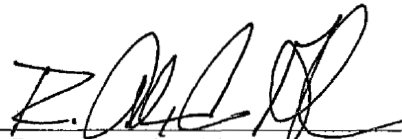
WHEREFORE, the Parties represent that the Stipulation and Settlement Agreement fairly and reasonably balances the various positions of the parties and serves the best interests of the customers they represent and the public interest in general. The Stipulation and Settlement Agreement is fully consistent with and supportive of this Commission's long standing policy of encouraging the settlement of contested proceedings in a manner that benefits the ratepayers of utilities subject to the Commission's regulatory jurisdiction and that avoids the need for costly, time consuming and inefficient litigation of matters before the Commission. For these reasons, the Parties request that the Commission approve the Stipulation and Settlement Agreement attached to this petition.

WHEREFORE, the Parties respectfully request that the Commission undertake its review of the Stipulation and Settlement Agreement and act upon this petition for its approval at the earliest practicable date in order to allow for the orderly implementation of the Agreement and to provide certainty to the parties and their respective constituents and customers with respect to the outcome of this proceeding.

Respectfully Submitted,

**Progress Energy Florida, Inc.**

By



R. Alexander Glenn, Esquire  
Deputy General Counsel – Florida  
100 Central Avenue  
St. Petersburg, Florida 33701  
Telephone: (727) 820-5587  
Facsimile: (727) 820-5519

**Office of Public Counsel**

By

Harold McLean, Esquire  
111 W. Madison Street, Room 812  
Tallahassee, Florida 32399

WHEREFORE, the Parties respectfully request that the Commission undertake its review of the Stipulation and Settlement Agreement and act upon this petition for its approval at the earliest practicable date in order to allow for the orderly implementation of the Agreement and to provide certainty to the parties and their respective constituents and customers with respect to the outcome of this proceeding.

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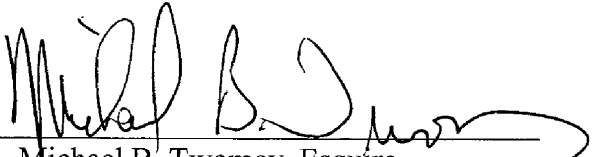
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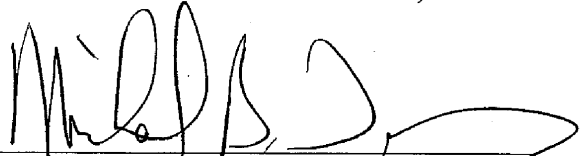
By \_\_\_\_\_

Harold McLean, Esquire  
111 W. Madison Street, Room 812  
Tallahassee, Florida 32399


**AARP**

By   
Michael B. Twomey, Esquire  
8903 Crawfordville Road  
Tallahassee, Florida 32305

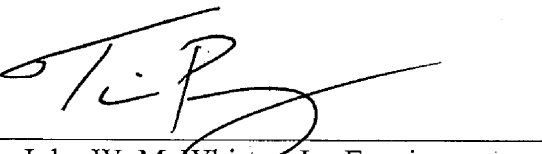
**Sugarmill Woods Civil Association, Inc.**

By   
Michael B. Twomey, Esquire  
8903 Crawfordville Road  
Tallahassee, Florida 32305


**Buddy L. Hansen**

By   
Michael B. Twomey, Esquire  
8903 Crawfordville Road  
Tallahassee, Florida 32305

**Florida Industrial Power Users Group**

By   
John W. McWhirter, Jr., Esquire  
McWhirter, Reeves  
Post Office Box 3350  
Tampa, Florida 33601

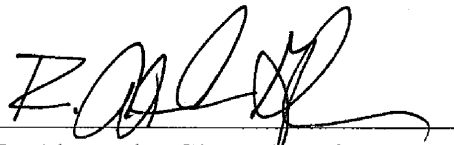
**Florida Retail Federation**

By 

Robert Scheffel Wright, Esquire  
Young van Assenderp, P.A.  
225 South Adams Street, Suite 200  
Tallahassee, Florida 32301

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing petition has been furnished to Jennifer Brubaker, Esquire, Office of the General Counsel, Economic Regulation Section, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, Florida 32399-0850, by hand delivery this 26<sup>th</sup> day of April, 2006.

A handwritten signature in black ink, appearing to read 'R. Alexander Glenn', written over a horizontal line.

R. Alexander Glenn, Esquire

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Petition for approval of storm  
reserve stipulation and settlement  
by Progress Energy Florida, Inc.

Docket No. 041272-EI

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**STIPULATION AND SETTLEMENT AGREEMENT**

WHEREAS, as a result of the 2004 and 2005 hurricane seasons, Progress Energy Florida, Inc. ("PEF" or the "Company") has depleted its storm reserve account; and

WHEREAS, pursuant to PSC Order No. PSC-05-0748-FOF-EI in Docket No. 041272-EI, the Florida Public Service Commission (the "Commission") authorized PEF to recover approximately \$250 million in 2004 storm costs through a surcharge on customers' bills commencing in August 2005 and concluding in August 2007; and

WHEREAS, on April 29, 2005 the Company initiated a rate proceeding before the Commission in Docket No. 050078-EI; and

WHEREAS, the Company, the Office of Public Counsel ("OPC"), the Florida Industrial Power Users Group ("FIPUG"), the Florida Retail Federation ("FRF"), the AARP, Sugarmill Woods Civic Association, Inc. ("Sugarmill"), Buddy L. Hansen ("Hansen"), (hereafter collectively referred to as the "Parties") and other parties entered into a Stipulation and Settlement Agreement (the "2005 Rate Stipulation") for the purpose of reaching an informal resolution of all outstanding issues in Docket No. 050078-EI, which the Commission approved in Order No. PSC-05-0945-S-EI;



WHEREAS, the 2005 Rate Stipulation allows PEF to petition the Commission for approval to, among other things, increase its base rates or to impose a separate charge to collect and accrue reserves for storms and to replenish PEF's reserves for such storms; and

WHEREAS, the Parties to this Stipulation and Settlement Agreement (the "Agreement") have undertaken to resolve the appropriate amount of any storm reserve account without the need for litigation, and which will maintain a degree of stability in PEF's base rates and charges;

NOW, THEREFORE, in consideration of the foregoing and the covenants contained herein, the Parties hereby agree and stipulate as follows:

1. PEF will extend the storm cost recovery surcharge currently being collected on all customers' bills through the last billing cycle in July 2008, in addition to the current \$6 million annual accrual to the reserve from base rates.

2. The parties agree that PEF shall calculate interest on the storm reserve by applying the 30-day commercial paper rate on the average after-tax balance of the storm reserve in the following manner: Using a 30-day Dealer Commercial Paper rate equivalent to PEF's actual rating (e.g. A2/P2) at the time of the calculation, as published by the Federal Reserve at (<http://www.federalreserve.gov/releases/cp/>). The Parties agree that their agreement regarding this interest treatment on the storm reserve shall only be in effect until such time as new permanent base rates are set by the Commission, and that the Parties are free to advocate any position regarding interest treatment on PEF's storm reserve in any future base rate proceeding.

3. The Parties agree that if a future storm claim exhausts the reserve account, PEF shall be able to collect, subject to refund, an interim surcharge for 80% of the claimed deficiency, upon 30 days notice to PEF's customers and on the first billing cycle following the thirtieth day after customer notification is given, while the total claim is being formally evaluated by the Commission in a full hearing, if any such hearing is requested.

4. PEF shall calculate and collect interest on the claim by applying the 30-day commercial paper rate on the average unrecovered balance of the storm reserve in the following manner: Using a 30-day Dealer Commercial Paper rate equivalent to PEF's actual rating (e.g. A2/P2) at the time of the calculation, as published by the Federal Reserve at (<http://www.federalreserve.gov/releases/cp/>).

5. PEF retains all rights to petition the Commission for cost recovery of any future storm damages and to replenish any storm reserve account either through securitization, surcharge, base rate relief or other cost recovery mechanism and nothing in the settlement shall be construed to limit such rights or any other rights as set forth in the 2005 Rate Stipulation or in any way modify the terms of the 2005 Rate Stipulation. Except as otherwise provided in Section 3 above, the other parties to this Agreement retain all rights to contest the collection of any amounts by PEF.


6. The provisions of this Agreement are contingent on approval of this Agreement in its entirety by the Commission. The Parties further agree that they will support this Agreement and will not request or support any order, relief, outcome, or result in conflict with the terms of this Agreement in any administrative or judicial

proceeding relating to, reviewing, or challenging the establishment, approval, adoption, or implementation of this Agreement or the subject matter hereof.

7. This Agreement dated as of April 26, 2006 may be executed in counterpart originals, and a facsimile of an original signature shall be deemed an original.

In Witness Whereof, the Parties evidence their acceptance and agreement with the provisions of this Agreement by their signatures below.

**Progress Energy Florida, Inc.**

By  \_\_\_\_\_

Alex Glenn, Esquire  
Post Office Box 14042  
St. Petersburg, Florida 33733

**Office of Public Counsel**

By \_\_\_\_\_

Harold McLean, Esquire  
111 W. Madison St., Room 812  
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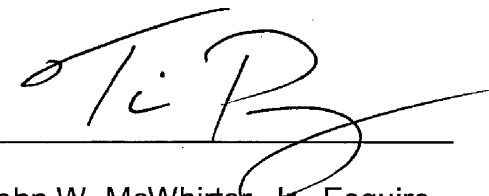
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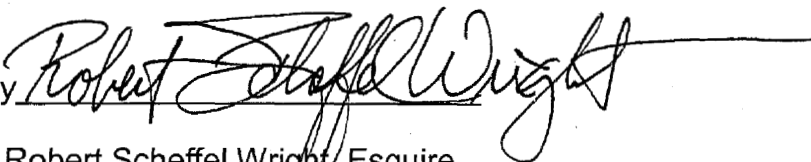
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