BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Progress Energy Florida, Inc.	DOCKET NO. 050078-EI ORDER NO. PSC-05-0886-PHO-EI ISSUED: September 1, 2005

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code, a Prehearing Conference was held on August 11, 2005, in Tallahassee, Florida, before Chairman Braulio L. Baez, as Prehearing Officer.

APPEARANCES:

GARY SASSO, ESQUIRE, JAMES WALLS, ESQUIRE, and JOHN BURNETT, ESQUIRE, Carlton Fields Law Firm, 106 East College Avenue, Suite 800, Tallahassee, Florida 32301-7740, and R. ALEXANDER GLENN, ESQUIRE, and JAMES A. MCGEE, ESQUIRE, Progress Energy Service Company, LLC, 100 Central Avenue, Ste. 1D, St. Petersburg, Florida 33701
On behalf of Progress Energy Florida, Inc. (PEF).

HAROLD McLEAN, PUBLIC COUNSEL, JOSEPH MCGLOTHLIN, ESQUIRE, and PATRICIA CHRISTENSEN, ESQUIRE Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida (OPC).

JOHN W. MCWHIRTER, JR., ESQUIRE, McWhirter, Reeves & Davidson, P. A., 400 North Tampa Street, Suite 2450, Tampa, Florida 33602, and TIMOTHY J. PERRY, ESQUIRE, McWhirter Reeves & Davidson, P. A., 117 South Gadsden Street, Tallahassee, Florida 32301
On behalf of Florida Industrial Power Users Group (FIPUG).

ROBERT SCHEFFEL WRIGHT, ESQUIRE, and JOHN T. LAVIA, III, ESQUIRE, Landers & Parsons, P. A., 310 West College Avenue, Tallahassee, Florida 32301
On behalf of the Florida Retail Federation (FRF).

MICHAEL B. TWOMEY, ESQUIRE, P. O. Box 5256, Tallahassee, Florida 32314-5256
On behalf of AARP and Buddy L. Hansen/Sugarmill Woods Civic Association (AARP; SMW).

JAMES BUSHEE, ESQUIRE, DANIEL E. FRANK, ESQUIRE, and ANDREW K. SOTO, ESQUIRE, Sutherland Asbill Law Firm, 1275 Pennsylvania Avenue N.W., Washington, D.C. 20004-2415,
On behalf of the White Springs Agriculture Chemicals, Inc. (WS).

ALAN R. JENKINS, ESQUIRE, and DAVID BROWN, ESQUIRE, McKenna Long & Aldridge LLP, 303 Peachtree Street, Suite 5300, Atlanta, Georgia 30308
On behalf of the Commercial Group (CG).

CHARLIE CRIST, ATTORNEY GENERAL, CHRISTOPHER M. KISE, SOLICITOR GENERAL, and JACK SHREVE, ESQURE, Office of the Attorney General, PL-01, The Capitol, Tallahassee, Florida, 32399.
On behalf of the Office of the Attorney General (AG).

JENNIFER BRUBAKER, ESQUIRE, JENNIFER RODAN, ESQUIRE, FELICIA BANKS, ESQUIRE, and MARLENE STERN, ESQUIRE, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (STAFF).

PREHEARING ORDER

I. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, Florida Administrative Code, this Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

II. CASE BACKGROUND

On April 29, 2005, Progress Energy Florida, Inc. (PEF) filed a petition requesting a permanent increase in its retail rates and charges to generate $205,556,000 in additional gross annual revenues. PEF asked that its proposed rate increase begin January 1, 2006. PEF's petition is set for a formal, administrative hearing before the Commission beginning September 7, 2005. A number of parties have intervened in this matter, including the Office of Public Counsel (OPC), AARP, the Florida Industrial Power Users Group (FIPUG), White Springs Agricultural Chemicals, Inc. (WS), the Florida Retail Federation (FRF), Commercial Group (CG), Buddy L. Hansen and the Sugarmill Woods Civic Association, Inc. (SMW), and the Florida Attorney General (AG).

III. JURISDICTION

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapter 366, Florida Statutes. This hearing will be governed by said Chapter and Chapters 25-6, 25-22, and 28-106, Florida Administrative Code.

IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 366.093, Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

1. Any parties intending to utilize confidential documents at hearing for which no ruling has been made, must be prepared to present their justifications at hearing, so that a ruling can be made at hearing.

2. In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

a) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.

b) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.

c) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.

d) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.

e) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Division of Commission Clerk and Administrative Service's confidential files.

V. POST-HEARING PROCEDURES

If no bench decision is made, each party shall file a post-hearing statement of issues and positions. A summary of each position of no more than 80 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 80 words, it must be reduced to no more than 80 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, Florida Administrative Code, a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 250 pages, and shall be filed at the same time.

VI. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties (and Staff) has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to three minutes. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

VII. ORDER OF WITNESSES

As a result of discussions at the prehearing conference, each witness whose name is preceded by an asterisk (*) has been excused from this hearing. The testimony of excused witnesses will be inserted into the record as though read, and all exhibits submitted with those witnesses' testimony shall be identified as shown in Section X of this Prehearing Order and be admitted into the record. Witnesses sponsoring both direct and rebuttal testimony shall be examined separately with respect to each set of testimony.

Witness	Proffered By	Issues #
Direct		
H. William Habermeyer, Jr.	PEF	N/A
Jeff Lyash	PEF	4, 116, 119
E. Michael Williams	PEF	15, 16, 17, 30, 98, 99, 153
Dale E. Young	PEF	18, 19, 20, 21, 23, 24, 133, 134
Dale D. Williams	PEF	65a, 65b
Dale Oliver, P.E.	PEF	4, 6, 7, 117
Ray F. DeSouza	PEF	4, 6, 7, 10b, 116, 117, 133
David McDonald	PEF	4, 6, 7, 8, 10b, 35, 117, 118, 119, 120, 133
Willette Morman-Perry	PEF	4, 5, 128a
Robert Bazemore	PEF	10a, 10b, 11, 13, 27, 28, 32, 37, 38, 54, 55, 57, 58, 60, 61, 82, 101, 103, 104, 107, 108, 109, 110, 111, 112, 113, 114a, 122, 129a, 129b, 133, 137, 182, 183
John B. Crisp	PEF	2, 30, 88, 89, 99, 176, 177, 178, 181
Mark A. Myers	PEF	105, 179
Thomas R. Sullivan	PEF	77, 81, 82, 83a, 83b, 86, 87, 141

Witness	Proffered By	Issues #
Javier Portuondo	PEF	1, 10a, 10b, 11-21, 23-42, 44, 47, 48-70, 72-77, 82-96, 98-102, 104-115, 120-134, 136-149, 152, 164, 166, 170, 172-175, 179-183, 185, 189-191
James H. Vander Weide, Ph.D.	PEF	80, 86, 87
Charles J. Cicchetti, Ph.D.	PEF	39a, 79, 80, 81, 86, 87, 141, 179
William C. Slusser, Jr.	PEF	3, 50b, 89, 90, 118, 133, 144, 145, 146, 150, 151-172, 186
James A. Rothschild	OPC	
Jacob Pous (will be co-sponsored by FIPUG)	OPC	
Hugh Larkin, Jr.	OPC	
Helmuth W. Schultz	OPC	
Donna DeRonne	OPC	
Philip K. Porter, Ph.D.	FIPUG	
Jacob Pous (will be co-sponsored by OPC)	FIPUG	
Sheree L. Brown	FRF	
Stephen A. Stewart	AARP	
Maurice E. Brubaker	WS	
Michael P. Gorman	WS	
Thomas J. Regan	WS	
Alan R. Chalfant	WS	
Michael T. O'Sheasy	CG	

Witness	Proffered By	Issues #
Mike Culver and Charlie Martin	CG	
Thomas E. Stambaugh	STAFF	
Carl S. Vinson, Jr. and William "Tripp" Coston	STAFF	
Sidney W. Matlock	STAFF	
Rebuttal		
Jeff Lyash	PEF	4, 116, 119
Dale Oliver, P.E.	PEF	4, 6, 7, 117
John B. Crisp	PEF	2, 30, 88, 89, 99, 176, 177, 178, 181
Robert Bazemore	PEF	10a, 10b, 11, 13, 27, 28, 32, 37, 38, 54, 55, 57, 58, 60, 61, 82, 101, 103, 104, 107, 108, 109, 110, 111, 112, 113, 114a, 122, 129a, 129b, 133, 137, 182, 183
Earl Robinson	PEF	10a, 10b, 11, 12, 13, 37, 38, 137
David E. McDonald	PEF	4, 6, 7, 8, 10b, 35, 117, 118, 119, 120, 133
Robert B. Matthews	PEF	10b
Ray F. DeSouza	PEF	4, 6, 7, 10b, 116, 117, 133
James H. Vander Weide, Ph.D.	PEF	80, 86, 87
Thomas R. Sullivan	PEF	77, 81
Charles J. Cicchetti, Ph.D.	PEF	39a, 79, 80, 81, 86, 87, 141, 179
William C. Slusser, Jr.	PEF	3, 50b, 89, 90, 118, 133, 144, 145, 146, 150, 151-172, 186
Steven P. Harris	PEF	67, 70, 130

Witness	Proffered By	Issues #
Javier Portuondo	PEF	1, 10a, 10b, 11-21, 23-42, 44, 47, 48-70, 72-77, 82-96, 98-102, 104-115, 120-134, 136-149, 152, 164, 166, 170, 172-175, 179-183, 185, 189-191

VIII. BASIC POSITIONS

PEF: The following table illustrates PEF's basic position regarding the jurisdictional revenue increase that will be demonstrated by the evidence. (Recoverable fuel and conservation revenues and expenses are excluded.)

Line No.	Description	Source	Amount (000)
1	Jurisdictional Adjusted Rate Base	Schedule B-1	4,545,891
2	Rate of Return on Rate Base Requested	Schedule D-1a	9.493%
3	Jurisdictional Net Operating Income requested	Line 1 x Line 2	431,529
4	Jurisdictional Adjusted Net Operating Income	Schedule C-1	303,400
5	Net Operating Income Deficiency (Excess)	Line 3 – Line 4	128,128
6	Earned Rate of Return	Line 4/Line 1	6.67%
7	Net Operating Income Multiplier	Schedule C-44	1.6320
8	Total Revenue Deficiency Calculated	Line 5 x Line 7	209,105

On April 29, 2005, pursuant to Chapter 366, Florida Statues, PEF petitioned the Commission for approval of a permanent increase in rates and charges sufficient to generate additional total annual base revenues of approximately $206 million for electric service provided to customers beginning January 1, 2006. The requested increase will provide PEF with a reasonable opportunity to earn a fair rate of return on the Company's investment in property used and useful in serving the public, including a 12.8% rate of return on the Company's common equity capital. Based on adjustments since its initial filing, including a recently updated sales forecast, PEF seeks an approximate $209 million increase in annual base revenues.

PEF has not sought an increase in base rates in more than twelve years. In fact, the Company lowered its base rates by more than 9% in 2002, which saved customers more than a half billion dollars. PEF's current base rates are at a level that last existed in 1983. PEF has accomplished this despite adding more than 687,080 customers and experiencing growth in demand for reliable electricity by more than 5,594 megawatts. In sharp contrast to PEF's base rates, the Consumer

Price Index ("CPI") has increased by 95% since 1983. Faced with such inflationary cost pressures, and the need to continue to meet customer expectations for more reliable power, it was necessary for the Company to seek an increase in its base rates to provide its customers with the level of electric service they demand and deserve.

In addition to its request for an increase in base rates, PEF has requested approval of certain changes to the terms of existing rate schedules, the withdrawal of certain non-cost-effective interruptible and curtailable rate schedules closed to new customers since 1996, changes in existing service charges, and other related adjustments. PEF further submitted its updated Depreciation, Nuclear Decommissioning, and Fossil Plant Dismantlement Cost Studies for approval by the Commission in accordance with Commission rules.

PEF last raised base rates in 1993. The Company also substantially reduced its base rates under the Stipulation and Settlement approved by the Commission in Order No. PSC-02-0655-AS-EI (the "Stipulation") in 2002. As a result, the Company's current residential base rate for 1,000 kwh is at a level that last existed twenty-two years ago, in 1983. Despite relatively stable or reduced base rates, the Company has nonetheless continued to invest in its generation, transmission, and distribution systems. During the twelve years following the Company's last rate increase in 1993, the Company added more than 2,300 megawatts of new generating capacity and invested in additional infrastructure needed to serve over 350,000 new retail customers, nearly a third more than the number of customers the Company served in 1993. The Company has spent and will spend more than $882 million in new power plants, including the most recently added highly efficient, cost-effective Hines 2 combined-cycle plant, and the similar Hines 3 combined-cycle power plant, which will be added to the system in 2005. In addition, since the Stipulation in 2002, the Company has invested approximately $123 million over and above normal expenditures to upgrade its transmission and distribution systems. As explained in the testimony and exhibits of the Company's witnesses, the result of these investments has been significant improvements in power resources and reserve margins, system reliability, and customer satisfaction for PEF's customers. At the same time the Company's customers have realized more than half a billion dollars in direct savings due to the Company's base rate reduction and revenue sharing under the Stipulation.

Under the Stipulation, PEF's current base rates remain in effect until December 31, 2005. The Company agreed it would not seek an increase in base rates that would take effect prior to January 1, 2006. PEF's Petition is consistent with its Stipulation.

PEF selects the period January 1, 2006 through December 31, 2006 as the test year for calculating the revenue deficiency in this case. A calendar year 2006 test year has been selected because it will best fulfill the purpose of a test year, which is to set rates based on costs and revenues that are representative of the period when the new rates will be in effect.

The details of the rate base, operation and maintenance expenses, and other factors driving the need for rate relief are more fully reflected in the testimony and exhibits of PEF's witnesses and the Minimum Filing Requirements ("MFRs") and schedules filed with PEF's petition.

As explained fully by the Company's witnesses, PEF's plan is to maintain and improve upon the high quality of operational performance in power production and the high quality of service and reliability in power transmission and distribution the Company has achieved over the past three years. The high levels of customer satisfaction with the Company's electric service achieved over the same time period confirm that customers want the quality service the Company currently provides. The Company, however, cannot continue to provide high quality electric service at its current base rates. In an era of increasing costs, increasing customer growth, and increasing customer demand for reliable power, an increase in rates is necessary to continue to provide the reliable production, transmission, and distribution of power, and the quality of service to customers that PEF has achieved and its customers have come to expect.

For example, the Company will soon make additions to rate base in the amount of approximately $500 million for its Hines 2 and Hines 3 combined-cycle generating units. Hines 2 will move fully into rate base when partial fuel clause cost recovery up to the level of fuel savings under the Stipulation expires in December 2005. Hines 3 is on schedule for an in-service date in December 2005 and, thus, will be added to the Company's rate base at that time. Additionally, the Company has added further to rate base through investments of approximately $1.3 billion to achieve operational improvements in its nuclear, fossil steam, combined-cycle, and combustion turbine power plants since 2001. As a result, the Crystal River nuclear plant has realized the highest level of performance in its history and, in fact, has one of the highest capacity factors in the nation, while the rest of PEF's generation fleet has achieved record levels of equivalent availability and low forced outage rates. The reliability benefits and fuel cost savings from these investments are already being received by PEF's retail customers. To ensure that the high degree of availability and reliability of its existing fleet and the resulting flow of benefits to its customers are maintained, PEF will invest an additional $100 million in plant improvements between 2005 and 2006.

Another ongoing cost consideration that has garnered and warrants attention in light of recent experience is the clear need to replenish PEF's Storm Damage Reserve to ensure that sufficient funds are in place and available for the consequences of future hurricanes and severe storms. The Company's system suffered unprecedented damage in 2004 from Hurricanes Charley, Frances, Jeanne, and Ivan and incurred an estimated $366 million in storm-related costs. PEF requested recovery of the retail portion of its O&M expenses for repair of storm-related damages through the establishment of a Storm Cost Recovery Clause in Docket No. 041272-EI. The retail portion of the Company's storm-related capital costs, approximately $56 million, however, will not be recovered through the Storm Cost Recovery Clause. Rather, these storm-related capital costs, which to this point have been absorbed by the Company, have been included in PEF's retail base rates that will be used for setting rates in this proceeding.

The enormous costs associated with the 2004 hurricanes were enough to have depleted the $46 million pre-hurricane balance in the Company's Storm Damage Reserve several times over. That balance had been produced by years of accruals to the reserve at the still-current amount of $6 million a year, which is intended to cover certain hurricane and severe storm-related costs not covered by insurance. At this current accrual level, the Storm Damage Reserve will not reach adequate levels for many years, if ever. PEF requests, therefore, as part of its Petition that the annual base rate accrual to the Storm Damage Reserve be increased to $50 million in order to restore the reserve and provide an adequate reserve level for the costs associated with future hurricanes and severe storms.

Finally, PEF's request includes an additional return on equity component for its outstanding efforts in maintaining low base rates, providing superior customer service, and achieving greater reliability levels for its customers. The merger in 2000 contributed to PEF's improved efficiency and cost reductions and enabled the Company's base rate reductions to provide customers the benefit of over $500 million in savings. Further, the Company's Commitment to Excellence initiative over the same time period enhanced PEF's quality of service by achieving greater reliability and customer satisfaction, among other achievements. PEF therefore has demonstrated its ability to manage effectively, as shown by its superior and outstanding performance. PEF should be recognized for its efforts with an additional return on equity component adjustment to the midpoint and range of the Company's authorized return on equity. This performance adjustment is consistent with Commission policy and past practice and is an appropriate incentive to the Company for continued superior performance.

<u>OPC:</u> In its rate case filing, PEF severely overreaches. Its overstated request for an authorized return on equity of 12.8% bears no relationship to actual conditions in the capital markets. Similarly, its proposed capital structure includes an inflated equity ratio that bears no resemblance to the manner in which PEF's operations are actually financed and that, if accepted, would simply overcharge retail customers and require the regulated utility operations to subsidize Progress Energy's riskier, unregulated activities. The Commission should authorize a

return on equity of 9.1% and apply, for rate making purposes, the consolidated capital structure of the Progress Energy entities. Corrections to PEF's proposed cost of capital, standing alone, more than offset its request for a base rate increase, and OPC witnesses have identified numerous other needed adjustments.
PEF's own depreciation study identifies a depreciation reserve excess of $504 million. Even PEF's large calculated imbalance is understated, as in its study PEF distorted net salvage factors for T&D plant accounts. Application of more appropriate net salvage factors for these accounts yields an overall reserve excess of $1.2 billion. Given the enormity of the reserve excess, PEF's approach of returning the excess to customers over 19.5 years is wholly insufficient to address the intergenerational inequity that the $1.2 billion reserve excess imposes on current customers. PEF can and should mitigate the inequity in a manner that does not affect its ability to raise capital adversely. The Commission should adopt the recommendation of OPC/FIPUG witness Jacob Pous, who conservatively bifurcated the reserve excess into one portion that would be flowed back to customers over 4 years and another that would, as the Company proposed, be returned over the remaining lives of the accounts.

OPC will identify additional adjustments in the individual positions that follow. Calculations based on all of OPC's adjustments reveal that PEF's current rates should be reduced so as to generate $360 million fewer revenues annually.

FIPUG: The evidence in this case supports reducing, not increasing, PEF's rates. FIPUG will argue that the rate of return sought by PEF is excessive. Further, PEF's preferred cost of service methodology is inappropriate and the significant changes to its interruptible tariffs are unsupported. In addition, to be fair to ratepayers, the Commission should order a portion of PEF's depreciation reserve surplus to be reduced fairly rapidly. Finally, in the event the Commission should grant a rate increase, no customer class or subclass should be required to pay more than 1.5 times the system average increase.

FRF: Progress Energy Florida's base rates and charges should be reduced by an aggregate of at least $360 million per year, and PEF's request for a base rate increase should be denied in its entirety. The Citizens of the State of Florida, the Florida Retail Federation, AARP, the Florida Industrial Power Users Group, and The Commercial Group – collectively, the Consumers – all support a substantial reduction in PEF's retail base rates, based upon their analyses of PEF's Minimum Filing Requirements ("MFRs"), PEF's testimony and exhibits, and discovery responses submitted by PEF, and as explained by the testimony and exhibits of the witnesses for the Consumers in this case.

The Consumers' positions are based on a careful and thorough analysis of PEF's MFRs, testimony, exhibits, and discovery responses, and are summarized here as follows:

1. PEF's requested rate of return on equity ("ROE") is grossly excessive relative to the risks that PEF actually bears in its Florida operations and relative to actual capital market conditions. Significantly, more than 67% of PEF's total operating expenses is recovered through pass-through surcharges and tax adders, for which PEF bears effectively zero risk. An ROE of 8.8%, after-tax, is more than double the current rate paid on Certificates of Deposit and long-term U.S. Treasury bonds, and will provide a fair, just, reasonable, and generous return to FPL's investors relative to the minimal risks that they bear. PEF has also overstated the appropriate equity percentage in its capital structure and has overstated various plant in service amounts and various working capital amounts. These should be corrected in determining PEF's allowable rate base and capital structure for ratemaking purposes.

2. PEF has accumulated aggregate depreciation reserves of approximately $1.2 billion since its last depreciation study. To provide fair treatment to the customers who have paid in the monies that created this surplus and to provide treatment for customers in this depreciation surplus situation that is consistent and symmetric with the treatment afforded PEF and other utilities in depreciation deficit situations, the Commission should require PEF to amortize approximately $713 million of this surplus over 4 years, with the balance of $504 million amortized over approximately 19.5 years as proposed by PEF. The Commission should also require PEF to amortize PEF's $129.8 million excess in its Nuclear Decommissioning Fund over 4 years. The result of flowing back these excess reserves over an appropriate 4-year period, consistent with Commission precedent, will be a reduction in PEF's retail base rate revenue requirement of approximately $211 million per year.

3. PEF's request for a seven-fold increase in its annual accrual to its Storm Damage Reserve is excessive, particularly in light of the Commission's recent decisions authorizing special storm cost surcharges in Docket No. 041291-EI, In Re: Petition for Authority to Recover Prudently Incurred Storm Restoration Costs Related to 2004 Storm Season That Exceed Storm Reserve Balance, by Florida Power & Light Company, and Docket No. 041272-EI, In Re: Petition for Approval of Storm Cost Recovery Clause for Recovery of Extraordinary Expenditures Related to Hurricanes Charley, Frances, Jeanne, and Ivan, by Progress Energy Florida, Inc., and also particularly in light of the newly available tools created by Senate Bill 1366, commonly known as the "Securitization Legislation," enacted by the Florida Legislature and signed into law by Governor Bush. PEF's annual accrual to the storm damage reserve should be limited to $15.2 million and the requested increase in base rates should be reduced by $31.125 million.

4. PEF has improperly included $82.1 million of Construction Work in Progress ("CWIP") in rate base, even though such inclusion is not necessary to satisfy the

Commission's financial integrity criteria. Properly removing CWIP from rate base reduces PEF's Test Year revenue requirement by $12.7 million.

5. PEF's revenue requirement for the 2006 test year should be reduced by numerous other adjustments, including but not limited to the following:

a. PEF has overstated the number of employees for the Test Year. Correcting this overstatement reduces PEF's Test Year revenue requirement by $2.235 million.

b. PEF has improperly included incentive compensation to its service company affiliate in its claimed costs for determining rates. Removing this inappropriate incentive compensation expense will reduce PEF's Test Year revenue requirement by $4.983 million. PEF has also improperly included excessive incentive compensation to PEF employees; removing excessive compensation will further reduce PEF's Test Year revenue requirement by $7.143 million.

c. PEF has inappropriately included a portion of capitalized payroll taxes in its Test Year expenses, resulting in an overstatement of its jurisdictional revenue requirement. Removing this inappropriately claimed expense will reduce PEF's Test year revenue requirement by $6.095 million.

d. PEF has overstated its base pay expense ratio, resulting in an additional overstatement of its revenue requirement. Correcting for this overstatement results in a decrease in PEF's Test Year revenue requirement of $6.626 million.

e. Based on PEF's prior estimates vs. actual expenditures on distribution reliability initiatives, the Commission should disallow $10.038 million of PEF's requested incremental distribution reliability Test Year expenses, which will result in a reduction of PEF's Test Year revenue requirement by $10.014 million.

f. Based on PEF's prior estimates vs. actual expenditures on transmission reliability initiatives, the Commission should disallow $2.189 million of PEF's requested incremental transmission reliability Test Year expenses, which will result in a reduction of PEF's Test Year revenue requirement by $1.564 million.

g. PEF recently sold its distribution facilities in the City of Winter Park, Florida to the City at a gain, yet PEF failed to include amortization of that gain as an offset to its Test Year revenue requirement. Appropriately amortizing the gain over 2 to 5 years results in a reduction in PEF's Test Year revenue requirement of between $5.96 million and $14.9 million.

h. PEF has overstated its bad debt expense. Correcting for this overstatement reduces PEF's Test Year revenue requirement by $1.162 million.

i. In removing the retail jurisdiction storm damage asset from rate base because of its inclusion in the Storm Damage Cost Recovery clause, PEF incorrectly allocated a portion of the asset to the wholesale jurisdiction. Correcting the allocation results in a reduction in PEF's Test Year revenue requirement of $1.973 million.

j. PEF has inappropriately included $2.25 million in working capital associated with deferred rate case expenses. Correcting for this inappropriate claim reduces PEF's Test Year revenue requirement by $348,618.

k. PEF has deferred $1.5 million of rate case expenses and has included these expenses in the Test Year revenue requirement. PEF's current year earnings are sufficient to cover these rate case expenses; therefore, the deferral of the expenses into the Test Year should be disallowed and the Test Year revenue requirement should be reduced by $1.5 million.

l. PEF has overstated its reasonable health care expenses. Correcting for this overstatement reduces PEF's Test Year revenue requirement by $2.767 million.

m. PEF has inappropriately claimed directors' and officers' liability insurance as a Test Year expense. Removing this expense item reduces PEF's Test Year revenue requirement by $1.8 million.

AARP/SMW: AARP's basic position is that Progress Energy Florida is not entitled to any rate increase, but, rather, should have its rates reduced by the annual revenue reduction being advocated by the Office of Public Counsel.

WS: Progress Energy Florida, Inc.'s ("PEF") rates are already among the highest in the southeastern United States. White Springs' witness Brubaker testifies that PEF's industrial rates are second-highest among the regional utilities that he surveyed. Indeed, PEF's interruptible industrial rates are higher than the firm rates charged by some other utilities, including its affiliate Progress Energy Carolinas. PEF's residential rates are fifth highest among the utilities surveyed. PEF's customers, and the State of Florida, deserve better.

The fact that PEF's existing rates compare unfavorably with most other regional utilities underscores the fact that its proposed $206 million annual revenue increase, as well as its proposed cost allocation and rate design changes, are unreasonable. White Springs' testimony demonstrates that PEF's revenues should be <u>reduced</u>, conservatively, by at least $56.8 million annually; other intervenor witnesses propose revenue <u>reductions</u> of as much as $360 million annually. White Springs' testimony further demonstrates that PEF's cost allocation and rate design proposals are unreasonable and punitive to industrial customers, and would combine with PEF's revenue increase to raise the base rates for large interruptible industrial customers by as much as 80%.

White Springs' testimony identifies the following key flaws in PEF's proposed revenue increase:

Return on equity. PEF's proposed return on equity ("ROE") of 12.8% (including a 50 basis point adder) is excessive. White Springs' witness Gorman demonstrates that the appropriate ROE for PEF is no more than 9.8%; other intervenor witnesses propose a ROE of as low as 9.1%. Additionally, White Springs' witness Chalfant demonstrates that PEF's proposed 50 basis point "regulatory tip" should be rejected, particularly given that PEF has among the highest rates in the southeastern United States. Reducing PEF's proposed ROE to 9.8% would alone reduce PEF's claimed revenue deficiency by $113.9 million annually.

Capital structure. PEF's proposed capital structure is unreasonable and would artificially inflate PEF's revenue requirement. White Springs' witness Gorman explains that PEF has made adjustments to its capital structure to impute over $850 million of common equity. Those adjustments, related to a 1996 outage of the Crystal River 3 nuclear unit and PEF's purchased power obligation debt equivalents, are not necessary for PEF to retain its credit rating and, in any event, represent equity that has <u>not</u> actually been invested. Elimination of those adjustments would decrease PEF's revenue requirement by $45.6 million annually.

Depreciation. PEF has vastly overstated its depreciation expenses. PEF acknowledges that it has a surplus in its depreciation account of $754 million; other intervenors calculate that excess as high as $1.2 billion. White Springs' witness Gorman conservatively proposes to return $250 million of that surplus over five years. Additionally, PEF's claimed net salvage expense does not reflect its actual experience. White Springs' witness Gorman proposes to reduce that expense from $43 million to $0 annually. Finally, Mr. Gorman demonstrates that because of the inherent value of PEF's generation sites PEF's claimed $9.6 million annually for fossil dismantlement costs should be reduced to $0. Those three adjustments to PEF's claimed depreciation expense would reduce PEF's claimed revenue requirement by $85.2 million annually.

Nuclear decommissioning expenses. PEF's nuclear decommissioning trust fund is over collected by more than $100 million, even allowing for a 17.3% cost contingency factor. White Springs' witness Gorman conservatively proposes to refund $75 million of that over-collection to ratepayers over five years. That would reduce PEF's revenue requirement by $17.7 million annually.

By conservatively adjusting these four items alone, White Springs has demonstrated that PEF's proposed $206 million annual revenue increase should in fact be a $56.8 million annual decrease. Significantly, other intervenors have identified numerous other adjustments that justify an even larger decrease in PEF's revenue. As White Springs continues to analyze intervenor testimony and review discovery responses, it anticipates adopting many of those adjustments.

White Springs' testimony further demonstrates that PEF's proposed cost allocation and rate design proposals would unreasonably burden large industrial customers:

Cost allocation. Mr. Brubaker explains that PEF's proposed 12 CP and 25% methodology inappropriately shifts costs to large, high load factor industrial customers. Mr. Brubaker recommends an average of winter and summer peaks methodology. Based on PEF's full revenue request, Mr. Brubaker's methodology would result in a 7.5% increase to the interruptible class, rather than the 22-25% increase proposed by PEF.

Interruptible rates. Mr. Brubaker further demonstrates that PEF's proposal to eliminate the IS-1 and IST-1 rate schedules and transfer existing customers to the IS-2 and IST-2 schedules is unreasonable and would impose dramatic rate increases on affected customers. Similarly, PEF's proposal to substantially reduce the level of credits for interruptible demand on the standby rate schedule SS-2 is unsupported and unreasonable. PEF's proposals do not reflect the value of interruptible customers to the system.

Mr. Regan explains that PEF's proposals would put White Springs at a competitive disadvantage compared to other locations.

CG: Based on its experience with electric utility providers across the country, CG has found PEF's service to be adequate but not superior to that of other providers to the extent that PEF deserves an ROE incentive adder. One of the significant ways to evaluate the service provided by any provider is to compare its rates versus other providers. An independent analysis by the Edison Electric Institute and CG's own experience show that PEF's commercial rates are already relatively higher than many comparable utilities and should not be increased further. The quality of service PEF provides to members of CG also is not superior nor do PEF's rate schedule offerings fit well the load profiles of its large commercial customers. Accordingly, CG is sponsoring the testimony of Mike O'Sheasy who is proposing Real Time Pricing ("RTP") as a better fit for Commercial load that, if structured correctly, would benefit commercial and industrial customers, PEF, and non-RTP customers as well.

AG: Progress Energy Florida's base rates and charges should be reduced by an aggregate of at least $360 million per year, and PEF's request for a base rate increase should be denied in its entirety. The Attorney General submits that a substantial reduction in PEF's retail base rates is appropriate based upon the analyses of PEF's Minimum Filing Requirements ("MFRs"), PEF's testimony and exhibits, and discovery responses submitted by PEF, and as explained by the testimony and exhibits of the witnesses for the Consumers in this case.

The Attorney General's position is based on PEF's MFRs, testimony, exhibits, and discovery responses, and is summarized here as follows:

1. PEF's requested rate of return on equity ("ROE") is grossly excessive relative to the risks that PEF actually bears in its Florida operations and relative to actual capital market conditions. Significantly, more than 67% of PEF's total operating expenses is recovered through pass-through surcharges and tax adders, for which PEF bears effectively zero risk. An ROE of 12.8%, after-tax, is more than triple the current rate paid on Certificates of Deposit and long-term U.S. Treasury bonds, and would provide an unwarranted return to FPL's investors relative to the minimal risks that they bear. PEF has also overstated the appropriate equity percentage in its capital structure and has overstated various plant in service amounts and various working capital amounts. These should be corrected in determining PEF's allowable rate base and capital structure for ratemaking purposes.

2. PEF has accumulated aggregate depreciation reserves of approximately $1.2 billion since its last depreciation study. To provide fair treatment to the customers who have paid in the monies that created this surplus and to provide treatment for customers in this depreciation surplus situation that is consistent and symmetric with the treatment afforded PEF and other utilities in depreciation deficit situations, the Commission should require PEF to amortize approximately $713 million of this surplus over 4 years, with the balance of $504 million amortized over approximately 19.5 years as proposed by PEF. The Commission should also require PEF to amortize PEF's $129.8 million excess in its Nuclear Decommissioning Fund over 4 years. The result of flowing back these excess reserves over an appropriate 4-year period, consistent with Commission precedent, will be a reduction in PEF's retail base rate revenue requirement of approximately $211 million per year.

3. PEF's request for a seven-fold increase in its annual accrual to its Storm Damage Reserve is excessive, particularly in light of the Commission's recent decisions authorizing special storm cost surcharges in Docket No. 041291-EI, <u>In Re: Petition for Authority to Recover Prudently Incurred Storm Restoration Costs Related to 2004 Storm Season That Exceed Storm Reserve Balance, by Florida Power & Light Company</u>, and Docket No. 041272-EI, <u>In Re: Petition for Approval of Storm Cost Recovery Clause for Recovery of Extraordinary Expenditures Related to Hurricanes Charley, Frances, Jeanne, and Ivan, by Progress Energy Florida, Inc.</u>, and also particularly in light of the newly available tools created by Senate Bill 1366, commonly known as the "Securitization Legislation," enacted by the Florida Legislature and signed into law by Governor Bush. PEF's annual accrual to the storm damage reserve should be limited to

$15.2 million and the requested increase in base rates should be reduced by $31.125 million.

4. PEF has improperly included $82.1 million of Construction Work in Progress ("CWIP") in rate base, even though such inclusion is not necessary to satisfy the Commission's financial integrity criteria. Properly removing CWIP from rate base reduces PEF's Test Year revenue requirement by $12.7 million.

5. PEF's revenue requirement for the 2006 test year should be reduced by numerous other adjustments, including but not limited to the following:

a. PEF has overstated the number of employees for the Test Year. Correcting this overstatement reduces PEF's Test Year revenue requirement by $2.235 million.

b. PEF has improperly included incentive compensation to its service company affiliate in its claimed costs for determining rates. Removing this inappropriate incentive compensation expense will reduce PEF's Test Year revenue requirement by $4.983 million. PEF has also improperly included excessive incentive compensation to PEF employees; removing excessive compensation will further reduce PEF's Test Year revenue requirement by $7.143 million.

c. PEF has inappropriately included a portion of capitalized payroll taxes in its Test Year expenses, resulting in an overstatement of its jurisdictional revenue requirement. Removing this inappropriately claimed expense will reduce PEF's Test year revenue requirement by $6.095 million.

d. PEF has overstated its base pay expense ratio, resulting in an additional overstatement of its revenue requirement. Correcting for this overstatement results in a decrease in PEF's Test Year revenue requirement of $6.626 million.

e. Based on PEF's prior estimates vs. actual expenditures on distribution reliability initiatives, the Commission should disallow $10.038 million of PEF's requested incremental distribution reliability Test Year expenses, which will result in a reduction of PEF's Test Year revenue requirement by $10.014 million.

f. Based on PEF's prior estimates vs. actual expenditures on transmission reliability initiatives, the Commission should disallow $2.189 million of PEF's requested incremental transmission reliability Test Year expenses, which will result in a reduction of PEF's Test Year revenue requirement by $1.564 million.

g. PEF recently sold its distribution facilities in the City of Winter Park, Florida to the City at a gain, yet PEF failed to include amortization of that gain as an offset to its Test Year revenue requirement. Appropriately amortizing the gain over 2 to 5 years results in a reduction in PEF's Test Year revenue requirement of between $5.96 million and $14.9 million.

h. PEF has overstated its bad debt expense. Correcting for this overstatement reduces PEF's Test Year revenue requirement by $1.162 million.

i. In removing the retail jurisdiction storm damage asset from rate base because of its inclusion in the Storm Damage Cost Recovery clause, PEF incorrectly allocated a portion of the asset to the wholesale jurisdiction. Correcting the allocation results in a reduction in PEF's Test Year revenue requirement of $1.973 million.

j. PEF has inappropriately included $2.25 million in working capital associated with deferred rate case expenses. Correcting for this inappropriate claim reduces PEF's Test Year revenue requirement by $348,618.

k. PEF has deferred $1.5 million of rate case expenses and has included these expenses in the Test Year revenue requirement. PEF's current year earnings are sufficient to cover these rate case expenses; therefore, the deferral of the expenses into the Test Year should be disallowed and the Test Year revenue requirement should be reduced by $1.5 million.

l. PEF has overstated its reasonable health care expenses. Correcting for this overstatement reduces PEF's Test Year revenue requirement by $2.767 million.

m. PEF has inappropriately claimed directors' and officers' liability insurance as a Test Year expense. Removing this expense item reduces PEF's Test Year revenue requirement by $1.8 million.

STAFF: Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

IX. ISSUES AND POSITIONS

TEST YEAR AND FORECASTING

ISSUE 1: PROPOSED STIPULATION – CATEGORY 1, NUMBER 5

ISSUE 1A: Should PEF's revised load forecasts and associated schedules be substituted for the originally filed forecast?

POSITIONS:

PEF: Yes. (Crisp)

OPC: No position at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: No position at this time.

WS: No position at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 2: **Are PEF's forecasts of customer growth, KWH by revenue class, and system KW for the projected test year appropriate?**

POSITIONS:

PEF: Yes, as of the time of PEF's original filing, but PEF will be filing with its rebuttal testimony updated schedules detailing the removal of the projected customers, energy, and load to be consumed by residents of the City of Winter Park, utilizing the updated forecast that PEF prepares annually in conjunction with the upcoming re-projection filing in the fuel docket, which has recently become available. (Crisp)

OPC: OPC takes no position on this issue.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: Yes.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 3: **Are PEF's forecasts of billing determinants by rate class for the projected test year appropriate?**

POSITIONS:

PEF: Yes, as of the time of PEF's original filing, but for the reasons described in Issue 2, PEF will be filing updated billing determinants with its rebuttal testimony. (Slusser)

OPC: OPC takes no position on this issue.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

QUALITY OF SERVICE

ISSUE 4: **Is the quality and reliability of electric service provided by PEF adequate?**

POSITIONS:

PEF: Yes. PEF has gone beyond the provision of adequate service, steadily improving performance in several key areas. Today, the Company provides high-quality, reliable electric service that is in the top quartile in the industry in many indices. (Lyash, Oliver, McDonald, DeSouza, Morman-Perry)

OPC: OPC disagrees with PEF's financial incentive programs, the goals of which are unrelated to customer service. OPC also disputes PEF's claim for a "bonus" in the form of an "adder" to ROE. These positions will be developed in response to other issues.

FIPUG: No position at this time.

FRF: The quality and reliability of electric service provided by PEF is adequate, but only average. The quality and reliability of electric service provided by PEF is neither superior nor outstanding and does not warrant any additional compensation, in any form, to PEF.

AARP/SMW: Adopts same position as OPC.

WS: No. White Springs has experienced repeated significant power outages.

CG: Higher cost. Generally comparable quality of service.

AG: The quality and reliability of electric service provided by PEF is neither superior nor outstanding and does not warrant any additional compensation, in any form, to PEF.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 5: **DROPPED**

ISSUE 6: **Is PEF's pole inspection, repair, and replacement program sufficient for the purpose of providing reasonable transmission and distribution service?**

POSITIONS:

PEF: Yes. PEF has been providing reliable transmission and distribution service. However, incremental reliability initiatives as outlined in our filing will allow us to continue to provide this level of service and accelerate or go beyond existing levels of activity, to meet our customers' rising expectations and further benefiting reliability. (Oliver, McDonald, DeSouza)

OPC: OPC takes no position on this issue.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 7: **Are PEF's vegetation management and animal and pest control programs sufficient for the purpose of providing reasonable transmission and distribution service?**

POSITIONS:

PEF: Yes. PEF has been providing reliable transmission and distribution service utilizing its current vegetation management and animal and pest control programs. However, incremental reliability initiatives as outlined in our filing will allow us to continue to provide this level of service and accelerate or go beyond existing levels of activity, to meet our customers' rising expectations and further benefiting reliability. (Oliver, McDonald, DeSouza)

OPC: OPC supports an increase in test year O&M expense related to a more aggressive vegetation management program, but believes PEF has not supported the outsized and unrealistic increase it has proposed. OPC's position will be developed further in response to a separate issue. (DeRonne)

FIPUG: No position at this time.

FRF: No position at this time regarding the adequacy of PEF's vegetation management programs. PEF has not justified its requested increase in vegetation management expenses for the Test Year.

AARP/SMW: Adopts same position as OPC.

WS: No. White Springs has experienced significant power outages that appear to be related to deficient vegetation management and animal and pest control programs.

CG: Agree with the FRF.

AG: No position at this time regarding the adequacy of PEF's vegetation management programs. PEF has not justified its requested increase in vegetation management expenses for the Test Year.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 8: **Pursuant to the requirements of Order No. PSC-02-0655-AS-EI, did PEF achieve a 20 percent distribution reliability improvement for 2004 compared to its performance in 2000?**

POSITIONS:

PEF: Yes. PEF achieved a distribution reliability improvement of greater than 20% between 2000 and 2004. (McDonald).

OPC: OPC takes no position on this issue. If the Commission concludes the condition was met, OPC believes it does not constitute support for PEF's request for a "bonus"

FIPUG: No position at this time.

FRF: No position at this time. The FRF agrees with OPC that, even if PEF satisfied the earlier Order's mandate, such achievement does not justify additional compensation of any kind to PEF. Rather, PEF will simply have done what it was supposed to have done in compliance with the earlier Order, namely, complied with its statutory mandate to provide safe, adequate, sufficient, and reliable service.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: Agree with the FRF.

AG: No position at this time. The AG agrees with OPC that, even if PEF satisfied the earlier Order's mandate, such achievement does not justify additional compensation of any kind to PEF. Rather, PEF will simply have done what it was supposed to have done in compliance with the earlier Order, namely, complied with its statutory mandate to provide safe, adequate, sufficient, and reliable service.

STAFF: Staff has no position pending evidence adduced at hearing.

DEPRECIATION STUDY

ISSUE 9: **PROPOSED STIPULATION – Category 1, Number 1**

ISSUE 10: **For each of the depreciation accounts shown in Progress Energy Florida's Exhibit No. RHB-7, Volume 1- 3, and summarized depreciation rates in Exhibit JP-4, pages 1-9:**

(a) PROPOSED STIPULATION – CATEGORY 2, NUMBER 1

(b) Has PEF employed the appropriate net salvage factor in the calculation of the proposed depreciation rate? If not, what is the appropriate factor, and what is the impact, if any, on (i) the depreciation rate and (ii) the deprecation reserve? Provide a position statement for each affected account.

POSITIONS:

PEF: (b) Yes. PEF has employed the appropriate net salvage factor in the calculation of the depreciation rate (Portuondo, Robinson, Bazemore, DeSouza, McDonald, Matthews).

OPC: (b) Has PEF employed the appropriate net salvage factor in the calculation of the proposed depreciation rate? If not, what is the appropriate factor, and what is the impact on (i) the depreciation rate and (ii) the deprecation reserve? Provide a position statement for each affected account.

With respect to Account 353.1, "Transmission Station Equipment," PEF has not employed an appropriate net salvage factor in the calculation of its proposed depreciation rate. In arriving at a net salvage factor of 0% (only a year after PEF had concluded it should be 10%) and even though in 2003 actual net salvage was a positive 24%), PEF's analyst incorporated negative gross salvage values—an impossibility—and anomalous cost of removal values in his analysis. When adjusted, the appropriate factor is equal to the existing value of a positive 10%. The impact of this adjustment is to reduce depreciation expense by $1,035,669 or an increase to the reserve excess of $41,426,841.

With respect to Account 355, "Transmission Poles and Fixtures," PEF has not employed an appropriate net salvage factor in the calculation of its proposed depreciation rate. PEF proposes a factor of -25%, even though only one of the most recent five banded data sets resulted in a negative value—and that was only -16%. Once adjusted, the appropriate factor is -15%. The impact of this adjustment is to reduce depreciation expense by $916,183, or a $28,630,770 increase in the reserve excess.

With respect to Account 356, "Transmission Conductors and Devices," PEF has not employed an appropriate net salvage factor in the calculation of its proposed depreciation rate. The Company proposes a value of -30%, even though the current rate is based on -20% and in the 2002 study PEF concluded -15% was appropriate. PEF's analyst discounted historical positive gross values without first investigating the nature of the salvage experience. He also emphasized anomalous 2003 data while ignoring a historical pattern of positive data. Once adjusted, the appropriate factor is -10%. The impact of this adjustment is to reduce depreciation expense by $1,317,991 or an increase in the excess reserve imbalance of $43,933,098.

With respect to Account 362, "Distribution Station Equipment," PEF has not employed an appropriate net salvage factor in the calculation of its proposed depreciation rate. PEF proposes to move from the current 15% to -15%. The thirty-point "swing" in net salvage would reduce the reserve excess by$111 million. Historically, only 3 years of 29 exhibited any negative data. PEF's 2002 study also recommended the continued use of a positive gross salvage. Once adjusted, the appropriate factor is zero percent. The impact of this adjustment is to reduce depreciation expense by $1,665,887, or an increase to the reserve excess of $55,529,642.

With respect to Account 364, "Distribution Poles, Towers and Fixtures," PEF has not employed an appropriate net salvage factor in the calculation of its proposed depreciation rate. PEF proposes to move from the current -25% to -90% net salvage. Based on data through 2002, PEF concluded a year earlier that -25% remained appropriate. PEF's analyst relied on negative 2001 data that he considered to be "bogus." PEF's recommendation also conflicts with its analyst's professed belief in gradualism, as well as the positive salvage it experienced as recently as 2003. Once adjusted, the appropriate factor is -35%. The impact of this adjustment is to reduce depreciation expense by $15,070,658, or an increase in the reserve excess of $262,305,794.

With respect to Account 365, "Distribution Overhead Conductors and Devices," PEF has not employed an appropriate net salvage factor in the calculation of its proposed depreciation rate. PEF's analyst used an assumption of negative gross salvage—an impossibility—in arriving at a proposed value of -25%. His inflation-based cost of removal model predicted COR so high (-188%) that he disregarded his own model and arbitrarily substituted -40%. Historical banded data refute PEF's proposal as well. Once adjusted, the appropriate factor is -15%. The impact of this adjustment is to reduce depreciation expense by $2,159,190, or an increase to the depreciation reserve excess of $49,072,536.

With respect to Account 367, "Distribution Underground Conductors and Devices," PEF has not employed an appropriate net salvage factor in the calculation of its proposed depreciation rate. PEF proposes to move from zero to -15% net salvage. In its 2002 study PEF concluded zero was still appropriate; in 2003, the most recent year for which data is available, PEF experienced positive 11% net salvage. Because PEF anticipates retirement will be accompanied by "abandonment in place," future cost of removal should decrease. Again, PEF's analyst's gross salvage trend analysis predicted impossible negative values; again, his inflation-based COR prediction was so extreme he heavily discounted it. Once adjusted, the appropriate factor is -5%. The impact of this adjustment is to reduce depreciation expense by $1,844,786, or an increase in the reserve excess of $44, 994,837.

With respect to Account 368 "Distribution Line Transformers," PEF has not employed an appropriate net salvage factor in the calculation of its proposed depreciation rate. PEF proposes to move from the current positive 15% to -10% net salvage. However, the trend of recent data is to zero net salvage. The overall average for the account is -7%, but this is likely skewed by past high disposal costs associated with PCB contamination. Once adjusted, the appropriate factor is

-5%. The impact of this adjustment is to reduce depreciation expense by $1,380,432, or an increase in the reserve excess of $20,915,662.

With respect to Account 369.1, "Distribution Services," PEF has not employed an appropriate net salvage factor in the calculation of its proposed depreciation rate. PEF proposes to move from the current -50% to -75% net salvage for the account. PEF concluded in its 2002 study that -50% remained appropriate; the only additional year of data since that study was performed showed zero percent net salvage. Therefore, there is no historical justification for the proposed increase in negativity. Once adjusted, the appropriate factor is continuation of the -50%. The impact of this adjustment is to reduce depreciation expense by $1,018,782 or an increase in the reserve excess of $19,743,885.

With respect to Account 369.2 "Distribution Services," PEF has not employed an appropriate net salvage factor in the calculation of its proposed depreciation rate. PEF proposes -25%. The historical overall average for the account is positive 4%. Focusing on the change from 2002 to 2003, the trend is toward zero net salvage, not a more negative value. Once adjusted, the appropriate factor is zero. This conclusion is reinforced by industry averages and the admission by the Company's analyst that abandonment of retirements is likely. The impact of this adjustment is to reduce depreciation expense by $3,197,837, or an increase in the reserve excess of $ 94,054,077.

With respect to Account 373, "Distribution Street Lighting," PEF has not employed an appropriate net salvage factor in the calculation of its proposed depreciation rate. PEF proposes to move from the current -10% to -20%. In its 2002 study PEF concluded the value should move in the opposite direction, from -10% to -5%. , With the exception of anomalous 2001 data that PEF's analyst agrees "doesn't make sense", the trend in data is more towards a zero percent net salvage level. Once adjusted, the appropriate factor is zero percent net salvage. The impact of this adjustment is to reduce depreciation expense by $4,934,540, or an increase in the reserve excess of $53,363,464. (Pous)

FIPUG: (b) Agree with OPC.

FRF: Agree with OPC on Issue 10(b).

AARP/SMW: Adopts same position as OPC.

WS: (b) PEF has overstated a reasonable net salvage expense for Transmission and Distribution assets. This overstatement to net salvage expense has unreasonably overstated PEF's proposed depreciation rates.

CG: No position at this time.

AG: Agree with OPC on Issue 10(b).

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 11: **Based on the relationship between current depreciation parameters as approved by the Commission in this case and PEF's book reserve, what is PEF's depreciation reserve posture? How should PEF's reserve position be treated for ratemaking purposes?**

POSITIONS:

PEF: When compared with the hypothetical reserve calculated in PEF's Depreciation Study, the book reserve shows a positive net variance. The variance should be treated consistent with the Depreciation Study filed by PEF in this docket and with well established Commission precedent and be amortized over the composite average remaining life of the depreciable plant assets. PEF's Depreciation Study filed in this docket, including the depreciation rates contained therein, should be approved by the Commission. (Portuondo, Robinson, Bazemore).

OPC: The application of appropriate current depreciation parameters reveals that PEF has a reserve excess of $1.2 billion. PEF's proposal to spread any reserve excess over 19.5 years (average remaining life) does nothing to address the inequity inherent in its significant excess position. The $700+ million excess related to PEF's use of distorted net salvage factors and the $130 million of excess nuclear decommissioning funds should be amortized over 4 years. The additional $504 million reserve excess identified by PEF in its own study should be flowed back over the remaining lives, as PEF proposed. OPC's approach is conservative, as the bifurcation ameliorates any potential impact on PEF, and deliberately leaves PEF in an excess position, thereby ensuring its net reserve position will not "go negative" prior to the completion of its next study in 2007. (Pous)

FIPUG: Agree with OPC.

FRF: PEF's depreciation reserve has an excess of $1.2 billion, which can only be characterized as a "very high excess" posture. Agree with OPC as to the amount and as to the treatment of this very high excess position for ratemaking purposes.

AARP/SMW: Adopts same position as OPC.

WS: PEF acknowledges a $754 million surplus in its depreciation reserves; other intervenors calculate that the surplus is as much as $1.2 billion. White Springs recommends that PEF be required to refund $250 million of those excess reserves to customers over the next 5 years.

CG: No position at this time.

AG: PEF's depreciation reserve has an excess of $1.2 billion, which can only be characterized as a "very high excess" posture. Agree with OPC as to the amount and as to the treatment of this very high excess position for ratemaking purposes.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 12: PROPOSED STIPULATION: CATEGORY 3, NUMBER 1

ISSUE 13: Based on the decisions on foregoing issues, what are the appropriate depreciation rates and recovery/amortization schedules?

POSITIONS:

PEF: The appropriate depreciation rates are presented on Table 1F-FERC Account – Future (Pro-forma) of the 2005 Depreciation Study filed as Exhibit No. __ (RHB-7). (Robinson, Portuondo, Bazemore).

OPC: The Commission should adopt Mr. Pous' recommendation and require PEF to amortize the reserve excess of $700+ million and the $130 million of excess nuclear decommissioning funds to customers over 4 years. If this is done, then PEF's proposed depreciation rates should be approved, as the Commission will have segregated for separate treatment the excess that is to be flowed back to customers more rapidly than the remaining lives of related assets.

If the Commission takes no action to remedy the intergenerational inequity created by the $1.2 billion reserve excess, the revised calculation of the excess position and application of PEF's remaining life methodology will result in an additional annual reduction (beyond that identified by PEF) in depreciation expense of $35 million, which should be reflected in depreciation rates. (Pous)

FIPUG: Agree with OPC.

FRF: Agree with OPC.

SMW: Adopts same position as OPC.

AARP: The depreciation reserve surplus found to exist by the Commission should be flowed back to the benefit of the customers over five years.

WS: PEF's depreciation rates should be adjusted to reflect a net transmission and distribution net salvage cost of zero.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 14: PROPOSED STIPULATION – CATEGORY 1, NUMBER 6

FOSSIL DISMANTLEMENT COST STUDY

ISSUE 15: Should PEF's currently approved annual fossil dismantlement accrual be revised?

POSITIONS:

PEF: Yes, in accordance with PEF's 2005 Fossil Dismantlement Study. (Williams, Portuondo).

OPC: OPC takes no position on this issue.

FIPUG: Agree with White Springs.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: No. PEF's proposed fossil dismantlement cost should be rejected, and PEF should continue to accrue zero fossil dismantle expense. PEF's current fossil plant sites have significant value in either the redevelopment of future generation or in sale of the land after station dismantlement. This resale/reuse gross salvage value exceeds the expected dismantlement cost.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 16: Should any reserve allocations be made within the fossil dismantlement accounts?

POSITIONS:

PEF: Yes, to cover projected reserve deficits and in accordance with PEF's 2005 Fossil Dismantlement Study. (Williams, Portuondo).

OPC: OPC takes no position on this issue.

FIPUG: Agree with OPC.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 17: What is the appropriate annual accrual for PEF's fossil dismantlement?

POSITIONS:

PEF: (a) PEF's 2005 Fossil Plant Dismantlement Study shows PEF will need to accrue $9,651,668 annually beginning in 2006 in order to ensure that sufficient funds will be available to cover the costs of dismantlement of the Company's fossil plant generating sites. (Williams, Portuondo).

(b) The appropriate amount is $0. (Young, Portuondo).

OPC: OPC takes no position on this issue.

FIPUG: Agree with White Springs.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: PEF's proposed fossil dismantlement cost should be rejected, and PEF should continue to accrue zero fossil dismantle expense. PEF's current fossil plant sites have significant value in either the redevelopment of future generation or in sale of the land after station dismantlement. This resale/reuse gross salvage value exceeds the expected dismantlement cost.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

NUCLEAR DECOMMISSIONING COST STUDY

ISSUE 18: **Should the currently approved annual nuclear decommissioning accruals for PEF be revised?**

POSITIONS:

PEF: No. In accordance with PEF's 2005 Nuclear Decommissioning Study filed in this docket, the annual accrual amount should remain at $0, which is consistent with the 2002 stipulation. (Young, Portuondo)

OPC: OPC agrees with PEF's proposal to discontinue the accrual. Further, OPC asserts the $130 million excess in the fund should be returned to current customers over 4 years. It would be unfair and inequitable to require current customers, the source of the excess, to subsidize future customers to this extent. (Pous)

FIPUG: Agree with OPC.

FRF: (a) Agree with OPC.

(b) Agree with OPC that, based on PEF's representations, there should be no additional accruals for nuclear decommissioning in the rates set at the conclusion of this docket.

AARP/SMW: Adopts same position as OPC.

WS: (a) Yes, PEF should refund its excess nuclear decommissioning reserves to customers.

(b) The appropriate annual accrual amount for nuclear decommissioning is $0. PEF's nuclear decommissioning trust are already over-funded by more than $100 million.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 19: **Should a contingency allowance be applied to the estimated cost of nuclear decommissioning and if so, what percentage contingency should be used?**

POSITIONS:

PEF: Yes. Due to the nature and timing of the estimated future stream of costs, a contingency is already included in the updated decommissioning cost analysis study. (See pages 63-65 of the Decommissioning Study filed by PEF in April 2005.). (Young, Portuondo)

OPC: PEF's study confirms it already incorporates a contingency of 17.3%.In view of the fact that PEF acknowledges it has already collected its estimated decommissioning costs, plus a contingency, plus $130 million, OPC's recommendation for a 4-year amortization of $130 million over four years is conservative. If PEF's estimate changes, there is ample time to implement a new accrual for the purpose at that time.

FIPUG: Agree with OPC.

FRF: Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: Yes, but that contingency should be no greater than that used in PEF's decommissioning study.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 20: **Should the total estimated cost of nuclear decommissioning include a provision for on-site storage of spent fuel beyond the termination of the operating license of Crystal River Unit 3?**

POSITIONS:

PEF: Yes, consistent with the 2005 Nuclear Decommissioning Funding Study filed in this docket. (Young, Portuondo)

OPC: OPC does not believe any such on-site storage costs are properly considered a component of decommissioning costs.

FIPUG: Agree with OPC.

FRF: Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: No. PEF, and its ratepayers, have already paid for spent fuel storage through surcharges that were paid to the DOE for it to store spent fuel.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 21: Is the Nuclear Decommissioning Trust Fund appropriately funded? If not, what adjustments, if any, should be made to the balance?

POSITIONS:

PEF: The Nuclear Decommissioning Trust Fund is adequately funded at this time, and no adjustments can or should be made to the amount of funds in the Nuclear Decommissioning Trust Fund. (Young, Portuondo)

OPC: Based on PEF's representation, there should be no accrual of additional expense. The excess of $130 million should be returned to current customers over 4 years. (Pous)

FIPUG: Agree with OPC.

FRF: No. Agree with OPC that PEF's Nuclear Decommissioning Trust Fund is overfunded by approximately $130 million, and that this excess of $130 million should be flowed back to customers over 4 years.

AARP/SMW: Adopts same position as OPC.

WS: No. The trust fund is substantially over-funded, and excess funds should be returned to PEF's ratepayers.

CG: No position at this time.

AG: No. Agree with OPC that PEF's Nuclear Decommissioning Trust Fund is overfunded by approximately $130 million, and that this excess of $130 million should be flowed back to customers over 4 years.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 22: PROPOSED STIPULATION – Category 1, Number 2

ISSUE 23: **What is the appropriate disposition of the accumulated balance of nuclear amortization?**

POSITIONS:

PEF: The appropriate disposition is to have the balance remain as-is. The current decommissioning fund balance is estimated to be sufficient to cover the cost to decommission CR3 in 2036. (Young, Portuondo)

OPC: See response to Issue 21.

FIPUG: It should remain in trust and accrue interest.

FRF: Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 24: **Is the annual accrual to the nuclear maintenance reserve reasonable?**

POSITIONS:

PEF: Yes. (Young Portuondo)

OPC: OPC takes no position at this time.

FIPUG: Yes.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

RATE BASE

ISSUE 25: Are the projected balances of plant in service accurate and reasonable?

POSITIONS:

PEF: Yes. (Portuondo)

OPC: No. Plant in service should be reduced to reflect the difference between actual compared to projected plant for December 2004 through the actual months available in 2005. This ratio should also be applied to the remaining balance of projected plant for 2005 and 2006. This results in a reduction to plant in service for the projected 2006 test year of $139,698,000 on a thirteen-month average basis. The jurisdictional amount is $129,459,000.

Projected test year plant in service should be increased by $25,301,000 on a jurisdictional basis to reflect the OPC's recommendation with regard to the change in capitalization policy, reflecting only 50% of PEF's proposed impact from the change. An additional adjustment to reduce plant in service for potential prior period overstatements of additions to plant in service associated with the prior capitalization policy may also be appropriate, pending additional information being provided by PEF.

Additional adjustments to plant in service associated with the sale of a portion of the distribution system to the City of Winter Park are also appropriate, however, PEF has not yet provided the information needed to quantify the impact of the sale on plant in service.

Total projected plant in service should be no more than $8,259,075, which is $104,158,000 less than the amount proposed by PEF. Again, this amount should be adjusted as a result of the sale of a portion of the distribution system to the City of Winter Park and possibly for overstatements of prior additions to plant in service from the previous capitalization policy. (Larkin, Schultz, DeRonne)

FIPUG: No.

FRF: No. Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time, but anticipates agreeing with the position of other intervenors.

CG: No position at this time.

AG: No. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 26: **Is the inclusion of and the amount of electric plant acquisition adjustment included in rate base appropriate?**

POSITIONS:

PEF: This account has been removed from Rate Base since it is not related to the retail jurisdiction. (Portuondo)

OPC: OPC takes no position on this issue.

FIPUG: No.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time, but anticipates agreeing with the position of other intervenors.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 27: **Should PEF's proposed change in capitalization policy be approved? If the answer is yes, has PEF adequately supported and proven the impact of the change on the 2006 test year?**

POSITIONS:

PEF: PEF objects to the inclusion of this issue because it is irrelevant to this proceeding, and the only relevant issue is whether the expenses and rate base that PEF has proposed in 2006 are reasonable. PEF's proposed test year capital and O&M expenses associated with the change in the Company's capitalization policy are reasonable. (Bazemore, Portuondo)

OPC: The accounting policy change may have merit, but the Company has not supported the claimed impact on the test year; nor has it addressed possible carry-over impacts from years past. To reflect the significant concern on the quantification, the Company's estimated impact on operating income and rate base should be reduced by 50% and the Company should be required to provide the amount of the overstatement of rate base for the 2002-2004 due to the questionable capitalization practice utilized during that time. Further, in the future, the Company should be required to provide detailed justification of any significant changes in accounting along with a detailed quantification of the impact on net operating income and/or rate base. For purposes of this rate proceeding, operating expenses should be reduced by $10,356,000 and rate base should be increased by $25,673,000 on a jurisdictional basis. (Schultz)

FIPUG: No.

FRF: No. Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 28: **Are any modifications to past PEF financial statements required as a result of the consideration of the proposed change in capitalization policy? If so, what are the effects, if any, on the 2006 test year?**

POSITIONS:

PEF: PEF objects to the inclusion of this issue because it is irrelevant to this proceeding, and the only relevant issue is whether the expenses and rate base that PEF has proposed in 2006 are reasonable. PEF's proposed test year capital and O&M expenses associated with the change in the Company's capitalization policy are reasonable. In any event, however, no modifications to past PEF financial statements are required or necessary. (Bazemore, Portuondo)

OPC: The Company should be required to provide the amount of the overstatement of rate base for the 2002-2004 due to the questionable capitalization practice utilized during that time. The information needed to quantify the impact has not been provided by PEF at this time. (Schultz)

FIPUG: The policy should not be changed.

FRF: Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 29: What adjustment should be made to test year plant in service related to Hines Unit 2?

POSITIONS:

PEF: No adjustment should be made. (Portuondo).

OPC: OPC takes no position on this issue at this time.

FIPUG: The plant in service should be the depreciated value shown at the end of 2005 in Docket 040001-EI.

FRF: The plant in service allowed for Hines Unit 2 should be no greater than $198 million, which is the value that PEF's predecessor, Florida Power Corporation, represented to the Commission as being "the total installed for Hines 2," as reflected at page 7 of Commission Order No. PSC-01-0029-FOF-EI.

AARP/SMW: Adopts same position as OPC.

WS: The rate of return should be reduced and the fossil dismantlement expense should not be included on test year revenue requirement.

CG: No position at this time.

AG: The plant in service allowed for Hines Unit 2 should be no greater than $198 million, which is the value that PEF's predecessor, Florida Power Corporation, represented to the Commission as being "the total installed for Hines 2," as reflected at page 7 of Commission Order No. PSC-01-0029-FOF-EI.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 30: Are the capital costs associated with the Hines Unit 3 generating unit appropriate?

POSITIONS:

PEF: Yes. Current estimates for the installed costs of Hines Unit 3 are consistent with Order No. PSC-03-0175-FOF-EI. (Williams, Portuondo, Crisp).

OPC: OPC takes no position on this issue at this time.

FIPUG: No, they should be adjusted to reflect the presently authorized cost of capital.

FRF: The plant in service for Hines Unit 3 should be no greater than $258 million, which is the value that PEF's predecessor, Florida Power Corporation, represented to the Commission as being the "total installed cost for Hines Unit 3," as reflected at page 6 of Commission Order No PSC-03-0175-FOF-EI.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: The plant in service for Hines Unit 3 should be no greater than $258 million, which is the value that PEF's predecessor, Florida Power Corporation, represented to the Commission as being the "total installed cost for Hines Unit 3," as reflected at page 6 of Commission Order No PSC-03-0175-FOF-EI.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 31: **Are any adjustments to rate base necessary to reflect any impacts of the sale or disposition of the electric distribution system to the City of Winter Park?**

POSITIONS:

PEF: Yes, retail rate base needs to be decreased by $37,665,000 to reflect the entire impact of the sale of the electric distribution system to the City of Winter Park. (Portuondo)

OPC: Yes. On June 1, 2005, PEF finalized the sale and operational control to the City of Winter Park of the electric distribution system within the city's boundaries. None of the impacts from this sale are included in this rate filing nor has the Company been forthcoming with any actual or estimates of the impact that this transaction will have on the rate filing. The Commission should require the Company to provide the rate base impact, the reduction in operating expenses associated with the maintenance that will now be performed by the City, and the load and rate allocations to reflect that the City will be a wholesale customer.

Additionally, the Commission should require the Company to submit supporting documents and calculations to determine the gain on sale of the assets, which should then be amortized over 5 years, consistent with typical treatment of gains on sale of utility assets. (DeRonne)

FIPUG: (a) Agree with Florida Retail Federation.

(b) Agree with Florida Retail Federation.

FRF: (a) Yes. Moreover, the gain on the sale of PEF's Winter Park electric distribution system to the City of Winter Park should be amortized over no more than 5 years, in which case PEF's Test Year revenue requirement would be reduced by $5.96 million. The Commission should also consider amortizing the gain over 2 years to offset the cost-shifting of hurricane damage costs from customers in Winter Park to remaining PEF customers; amortizing the gain over 2 years would reduce PEF's Test year revenue requirement by $14.9 million.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: Yes. Moreover, the gain on the sale of PEF's Winter Park electric distribution system to the City of Winter Park should be amortized over no more than 5 years, in which case PEF's Test Year revenue requirement would be reduced by $5.96 million. The Commission should also consider amortizing the gain over 2 years to offset the cost-shifting of hurricane damage costs from customers in Winter Park to remaining PEF customers; amortizing the gain over 2 years would reduce PEF's Test year revenue requirement by $14.9 million.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 32: **Should adjustments be made for the rate base effects of PEF's transactions with affiliated companies?**

POSITIONS:

PEF: No. (Portuondo, Bazemore).

OPC: OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 33: **Should the capitalized items currently approved for recovery through the Environmental Cost Recovery Clause be included in rate base?**

POSITIONS:

PEF: No. Capitalized items should remain in the Environmental Cost Recovery Clause due to the volatility and uncertainty associated with the spending levels of these projects. (Portuondo)

OPC: Yes.

FIPUG: Yes.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: Yes.

CG: No position at this time.

AG: Yes.

STAFF: No.

ISSUE 34: **How should the Commission's decision in PEF's storm damage docket be reflected in this case?**

POSITIONS:

PEF: Since the Rate Case only includes the EPIS impact of the storm docket, the only adjustment necessary is the increase of 14,062,000 ($16,763,000 system) to rate base ordered by the Commission. (Portuondo)

OPC: The impact of the decision on how to treat extraordinary storm cost should be considered in this case in establishing the appropriate level of normal annual storm costs. Further, the lower business risk that stems from the decision provides additional reason to reject PEF's inflated equity ratio in capital structure. (Schultz; Rothschild)

FIPUG: No position at this time.

FRF: Agree with OPC. Moreover, the significant reduction in PEF's business risk that results directly from the Commission's decision in PEF's storm damage docket provides additional grounds for rejecting PEF's inflated equity ratio in its capital structure and for substantially reducing PEF's requested ROE to a level that more accurately reflects the very limited risks that PEF actually faces.

AARP/SMW: Adopts same position as OPC.

WS: Because PEF incurred unprecedented storm damage costs in 2004, the storm damage reserve should not be based on that experience. Instead, the storm damage accrual level should be based on more representative experience, and should not exceed $15 million per year.

CG: No position at this time.

AG: Agree with OPC. Moreover, the significant reduction in PEF's business risk that results directly from the Commission's decision in PEF's storm damage docket provides additional grounds for rejecting PEF's inflated equity ratio in its capital structure and for substantially reducing PEF's requested ROE to a level that more accurately reflects the very limited risks that PEF actually faces.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 35: **PROPOSED STIPULATION – CATEGORY 4, NUMBER 1**

ISSUE 36: **Is PEF's requested level of Plant in Service in the amount of $8,363,233,000 ($9,029,628,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.**

POSITIONS:

PEF: PEF's requested level of Plant in Service in the amount of $8,293,062,000 ($9,017,247,000 system) is appropriate for the projected test year. (Portuondo).

OPC: Total projected plant in service should be no more than $8,259,075,000 on a jurisdictional basis, which is $104,158,000 less than the amount proposed by PEF. See OPC's position on Issue 25. Again, this amount should be adjusted further as a result of the sale of a portion of the distribution system to the City of Winter Park and possibly for overstatements of prior additions to plant in service from the previous capitalization policy. (Larkin, DeRonne, Schultz)

FIPUG: No. Agree with OPC.

FRF: No. Agree with OPC that the proper level of PEF's Plant in Service is $8,259,075,000.

AARP/SMW: Adopts same position as OPC.

WS: White Springs continues to review intervenor testimony and discovery responses in formulating its position.

CG: No.

AG: No. Agree with OPC that the proper level of PEF's Plant in Service is $8,259,075,000.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 37: **Are the projected balances of accumulated depreciation accurate and reasonable?**

POSITIONS:

PEF: Yes. (Portuondo, Bazemore, Robinson).

OPC: No. Accumulated depreciation should be: (1) reduced by $2,323,000 on a jurisdictional basis to reflect the recommended adjustments to plant in service addressed by OPC witness Larkin; (2) reduced by $83,856,000 on a jurisdictional basis to reflect the recommended flow-back of a portion of the excess depreciation reserve; and (3) increased by $895,000 to implement OPC's recommendation that only 50% of PEF's proposed adjustment for change in capitalization policy be reflected. Additional adjustments to accumulated depreciation are necessary to reflect the impact of the sale of a portion of the distribution system to the City of Winter Park and for the potential overstatement of prior years plant additions due to the previous capitalization policy. The final amount is subject to the resolution of other issues and additional information being provided by PEF with regards to the sale of the distribution system to the City of Winter Park and the change in capitalization policy. (DeRonne, Larkin, Schultz)

FIPUG: No. Agree with OPC.

FRF: No. Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: Although White Springs does not contest the amounts recorded by PEF, it recommends that excess balances be refunded to ratepayers.

CG: No position at this time.

AG: No. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 38: **Is PEF's requested level of Accumulated Depreciation and Accumulated Amortization in the amount of $4,051,946,000 ($4,394,317,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.**

POSITIONS:

PEF: PEF's requested level of Accumulated Depreciation and Accumulated Amortization in the amount of $3,999,199,000 ($4,372,504,000 system) is appropriate for the projected test year. (Portuondo, Bazemore, Robinson).

OPC: No. The balance is overstated by at least $85,284,000. The final amount is subject to the resolution of other issues. (DeRonne)

FIPUG: No. Agree with OPC.

FRF: No. Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: No. The actual balance exceeds the appropriate theoretical balance, and the excess should be refunded. White Springs recommends that PEF refund $250 million over five years.

CG: No position at this time.

AG: No. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 39: **Is PEF's requested level of CWIP in the amount of $82,105,000 ($98,597,000 system) for the projected test year appropriate?**

POSITIONS:

PEF: PEF's requested level of CWIP in the amount of $81,294,000 ($98,598,000 system) is appropriate for the projected test year. (Portuondo, Cicchetti).

OPC: No. CWIP is plant that has not been completed and it is neither used nor useful in generating, transmitting, or delivering current service to ratepayers. CWIP should be excluded from rate base until such time as the cost of the project is considered reasonable and until it is providing service to customers. The Commission should apply its past policy of excluding CWIP from rate base unless needed to provide financial integrity during unusually heavy construction programs. It does not appear that PEF's times interest earned (TIE) ratio will be detrimentally affected to the point where CWIP would need to be included in rates in order to maintain a coverage ratio required by PEF's bond covenants. Finally, qualified construction projects outside of a rate proceeding are allowed to accrue allowance for funds used during construction (AFUDC), which provides for plant to be increased for the rate of return component incurred on CWIP. (Larkin)

FIPUG: No. Agree with OPC and the Florida Retail Federation.

FRF: No. No CWIP should be allowed in rate base because, consistent with Commission precedent, no CWIP is necessary to satisfy the Commission's financial integrity criteria. Rate base should be reduced by $82.105 million and the Test Year revenue requirement should correspondingly be reduced by $12.7 million.

AARP/SMW: Adopts same position as OPC.

WS: The Commission should eliminate CWIP from PEF's rate base.

CG: No. Agree with the FRF.

AG: No. No CWIP should be allowed in rate base because, consistent with Commission precedent, no CWIP is necessary to satisfy the Commission's financial integrity criteria. Rate base should be reduced by $82.105 million and the Test Year revenue requirement should correspondingly be reduced by $12.7 million.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 40: **Is PEF's requested level of Property Held for Future Use in the amount of $6,054,000 ($7,921,000 system) for the projected test year appropriate?**

POSITIONS:

PEF: PEF's requested level of Plant Held for Future Use in the amount of $6,000,000 ($7,922,000 system) is appropriate for the projected test year. (Portuondo).

OPC: No. PEF has projected the same level of Plant Held for Future Use ($7,921,000) for both 2005 and 2006, which is the same balance maintained for 2003 and 2004. On PEF's FERC Form 1, the Company indicates that $6,459,553 of these costs represent land and land rights that were to be placed in service in May 2005. If the Form 1 is correct, there will only be a remaining balance in future use plant of $1,461,721. This results in a reduction of the 2006 13-month average balance by $6,459,000 ($4,937,000 jurisdictional). (Larkin)

FIPUG: No. Agree with OPC.

FRF: No. Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No. Agree with the FRF.

AG: No. Agree with OPC.

STAFF: No. As a result of the revised jurisdictional factors, PEF's projected test year balance of jurisdictional Plant Held for Future Use should be reduced by $54,000 to reflect a balance of $6,000,000 ($7,921,000 system).

ISSUE 41: What adjustment, if any, should be made to the test year rate base concerning nuclear decommissioning?

POSITIONS:

PEF: No adjustment should be made as nuclear decommissioning is not included in rate base. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: Agree with OPC.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: Excess accumulated reserves in the amount of $75 million (the amount in PEF's non-tax qualified account) should be refunded to ratepayers.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 42: **DROPPED**

ISSUE 44: **Has PEF reflected the appropriate accumulated provision for uncollectibles?**

POSITIONS:

PEF: Yes. (Portuondo)

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 47: **What adjustment, if any, should be made to recoverable job orders that PEF included in working capital?**

POSITIONS:

PEF: None. The effects of recoverable job orders have already been removed from working capital in the case as filed. (Portuondo).

OPC: The Company's adjustment to increase working capital by $26,567,000 to remove recoverable job orders should be reversed. PEF has not shown why this amount should not be reflected as an asset, nor has the Company shown how removing work orders recoverable from a third party ca result in an increase in working capital. To properly reflect this removal, working capital should be decreased by double the Company's adjustment for $53,134,000 on a total company basis ($43,267,000 jurisdictional). (Larkin)

FIPUG: Agree with OPC.

FRF: PEF's adjustment to increase working capital by $26,567,000 to remove recoverable job orders should be reversed. To properly reflect this removal, PEF's working capital should be reduced by double the Company's adjustment, i.e., by $53,134,000 on a total company basis and by $43,267,000 on a jurisdictional basis.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: PEF's adjustment to increase working capital by $26,567,000 to remove recoverable job orders should be reversed. To properly reflect this removal, PEF's working capital should be reduced by double the Company's adjustment, i.e., by $53,134,000 on a total company basis and by $43,267,000 on a jurisdictional basis.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 48: **What is the appropriate cash balance that the Commission should include in working capital?**

POSITIONS:

PEF: The appropriate cash balance that the Commission should include in working capital is the amount as filed. (Portuondo).

OPC: Unless PEF can justify why its projected 2006 cash balance of $11.3 million should be maintained, such a large balance should not be allowed in working capital. Working capital should be reduced by $11,357,000 ($10,317,000 jurisdictional). (Larkin)

FIPUG: Agree with OPC.

FRF: Agree with OPC that PEF's cash balance in working capital should be reduced by $11,357,000 on a total company basis and by $10,317,000 on a jurisdictional basis.

AARP/SMW: Adopts same position as OPC.

WS: White Springs continues to review intervenor testimony and discovery responses in formulating its position.

CG: No position at this time.

AG: Agree with OPC that PEF's cash balance in working capital should be reduced by $11,357,000 on a total company basis and by $10,317,000 on a jurisdictional basis.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 49: **What adjustment, if any, should the Commission make to the accounts receivable from associated companies that PEF included in working capital?**

POSITIONS:

PEF: No adjustment should be made. (Portuondo)

OPC: Unless PEF can demonstrate that any or all of the $11.9 million of receivables from associated companies are related to providing retail service, $11,924,000 ($10,832,000 jurisdictional) should be excluded from working capital. (Larkin)

FIPUG: Agree with OPC. PEF should not be allowed a return on money owed by an affiliated company.

FRF: Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 50: **(a) What amount of total unbilled revenue should be allocated to the jurisdictional retail customers for purposes of computing allowable working capital?**

(b) Is the method used by PEF for calculating the increase in unbilled revenues by rate class appropriate?

POSITIONS:

PEF: (a) The amount of total unbilled revenue that should be allocated to the retail customers for the purpose of computing allowable working capital is $57,927,861. (Portuondo).

(b) Yes. PEF's method to calculate the increase in unbilled revenues by rate class, which relies on historical relationships of unbilled to billed MWHs, is appropriate. (Portuondo, Slusser).

OPC: (a) PEF has allocated 90.84% of unbilled revenues for the test year to retail customers. In the first five months of 2005, only 78.95% has been related to retail. Further, the impact of the sale of assets to the City of Winter Park would decrease this percentage as the City became a wholesale customer. A jurisdictional decrease to working capital of $8,151,000 should be made. (Larkin)

(b) The OPC takes no position on this issue at this time.

FIPUG: (a) No position at this time.

(b) No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 51: **What is the appropriate amount of derivative assets and liabilities, if any, that the Commission should allow to be included in working capital?**

POSITIONS:

PEF: (a) None, to the extent they represent the market-to-market expense of unrealized gains and losses entered into for the benefit of customers, they have already been removed from working capital given that the asset and liabilities net to zero. (Portuondo).

(b) No adjustments should be made. (Portuondo).

OPC: The non-hedged derivative assets and liabilities that result from the mark-to-market adjustments on the Company's balance sheet do not appear to result from cash transactions. Unless the Company can show that there is an outflow of dollars related to the derivatives, $23,471,000 ($21,321,000 jurisdictional) should be removed from the working capital calculation. (Larkin)

FIPUG: (a) None.

(b) Hedging activities should be examined annually in the fuel clause and not considered in base rates.

FRF: Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 52: PROPOSED STIPULATION – CATEGORY 1, NUMBER 7

ISSUE 53: What adjustment, if any should be made to the unamortized rate case portion of PEF's proposed working capital?

POSITIONS:

PEF: (a) No adjustment should be made. (Portuondo).

(b) Yes. $2,250,000 of unamortized rate case expenses should be included in working capital. (Portuondo).

OPC: The entire balance included in Working Capital by PEF for unamortized rate case expense should be removed. Costs associated with the current rate case should be expensed as incurred in 2005 and not deferred in 2006 or future periods. If PEF were to expense the cost in 2005, it would still earn a pro forma rate of return of over 12.35%. This return exceeds the requested ROE of 12.3% prior to and 12.8% after the inclusion of its requested ROE bonus for past performance. Earnings realized by PEF in 2005 year to date are more than adequate to recover its rate case costs in the current period. (DeRonne)

FIPUG: (a) Agree with OPC.

(b) No.

FRF: The entire balance of PEF's unamortized rate case expenses in the amount of $2.25 million should be removed from PEF's working capital. Costs associated with PEF's current rate case should be expensed as incurred in 2005 and not deferred into 2006 or any other future period. The impact of removing this amount from rate base is a reduction in PEF's Test Year revenue requirement of $348,618 (in addition to the $1.5 million of claimed deferred rate case expense that should be disallowed).

AARP/SMW: Adopts same position as OPC.

WS: PEF's proposed $12-25 million in working capital associated with rate case expenses should be removed from rate base.

CG: No position at this time.

AG: The entire balance of PEF's unamortized rate case expenses in the amount of $2.25 million should be removed from PEF's working capital. Costs associated with PEF's current rate case should be expensed as incurred in 2005 and not deferred into 2006 or any other future period. The impact of removing this amount from rate base is a reduction in PEF's Test Year revenue requirement of $348,618 (in addition to the $1.5 million of claimed deferred rate case expense that should be disallowed).

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 54: **PROPOSED STIPULATION – CATEGORY 5, NUMBER 1**

ISSUE 55: **DROPPED**

ISSUE 56: **Should an adjustment be made to working capital to exclude prepaid interest?**

POSITIONS:

PEF: Yes. The amount of $41,633 retail ($45,295 system) should be removed from rate base. (Portuondo)

OPC: OPC takes no position at this time pending further development.

FIPUG: Yes.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 57: **PROPOSED STIPULATION – CATEGORY 6, NUMBER 1**

ISSUE 58: **Should an adjustment be made to working capital for unfunded Other Post-retirement Employee Benefit (OPEB) liability? (White Springs' issue)**

POSITIONS:

PEF: No. (Bazemore, Portuondo)

OPC: OPC takes no position at this time pending further development.

FIPUG: Agree with White Springs.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Based on staff's review of the MFRs, staff audit report, testimony, and discovery responses, this is not at issue in this docket and the Issue should therefore be dropped.

ISSUE 59: **Has PEF properly included in its working capital two turbines that PEF intends to install in Hines Unit 4?**

POSITIONS:

PEF: PEF has proposed an adjustment in the amount of $38,263,000 ($46,782,000 system) to transfer the turbines from inventory to CWIP bearing AFUDC, thereby excluding them from Rate Base. (Portuondo).

OPC: The Company's purchase of two spare turbines to be used in the construction of Hines Unit 4 should have been charged to CWIP which accrued AFUDC, instead of materials and supplies. Working capital should be reduced by $46.8 million ($43,262,000 jurisdictional) (Larkin)

FIPUG: No. The items are not in use and useful service and should accrue AFUDC if they are destined for rate base.

FRF: No. Agree with OPC that PEF's purchase of two turbines purchased to be used in Hines Unit 4 should have been charged to CWIP that accrued AFUDC, rather than to materials and supplies. The result is that PEF's working capital should be reduced by $43.262 million on a jurisdictional basis.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No. Agree with OPC that PEF's purchase of two turbines purchased to be used in Hines Unit 4 should have been charged to CWIP that accrued AFUDC, rather than to materials and supplies. The result is that PEF's working capital should be reduced by $43.262 million on a jurisdictional basis.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 60: **Should other accounts receivable be reduced to exclude loans to employees?**

POSITIONS:

PEF: PEF has proposed an adjustment in the amount of $973,000 system and $796,000 retail to remove the accounts receivable and accounts payable for loans to employees, thereby excluding them from Rate Base. (Portuondo, Bazemore).

OPC: Yes, see Issue 52 (Larkin).

FIPUG: Yes.

FRF: Yes.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: Yes.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 61: **Should an adjustment be made to working capital to exclude prepayments for non-utility advertising?**

POSITIONS:

PEF: PEF has proposed an adjustment in the amount of $2,119,000 ($2,305,000 system) to exclude these prepayments. (Portuondo, Bazemore).

OPC: Prepayments for non-utility advertising is not appropriate to include in working capital as it is both promotional and non-utility in nature. An adjustment of $2,301,000 ($2,133,000 jurisdictional) should be made to remove these amounts from working capital. (Larkin)

FIPUG: Yes.

FRF: Yes. Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: Yes. PEF's ratepayers should not bear non-utility advertising expenses.

CG: No position at this time.

AG: Yes. Agree with OPC.

STAFF: Yes. Working capital should be reduced by $2,304,839 to remove prepaid, non-utility advertising expenses.

ISSUE 61A: **Should an adjustment be made to Interest Accrued in Working Capital?**

POSITIONS:

PEF: Yes. The necessary adjustment was made to the Company's case as part of the rebuttal testimony of Mr. Portuondo. (Portuondo)

OPC: No position at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: No position at this time.

WS: No position at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Yes. To reflect the appropriate amount of Interest Accrued for the projected test year, the Commission should increase Interest Accrued by $15,233,000 and decrease Short-term Debt by the same amount.

ISSUE 62: **Should working capital for the projected test year be adjusted for interest on tax deficiencies?**

POSITIONS:

PEF: No adjustment beyond that included in the Company's MFR is necessary. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 63: **Should an adjustment be made to Accrued Taxes Payable and Tax Collections Payable in working capital?**

POSITIONS:

PEF: No. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: Agree with OPC.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 64: **Should the net overrecovery/underrecovery of fuel, capacity, conservation, and environmental cost recovery clause expenses for the test year be included in the calculation of working capital allowance for PEF? If so, what adjustments, if any, should be made?**

POSITIONS:

PEF: No. (Portuondo).

OPC: Any clause net overrecoveries should be included as a reduction to working capital. Overrecoveries represent funds that the Company owes to customers that if excluded from working capital, customers would be providing the interest that the Company returned to them in the clause proceedings. PEF has inappropriately removed an energy conservation clause overrecovery in its projected test year. This is in violation of prior Commission orders and policy. As such, working capital should be reduced by $8,144,000 on a total company and jurisdictional basis. Net underrecoveries should not be included in working capital. (Larkin)

FIPUG: Agree with OPC.

FRF: Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Yes; however, no adjustment is necessary.

ISSUE 65: **Is PEF's level of Account 151, Fuel Stock, in the amount of $126,077,000 ($138,356,000 system) for the projected test year appropriate? If not, what adjustments, if any, should be made?**

POSITIONS:

PEF: (a) PEF's level of Account 151, Fuel Stock, in the amount of $124,359,000 ($138,356,000 system) is appropriate for the projected test year prior to adding the $25,515,000 ($28,387,000 system) adjustment to include inventory in transit previously recorded on Progress Fuels Corporation's books. (Dale Williams, Portuondo).

(b) PEF's fuel inventories should include the adjustment reflected in PEF's filing for inventory in transit previously recorded on Progress Fuels Corporation's books of $25,515,000 ($28,387,000 system). (Dale Williams, Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: (a) No position at this time.

(b) No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 66: **What adjustment, if any, should be made to test year working capital to account for costs related to the transfer of fuel procurement and transportation operations from Progress Fuels Corporation to PEF?**

POSITIONS:

PEF: No adjustment should be made beyond those already included in the Company's MFRs. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: (a) No position at this time.

(b) Yes. Other investments are not utility-related and should receive a rate of return from some other source. Therefore, working capital should be reduced by $550,000 ($500,000 jurisdictional) to remove these investments from working capital. In addition, PEF has understated its Last Core Nuclear Fuel reserve and its End-of-Life Materials and Supplies reserve by $3.323 million and $3.6235 million, respectively. PEF's working capital balance should thus be reduced by $6.947 million. PEF has also overstated working capital by $12.7 million associated with the removal of the storm damage cost recovery clause.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: (a) No position at this time.

(b) Yes. Agree with OPC that other investments are not utility-related and should receive a rate of **return** from some other source. Therefore, working capital should be reduced by $550,000 ($500,000 jurisdictional) to remove these investments from working capital.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 67: **Has PEF properly estimated the amount of storm damage reserve that will be available for the projected test year?**

POSITIONS:

PEF: Yes. PEF utilized the results of the hurricane risk assessment study to determine the appropriate level of the accrual. (Portuondo, Harris).

OPC: No. The appropriate level of the storm reserve should be $50 million, accumulated over five years, to provide a cushion in the event that the average costs of storms exceed the historical inflated average. It should also provide some coverage should another catastrophic season occur. The Company's average working capital for the projected test year is overstated by $19,574,000 ($18,976,000 jurisdictional). (Schultz)

FIPUG: No. Agree with OPC.

FRF: No. PEF has understated its year-end balance in the storm reserve (before additional Test Year accruals) by $500,000. PEF's storm damage reserve that will be available for the projected test year should be based on the actual accrual allowed in this proceeding.

AARP/SMW: Adopts same position as OPC.

WS: No. PEF experienced unprecedented storm damage costs in 2004, and that experience should not be used as a basis for PEF's storm damage reserve.

CG: No position at this time.

AG: No. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 68: **Has PEF accounted for its Asset Retirement Obligations in accordance with Rule 25-14.014, F.A.C., Accounting for Asset Retirement Obligations under SFAS 143, such that it is revenue neutral?**

POSITIONS:

PEF: Yes. (Portuondo)

OPC: The OPC takes no position on this issue.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 69: **Is PEF's requested level of Working Capital Allowance in the amount of $183,593,000 ($220,083,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.**

POSITIONS:

PEF: PEF's requested level of Working Capital Allowance in the amount of $108,102,000 ($141,571,000 system) for the projected test year, as filed in the Company's rebuttal testimony, is appropriate. (Portuondo).

OPC: No. PEF's requested Working Capital Allowance should be reduced by $137,206,000 to $46,387,000 on a jurisdictional basis for the projected test year. This issue is based upon the decisions in the preceding issue. (Larkin, DeRonne)

FIPUG: No.

FRF: No. PEF's requested Working Capital Allowance is overstated by all amounts indicated in the working capital issues, and should be adjusted accordingly. The FRF is continuing to calculate and compile the figures needed to provide a final Working Capital Allowance value.

AARP/SMW: Adopts same position as OPC.

WS: No. White Springs continues to analyze intervenor testimony and discovery responses to determine the appropriate working capital allowance.

CG: No.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 70: **What is the appropriate reserve goal for Account 228.1, Accumulated Provision for Property Insurance – Storm Damage?**

POSITIONS:

PEF: The appropriate reserve goal is expected to be an average of $250 million. (Portuondo, Harris).

OPC: The appropriate reserve goal is $50 million. (Schultz)

FIPUG: Agree with OPC.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 71: **DROPPED**

ISSUE 72: **Is PEF's requested level of Rate Base in the amount of $4,640,452,000 ($5,277,387,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.**

POSITIONS:

PEF: PEF's requested level of Rate Base in the amount of $4,545,891,000 ($4,956,769,000 system) for the projected test year is appropriate.. (Portuondo).

OPC: No. Based on the OPC's recommendations, rate base should be no more than $4,397,330 for the projected test year. As previously indicated, additional adjustments may be appropriate for the sale of the Winter Park distribution system to the City of Winter Park and for the impact of the prior capitalization policies on plant in service balances, which have not been quantified. The appropriate rate base is a fall-out amount from the decisions on preceding issues. (Larkin, DeRonne, Schultz, Pous)

FIPUG: No. The amount should be $4,397,330,000.

FRF: No. The fair, just, reasonable and prudent level of PEF's rate base for the projected test year is no more than $4,397,330,000. Additional adjustments to PEF's rate base are probably necessary to account for the sale of PEF's Winter

Park distribution system and also to account for the impact of prior capitalization policies on plant in service balances.

AARP/SMW: Adopts same position as OPC.

WS: No. White Springs continues to analyze intervenor testimony and discovery responses to determine the appropriate rate base level.

CG: No. Agree with the FRF.

AG: No. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

COST OF CAPITAL

ISSUE 73: Has PEF appropriately treated deferred income tax debit balances and deferred tax asset balances in its proposed capital structure? If not, what adjustments are needed?

POSITIONS:

PEF: Yes. PEF has appropriately treated deferred income tax debit balance and deferred tax asset balances in its proposed capital structure. (Portuondo).

OPC: No. Any deferred tax balance that has been funded by rate payers should not be included as an offset to credit deferred income taxes in the capital structure. Accordingly, the debit deferred taxes related to the nuclear decommissioning fund estimated to total $52,804,000 on a 13-month average basis for 2006 should be removed from the capital structure. Any other debit deferred taxes which are funded should also be removed from the capital structure. (Larkin)

FIPUG: Agree with OPC.

FRF: No. Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 74: **What is the appropriate amount of accumulated deferred taxes to include in the capital structure?**

POSITIONS:

PEF: The appropriate amount of accumulated deferred taxes to include in jurisdictional capital structure is $303,799,000. (Portuondo).

OPC: Based on the OPC's recommended rate base and capital structure, and OPC's recommended adjustments to accumulated deferred income taxes discussed in issue 73, above, accumulated deferred income taxes of $339,371,000 should be included in the capital structure. (Larkin, DeRonne)

FIPUG: Agree with OPC.

FRF: Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 75: **What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?**

POSITIONS:

PEF: The appropriate amount and cost rate of the unamortized investment tax credits on an FPSC adjusted retail basis to include in the capital structure are Post '70 Equity of $13,258,000 at 12.72% and Post '70 Debt of $7,441,000 at 5.73%. The Company's 13 month average balance properly recognizes the amortization of the investment tax credits. (Portuondo).

OPC: $12,635,000 @ 9.10% (equity component); $7,091,000 @ 5.73% (debt component) (DeRonne; Rothschild)

FIPUG: Agree with OPC.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 76: **Has FAS 109 been appropriately reflected in the capital structure, such that it is revenue neutral?**

POSITIONS:

PEF: Yes. (Portuondo)

OPC: The appropriate entry is ($43,183,000) @ 0%. (DeRonne)

FIPUG: Agree with OPC.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 77: **What is the appropriate cost rate for short-term debt for the projected test year?**

POSITIONS:

PEF: The appropriate cost rate for short-term debt is 4.04%. (Portuondo, Sullivan).

OPC: OPC adopts PEF's rate of 4.04% (Rothschild)

FIPUG: Agree with OPC.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 78: **PROPOSED STIPULATION – CATEGORY 1, NUMBER 3**

ISSUE 79: **In setting PEF's return on equity (ROE) for use in establishing PEF's revenue requirements and authorized range, is PEF's performance superior to that of other similar electric utilities? If so, should the Commission make an adjustment to reflect PEF's performance?**

POSITIONS:

PEF: Yes. As PEF's filing establishes, its ROE should be set at 12.8%, which reflects an upward adjustment of 50 basis points based, in part, on PEF's superior performance. (Cicchetti).

OPC: No. Strong financial performance is its own "reward.". Further, an increase in the allowed rate of return above PEF's cost of capital would provide a disincentive to invest in cost-reducing programs. (Rothschild)

FIPUG: No.

FRF: No. PEF's performance is not superior to that of other similar utilities. Additionally, PEF's costs to customers are among the highest in the Southeast for a substantial range of residential, commercial, and industrial usage characteristics. No "adder" to PEF's ROE for use in establishing PEF's revenue requirement is warranted, and no addition to PEF's otherwise "fair" ROE should be allowed.

AARP/SMW: Adopts same position as OPC.

WS: Yes, the Commission should set PEF's ROE at the low end of the range based on (1) the fact that its rates are among the highest in the southeastern United States and (2) PEF's failure to consider coal-fired generation. The Commission should reject PEF's proposed ROE adder for "superior performance."

CG: No. Agree with the FRF.

AG: No. No "adder" to PEF's ROE for use in establishing PEF's revenue requirement is warranted, and no addition to PEF's otherwise "fair" ROE should be allowed. PEF's performance is not superior to that of other similar utilities. Additionally, PEF's costs to customers are among the highest in the Southeast for a substantial range of residential, commercial, and industrial usage characteristics.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 80: **What is the appropriate cost rate for common equity to use in establishing PEF's revenue requirement for the projected test year?**

POSITIONS:

PEF: The appropriate cost rate for common equity is 12.8%. (Vander Weide, Cicchetti).

OPC: Based on witness Rothschild's DCF and CAPM analyses, the appropriate cost of equity is 9.1% (Rothschild)

FIPUG: 8.8%

FRF: Between 8.8% and 9.1%.

AARP/SMW: Adopts same position as OPC.

WS: The appropriate ROE for PEF is not more than 9.8%.

CG: No position at this time.

AG: Between 8.8% and 9.1%.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 81: **When determining the appropriate capital structure for PEF for ratemaking purposes, to what extent, if any, should the Commission base its determination on the capital structure of holding company Progress Energy?**

POSITIONS:

PEF: It is inappropriate for the Commission to determine PEF's capital structure based on the capital structure of PEF's parent company, Progress Energy, Inc. (Sullivan, Cicchetti).

OPC: The Commission should adopt for PEF the capital structure of Progress Energy (consolidated). This is the manner in which the activities of PEF truly are financed. If anything, a case could be made to allocate a smaller portion of equity based on PEF's less risky business. (Rothschild)

FIPUG: PEF's bond ratings and analyst's stock valuations are governed by the activities of the holding company rather than PEF's independent financial strength. The Commission should base PEF returns on PEF's financial position and disregard bond ratings and financial analysts downgrades based on the risk of the parent corporation.

FRF: The Commission and PEF should recognize that the rating agencies decisions are based on the holding company's capital structure and, therefore, PEF's recommended adjustments to increase the equity component of the PEF's capital structure should be disallowed.

AARP/SMW: Adopts same position as OPC.

WS: The Commission should not base its determination of the proper ROE for PEF on the capital structure of the holding company.

CG: No position at this time.

AG: The Commission and PEF should recognize that the rating agencies decisions are based on the holding company's capital structure and, therefore, PEF's recommended adjustments to increase the equity component of the PEF's capital structure should be disallowed.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 82: **Should adjustments be made for the capital structure effects of PEF's transactions with affiliated companies?**

POSITIONS:

PEF: No. (Portuondo, Sullivan, Bazemore).

OPC: The appropriate manner in which to take such transaction into account is to use the consolidated capital structure for ratemaking purposes. (Rothschild)

FIPUG: No.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: PEF's capital structure should be appropriate for a stand-alone utility.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 83: **Should the Commission approve PEF's request to impute additional common equity in its capital structure for ratemaking purposes to adjust for PEF's power purchase contracts?**

POSITIONS:

PEF: Yes. (Sullivan, Portuondo).

OPC: No. It is inappropriate to single out a single factor affecting risk while excluding others that could mitigate risk. Further, to the extent PEF believes a particular capital structure is efficient, it is management's job to actually implement that capital structure, rather than ask ratepayers to pay for equity capital that does not exist. (Rothschild)

FIPUG: (a) No. Florida law prohibits requiring consumers to pay a return on phantom equity.

FRF: No. Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: No. It would be unreasonable to impute additional common equity into PEF's capital structure because (1) that would provide a return on equity investments that have not been made, and (2) imputed equity is not necessary to support PEF's bond rating.

CG: No. Agree with the OPC.

AG: No. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 84: **When determining the appropriate capital structure, should the Commission accept PEF's adjustment to reflect the impact of the 1996 settlement of Crystal River 3 outage issues?**

POSITIONS:

PEF: Yes. (Portuondo)

OPC: No. While the adjustment was reasonable on a temporary basis, management has had more than enough time to modify the actual capital structure in light of the settlement. (Rothschild)

FIPUG: No. The 1996 settlement stipulation has run its course.

FRF: No. PEF's claimed equity adjustment relative to the 1997 Crystal River 3 outage costs is not necessary to maintain an appropriate equity ratio, and this adjustment should be discontinued. This adjustment reduces PEF's Test Year revenue requirement by $9.502 million.

AARP/SMW: Adopts same position as OPC.

WS: No. It would be unreasonable to impute additional common equity into PEF's capital structure because (1) that would provide a return on equity investments that have not been made, and (2) imputed equity is not necessary to support PEF's bond rating.

CG: No. Agree with the FRF.

AG: No. PEF's claimed equity adjustment relative to the 1997 Crystal River 3 outage costs is not necessary to maintain an appropriate equity ratio, and this adjustment should be discontinued.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 85: **When determining the appropriate capital structure, should the Commission accept PEF's proposal to exclude commercial paper associated with unrecovered fuel cost?**

POSITIONS:

PEF: Yes. (Portuondo)

OPC: No. Use of the Progress Energy consolidated capital structure, which is the best indicator of how PEF's operations are actually financed, already results in a conservatively high equity ratio. (Rothschild)

FIPUG: Agree with OPC.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 86: What is the appropriate capital structure for PEF?

POSITIONS:

PEF: (Portuondo, Sullivan, Cicchetti, Vander Weide).

		(A)	(B)	(C)	(D)
Line No.	Class of Capital	Jurisdictional Capital Structure	Ratio	Cost Rate	Weighted Cost Rate
1					
2	Common Equity	$2,623,162	57.70%	12.80%	7.386%
3	Preferred Stock	24,622	0.54%	4.51%	0.024%
4	Long Term Debt - Fixed	1,495,041	32.89%	5.73%	1.884%
5	Short Term Debt *	24,724	0.54%	4.04%	0.022%
6	Customer Deposits				
7	Active	99,154	2.18%	5.92%	0.129%
8	Inactive		0.00%		
9	Investment Tax Credit				
10	Post '70 Total				
11	Equity **	13,258	0.29%	12.72%	0.037%
12	Debt **	7,441	0.16%	5.73%	0.009%
13	Deferred Income Taxes	303,799	6.68%		
14	FAS 109 DIT - Net	(45,312)	-1.00%		
15					
16	Total	$4,545,891	100.00%		9.493%

OPC: The appropriate capital structure is shown on Ms. DeRonne's Schedule D, page 1, and below: (DeRonne; Rothschild)

PROGRESS ENERGY FLORIDA
Projected Test Year Ended December 31, 2006
Overall Cost of Capital, per OPC

Description	Amounts Adjusted to Reflect OPC Cap. Ratios	OPC Rate Base & DIT Adjustments	Per OPC Adjusted Amounts	Ratio	Per OPC Cost Rate	Weighted Cost
	(A)	(B)	(C)	(D)	(E)	(F)
Common Equity	1,778,700	(112,126)	1,666,574	37.89%	9.10%	3.45%
Preferred Equity	21,276	(1,341)	19,935	0.45%	4.58%	0.02%
Long Term Debt	2,297,841	(144,851)	2,152,990	48.95%	5.73%	2.80%
Short Term Debt	157,445	(9,925)	147,520	3.35%	4.04%	0.14%
Customer Deposits	101,979	(6,429)	95,550	2.17%	5.92%	0.13%
Investment Tax Credit - Equity	13,485	(850)	12,635	0.29%	9.10%	0.03%
Investment Tax Credit - Debt	7,568	(477)	7,091	0.16%	5.73%	0.01%
Deferred Income Taxes	309,400	29,971	339,371	7.72%	0.00%	0.00%
FAS 109 DIT - Net	(46,088)	2,905	(43,183)	-0.98%	0.00%	0.00%
Total Capital Structure	4,641,606	(243,122)	4,398,484	100.00%		6.57%

Source/Reference:

Cols. (A) & (E): Amounts are sponsored by Citizens' witness James A. Rothschild and may be found on Sch. JAR 1, page 2, included with Mr. Rothschild's testimony.

Cols. (B), (C) & (D): See page 2

FIPUG: Agree with OPC except as to the ROE, which should be 8.8%. The resulting overall return is 6.45%.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: The appropriate capital structure for PEF is provided at White Springs' Ex. MPG-2

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 87: **What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure? This is a calculation based upon the decisions in preceding issues.**

POSITIONS:

PEF: The appropriate weighted average cost of capital is 9.493% as calculated in Company's Minimum Filing Requirements. (Portuondo, Sullivan, Cicchetti, Vander Weide).

OPC: Based on the capital structure delineated in Issue 86, the overall weighted cost of capital is 6.57%. (Rothschild, DeRonne)

FIPUG: Agree with OPC.

FRF: No position at this time pending further calculations.

AARP/SMW: Adopts same position as OPC.

WS: White Springs recommends an overall cost of capital of 7.39%. The components, amounts and cost rates are provided in Ex. MPG-2 to Mr. Gorman's testimony.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

NET OPERATING INCOME

ISSUE 88: **Are PEF's estimated revenues for sales of electricity by rate class appropriate?**

POSITIONS:

PEF: Yes, as of the time of PEF's original filing, but PEF will be filing with its rebuttal testimony updated schedules detailing the estimated revenues for sales of electricity by rate class due to the removal of the projected customers, energy, and load to be consumed by residents of the City of Winter Park, utilizing the updated forecast that PEF prepares annually in conjunction with the upcoming re-projection filing in the fuel docket, which has recently become available. (Crisp, Portuondo)

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: No. Because PEF's cost allocation and rate design proposals are unreasonable, its estimated revenues by class are unreasonable. If the Commission were to approve the PEF cost allocation and rate design proposals, PEF has not accounted for elasticity of demand, and associated load losses, that would reduce industrial class revenue.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 89: Are PEF's estimated other operating revenues appropriate?

POSITIONS:

PEF: Yes, as of the time of PEF's original filing, but PEF will be filing with its rebuttal testimony updated schedules detailing the estimated other operating revenue due to the removal from the forecast of the projected customers, energy, and load to be consumed by residents of the City of Winter Park, as well as a new forecast cycle with more recent forecast inputs, and a more current projection of test year customers, KWH and system KW. (Portuondo, Slusser, Crisp)

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 90: Are any adjustments to net operating income necessary due to Winter Park's purchase of PEF's electric distribution system within Winter Park?

POSITIONS:

PEF: Yes, PEF will be filing with its rebuttal testimony updated schedules detailing the estimated net operating income due to the removal from the forecast of the projected customers, energy, and load to be consumed by residents of the City of Winter Park, as well as a new forecast cycle with more recent forecast inputs, and a more current projection of test year customers, KWH and system KW, as well as other adjustments recommended by intervenors. (Portuondo, Slusser).

OPC: On June 1, 2005, PEF finalized the sale and operational control to the City of Winter Park of the electric distribution system within the city's boundaries. None of the impacts from this sale are included in this rate filing nor has the Company been forthcoming with any actual or estimates of the impact that this transaction will have on the rate filing. The Commission should require the Company to provide the rate base impact, the reduction in operating expenses associated with the maintenance that will now be performed by the City, and the load and rate allocations to reflect that the City will be a wholesale customer. Additionally, the Commission should require the Company to submit supporting documents and calculations to determine the gain on sale of the assets, which should then be amortized over 5 years, consistent with typical treatment of gains on sale of utility assets. (DeRonne)

FIPUG: No position at this time.

FRF: Yes. PEF's net operating income should be increased by amortization of the gain on the sale to Winter Park. The gain should be amortized over a two-year period to offset the impact to PEF's remaining retail customers from having to absorb Winter Park's share of the storm damage costs that are being recovered through the Storm Damage Cost Recovery Clause. Further, the Commission should require PEF to demonstrate the level of operating and maintenance expenses that should be reduced as a result of the sale, as well as any rate base effects from selling the assets.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: Yes. PEF's net operating income should be increased by amortization of the gain on the sale to Winter Park. The gain should be amortized over a two-year period to offset the impact to PEF's remaining retail customers from having to absorb Winter Park's share of the storm damage costs that are being recovered through the Storm Damage Cost Recovery Clause. Further, the Commission should require PEF to demonstrate the level of operating and maintenance expenses that should be reduced as a result of the sale, as well as any rate base effects from selling the assets.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 91: Has PEF made the appropriate adjustments to remove fuel revenues, expenses and revenue taxes recoverable through the Fuel Adjustment Clause?

POSITIONS:

PEF: Yes. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 92: **Has PEF made the appropriate adjustments to remove the capacity cost revenues, expenses and revenue taxes recoverable through the Capacity Cost Recovery Clause?**

POSITIONS:

PEF: Yes. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 93: **Has PEF made the appropriate adjustments to remove environmental revenues, expenses and revenue taxes recoverable through the Environmental Cost Recovery Clause?**

POSITIONS:

PEF: Yes. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 94: Has PEF made the appropriate adjustments to remove conservation revenues, expenses and taxes recoverable through the Conservation Cost Recovery Clause?

POSITIONS:

PEF: Yes. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 95: Has PEF properly removed Off-System Sales revenues, expenses and taxes other for wholesale sales and included retail for the projected test year?

POSITIONS:

PEF: Yes. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 96: Is PEF's requested level of Total Operating Revenues in the amount of $1,482,222,000 ($1,615,187,000 system) for the projected test year appropriate?

POSITIONS:

PEF: PEF's requested level of Total Operating Revenues in the amount of $1,451,275,000 ($1,584,517,000 system) for the projected test year is appropriate. (Portuondo).

OPC: The OPC takes no position on this issue at this time. This appropriate amount is a fall-out amount from the decision on prior issues.

FIPUG: Yes.

FRF: No. As a preliminary matter, the FRF understands that PEF is requesting Total Operating Revenues of $1,688,778,000 for the Test Year; the FRF strongly believes that this request is excessive and inappropriate. The FRF is still calculating and compiling the effects of its positions on all issues that impact PEF's allowed revenue requirement. Tentatively, the FRF believes that the fair, just, and reasonable jurisdictional revenue requirement for PEF for the 2006 Test Year is approximately $1,100,000,000.

AARP/SMW: Adopts same position as OPC.

WS: No. White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 97: DROPPED

ISSUE 98: **What adjustment should be made to test year O&M related to Hines Unit 2?**

POSITIONS:

PEF: No adjustment should be made to test year O&M related to Hines Unit 2. (M. Williams, Portuondo).

OPC: The OPC takes no position on this issue.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 99: **Are the O&M costs associated with the Hines Unit 3 generating unit appropriate?**

POSITIONS:

PEF: Yes. Current estimates for the O&M costs of Hines Unit 3 are consistent with the Need Determination Study prepared in support of Progress Energy Florida's petition for determination of need of Hines 3 Combined Cycle Unit and approved by Commission Order No. PSC-03-0175-FOF-EI. (Crisp, M. Williams, Portuondo).

OPC: The OPC takes no position on this issue.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 100: What adjustment should be made to test year expenses to account for A&G expense related to the transfer of fuel procurement and transportation operations from Progress Fuels Corporation to a new consolidated organization?

POSITIONS:

PEF: None, the MFRs already includes an adjustment for $1,742,000 ($1,819,000 system) to account for the fuel procurement and transportation operations from Progress Fuel Corporation to PEF as part of steam generation maintenance. (Portuondo).

OPC: The OPC takes no position on this issue.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 101: Are PEF's recently implemented capitalization policies reasonable and appropriate? Did PEF accurately reflect the impact of the change in policy in its filing? What adjustments to operating income are necessary to reflect an appropriate capitalization policy?

POSITIONS:

PEF: PEF objects to the inclusion of this issue because it is irrelevant to this proceeding, and the only relevant issue is whether the expenses and rate base that PEF has proposed in 2006 are reasonable. PEF's proposed test year capital and O&M expenses associated with the change in the Company's capitalization policy are reasonable. In any event, however, PEF's capitalization policies are reasonable and appropriate, and PEF has accurately reflected the impact of the change in its filing. No adjustments are needed. (Bazemore, Portuondo).

OPC: The accounting policy change may have merit, but the Company has not supported the claimed impact on the test year; nor has it addressed possible carry-over impacts from years past. To reflect the significant concern on the quantification, the Company's estimated impact on operating income and rate base be reduced by 50% and the Company should be required to provide the amount of the overstatement of rate base for the 2002-2004 due to the questionable capitalization practice utilized during that time. Further, in the future, the Company should be required to provide detailed justification of any significant changes in accounting along with a detailed quantification of the impact on net operating income and/or rate base. For purposes of this rate proceeding, operating expenses should be reduced by $10,356,000 and rate base should be increased by $25,673,000 on a jurisdictional basis. (Schultz)

FIPUG: There is inadequate evidence presented to justify increasing expenses for items that have a prolonged useful life.

FRF: No. Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 102: **Should an adjustment be made to PEF's requested level of security expense related to the increased threat of terrorist attacks since September 11, 2001?**

POSITIONS:

PEF: PEF's projected security expenses related to the increased threat of terrorist attacks since September 11, 2001 of $2,149,000 are appropriate. Recovery of these ongoing heightened security costs through base rates should not preclude PEF from recovering, pending Commission approval, new and unforeseen heightened security costs through the Capacity Cost Recovery Clause or through a future adjustment to base rates. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 103: **Are the costs included in the projected test year for incentive compensation and employee bonuses reasonable and appropriate? Should all of the projected incentive compensation and bonus costs be funded by ratepayers?**

POSITIONS:

PEF: Yes as to both questions in this issue. (Bazemore).

OPC: The Company's requested test year incentive compensation level has increased significantly since 2002 while the employee complement has remained relatively stable. Further, the purpose of this compensation is to promote the interests of the shareholders and does not mention customers or customer service. The Company's incentive compensation plan includes three specific programs: the Employee Cash Incentive Plan (ECIP), the Management Incentive Compensation Plan (MICP) and the Long-term Incentive Plan (LTIP). First, for the ECIP, the goals are questionable, not set to create a true incentive and any benefit from performance flows to the shareholders not to customers. Equal sharing of this cost is recommended. For the MICP and LTIP, the goals are specifically focused on financial results and rewards are tied to performance. No operating goals that are tied to customer service or satisfaction are tied to the rewards. Clearly no benefit to the ratepayers for these plans have been identified and as such, the cost for these plans should be born by the shareholders. The appropriate O&M expense reduction for incentive compensation is $7,967,000 ($7,143,000 jurisdictional). (Schultz)

FIPUG: No position at this time.

FRF: No. The incentive compensation costs included by PEF in the test year are not reasonable or appropriate. Incentive compensation to PEF employees should be reduced by $7.143 million (jurisdictional), and incentive compensation to employees of PEF's service company affiliate should be eliminated, which will reduce PEF's test year revenue requirement by $4.983 million (jurisdictional).

AARP/SMW: Adopts same position as OPC.

WS: PEF's costs for incentive compensation and employee bonuses are excessive. Moreover, ratepayers should not bear all of the costs of such plans. White Springs supports the Citizens of Florida proposed reduction.

CG: No position at this time.

AG: No. The incentive compensation costs included by PEF in the test year are not reasonable or appropriate. Incentive compensation to PEF employees should be reduced by $7.143 million (jurisdictional), and incentive compensation to employees of PEF's service company affiliate should be eliminated, which will reduce PEF's test year revenue requirement by $4.983 million (jurisdictional).

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 104: Is the employee complement included in the projected test year accurate and reasonable? If no, what adjustments, if any, are necessary?

POSITIONS:

PEF: Yes. (Portuondo, Bazemore).

OPC: While no adjustment is recommended, the Company's filing reflects some downsizing in employees but it is questionable as to whether the filing reflects the full impact of the proposed reduction. (Schultz)

FIPUG: No position at this time.

FRF: No. PEF has overstated its Test Year employee complement. To correct this overstatement, PEF's Test Year jurisdictional revenue requirement should be reduced by $2.235 million.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No. PEF has overstated its Test Year employee complement. To correct this overstatement, PEF's Test Year jurisdictional revenue requirement should be reduced by $2.235 million.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 105: Has PEF made the proper adjustment to remove the effect of vacancies on the labor complement?

POSITIONS:

PEF: PEF has made the proper adjustment to remove the effects of vacancies on the labor complement in the MFRs as filed. (Portuondo, Myers).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No. PEF has overstated its Test Year employee complement. To correct this overstatement, PEF's Test Year jurisdictional revenue requirement should be reduced by $2.235 million.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No. PEF has overstated its Test Year employee complement. To correct this overstatement, PEF's Test Year jurisdictional revenue requirement should be reduced by $2.235 million.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 106: Should an adjustment be made to reduce costs related to temporary staff?

POSITIONS:

PEF: No. PEF's budgeted temporary staff costs are appropriate for rate making purposes. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 107: Should an adjustment be made to employee relocation expense for the projected test year?

POSITIONS:

PEF: No. (Portuondo, Bazemore).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 108: Should an adjustment be made for new employees hired and the related moving expenses?

POSITIONS:

PEF: No. (Portuondo, Bazemore).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 109: Is the level of overhead cost allocations for the projected test year appropriate?

POSITIONS:

PEF: Yes. (Portuondo, Bazemore).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 110: Should an adjustment be made to Account 926, Employee Benefits, for the projected test year?

POSITIONS:

PEF: Yes, an adjustment of $2,835,000 ($2,579,000 system) should be made to account 926 for medical insurance as presented in the Company's rebuttal testimony. (Bazemore, Portuondo).

OPC: Healthcare expense is overstated by $3,046,351 ($2,767,305 jurisdictional) because the company used an estimate for 2004 as a starting point which was higher than the 2004 actual cost. PEF also overstated the 2005 inflation trend and the cost per employee, and understated the clearing account credit for 2006. The recommended healthcare cost per employee of $5,448 was multiplied by the

4,131 number of employees projected for 2006. The total was then reduced by a 54.25% expense factor to equal an annual expense of $12,209,837. (Schultz)

FIPUG: No position at this time.

FRF: Yes. PEF's health care expense should be reduced by $2.767 million (jurisdictional).

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: Yes. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 111: Is PEF's projected test year accrual for medical/life reserve-active employees and retirees appropriate?

POSITIONS:

PEF: Yes, as adjusted in the Company's rebuttal testimony. (Bazemore, Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 112: Is PEF's requested level of Other Post Employment Benefits Expense for the projected test year appropriate?

POSITIONS:

PEF: Yes. (Bazemore, Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 113: Are the amounts included in the projected test year for costs allocated to PEF from affiliated companies reasonable and appropriate?

POSITIONS:

PEF: Yes. (Bazemore, Portuondo).

OPC: Service Company Incentive Compensation from Progress Energy Service Company should be disallowed, resulting in a $5,671,000 ($4,983,000) reduction to expense. (Schultz, DeRonne)

FIPUG: No position at this time.

FRF: No. Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

CG: No position at this time.

AG: No. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 114: Has PEF made the appropriate adjustment to remove non-utility expenses?

POSITIONS:

PEF: Yes, as updated by the Company's rebuttal testimony. (Portuondo, Bazemore).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

CG: No position at this time.

AG: No position at this time.

STAFF: Based on staff's review of the MFRs, staff audit report, testimony, and discovery responses, this is not at issue in this docket and the Issue should therefore be dropped.

ISSUE 115: Are all impacts of the Cost Management Initiative appropriately reflected in the projected test year?

POSITIONS:

PEF: Yes. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 116: What adjustments, if any, should be made to Transmission O&M expenses?

POSITIONS:

PEF: No adjustments should be made. (DeSouza, Lyash)

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: PEF's Transmission O&M expenses for the Test Year should be reduced by $1.564 million (jurisdictional).

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: Agree with the FRF.

AG: PEF's **Transmission** O&M expenses for the Test Year should be reduced by $1.564 million (jurisdictional).

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 117: What adjustment, if any, should be made to PEF's proposed level of vegetation management expense?

POSITIONS:

PEF: No adjustment should be made to PEF's proposed level of vegetation management expenses. (DeSouza, McDonald, Oliver).

OPC: The Company's 2006 projected distribution vegetation management expense of $26.26 million is 70% higher than actual 2004. The OPC recommends the 2006 distribution vegetation management expense be set at $23.1 million, which is 50% higher than the 2004 actual and close to the amount budgeted for 2005. This results in a $3,145,000 ($3,137,000 jurisdiction) reduction to the amount included by PEF. Additionally, PEF should be required to provide quarterly reports to the Commission reflecting actual expenditures for this function. In the event PEF does not actually spend the amount it receives in rates for vegetation management costs, the amount under-spent should be deferred and returned to ratepayers. Considering the substantial projected increase coupled with the lack of supporting detail, such a deferral would be appropriate in this instance. (DeRonne)

FIPUG: No position at this time.

FRF: PEF's total incremental distribution reliability initiatives, including vegetation management expenses, should be reduced by $10.038 million ($10.014 jurisdictional).

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: Agree with the FRF.

AG: Agree with the OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 118: Should an adjustment be made to street and outdoor light maintenance expense?

POSITIONS:

PEF: Progress Energy Florida's proposed street and outdoor light maintenance charges are appropriate. (Slusser, McDonald).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 119: What adjustments, if any, should be made to Distribution O&M expenses?

POSITIONS:

PEF: No adjustments should be made. (McDonald, Lyash).

OPC: Distribution O&M expense should be reduced by $3,145,000 ($3,137,000) jurisdictional), to reflect the OPC's recommendation that the projected distribution vegetation management expense be reduced. See Issue 117. (DeRonne)

FIPUG: No position at this time.

FRF: PEF's Distribution O&M expense for the Test Year should be reduced by $10.014 million, based on PEF's record of prior years' expenditures being significantly below the amounts that PEF had represented to the Commission.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: Agree with the FRF.

AG: PEF's Distribution O&M expense for the Test Year should be reduced by $10.014 million, based on PEF's record of prior years' expenditures being significantly below the amounts that PEF had represented to the Commission.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 120: What adjustment should be made to test year expenses to account for Mobile Meter Reading expense savings?

POSITIONS:

PEF: An adjustment has already been made to decrease O&M expense by $13,877,000 and increase depreciation expense by $9,239,000 in the Company's filed MFRs. (Portuondo, McDonald).

OPC: None. PEF has adequately adjusted for the Mobile Meter Reading Expense savings in its filing.

FIPUG: No position at this time.

FRF: None. Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: None. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 121: Should an adjustment be made to Account 904, Uncollectible Accounts, for the projected test year and what is the appropriate factor to include in the revenue expansion factor?

POSITIONS:

PEF: No adjustment should be made to account 904, Uncollectible Accounts, for the projected test year. The expense of $6,270,000 is appropriate. The appropriate factor to include in the revenue expansion factor is .001743. (Portuondo).

OPC: Yes. The 2006 projected bad debt factor is excessive and should be reduced to reflect a normalized level. In order to reflect the variability and normal fluctuation of uncollectible expense over time, it is appropriate to use a 4-year average of historical bad debt factors using the years 2001 to 2004. The normal 4-year average results in a bad debt factor of 0.144% for a total test year expense of $5,218,000, and a reduction of $1,080,000 to the expense requested in the filing. The 0.144% factor should be used in determining the revenue expansion factor. (DeRonne)

FIPUG: No position at this time.

FRF: Yes. PEF's bad debt expense should be reduced by $1.104 million. Additionally, using the correct bad debt factor of 0.1444% reduces PEF's revenue expansion factor from 1.63202 to 1.63153. The combined impact on the Test Year revenue requirement is $1.162 million.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: Agree with the FRF.

AG: Yes. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 122: Should an adjustment be made to remove image building or other advertising expenses?

POSITIONS:

PEF: Yes. An adjustment was already made to remove image building advertising expenses from O&M on Schedule C-4 in the amount of $4.2 million on page 10 of 42. (Portuondo, Bazemore).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: PEF, as a regulated monopoly, should not be allowed to recover image-building or advertising expenses from its ratepayers.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 123: Should an adjustment be made for economic development activities? (930)

POSITIONS:

PEF: No. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 124: **Are industry association dues included in the projected test year and, if so, should an adjustment be made to remove them?**

POSITIONS:

PEF: No. An adjustment was already made to remove them from the projected test year in the amount of $285,000 ($308,000 system) from O&M on Schedule C-4, page 10 of 42. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: Absent a compelling demonstration that such expenses benefit ratepayers, industry association dues should be borne solely by PEF's shareholders.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 125: **Has PEF budgeted to fund the NEI Utility Waste Management Group, and if so, should an adjustment be made to remove it?**

POSITIONS:

PEF: Yes, PEF has budgeted to fund the NEI Utility Waste Management Group, and yes, an adjustment of $253,000 retail ($270,000 system) should be made to remove it. (Portuondo)

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 126: Should an adjustment be made to remove a portion of EEI dues?

POSITIONS:

PEF: No. An adjustment was already made to remove them from the projected test year in the amount of $215,112 system from O&M on Schedule C-4, page 10 of 42. The $215,112 is included in the $308,000 adjustment for industry association dues. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: Absent a compelling demonstration that such expenses benefit ratepayers, industry association dues should be borne solely by PEF's shareholders.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 127: Has PEF made the appropriate adjustments to remove charitable contributions?

POSITIONS:

PEF: Yes. Charitable contributions are charged to below the line FERC account number 426. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: Yes.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 128: **Should an adjustment be made to Account 912, Demonstrating and Selling Expenses for the projected test year?**

POSITIONS:

PEF: No. (Morman-Perry, Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: PEF, as a regulated monopoly, should not be allowed to recover Demonstrating and Selling expenses from its ratepayers.

CG: No position at this time.

AG: No position at this time.

STAFF: Based on staff's review of the MFRs, staff audit report, testimony, and discovery responses, this is not at issue in this docket and the Issue should therefore be dropped.

ISSUE 129: **(a) What is the appropriate amount of NEIL distribution to be included in the test year?**

(b) What amount of directors and officers liability insurance costs should be included in the test year?

POSITIONS:

PEF: Yes, a reduction of $584,000 ($639,999 system) has been made as part of the Company's rebuttal testimony. (Bazemore, Portuondo).

(a) The appropriate amount of NEIL Distribution included in the test year is $2,589,757 ($2,834,700 system) and has been reflected in the Company's rebuttal testimony. (Bazemore, Portuondo).

(b) The amount as filed in our MFRs for directors and officers liability insurance cost should be included in the test year. (Bazemore, Portuondo).

OPC: NEIL distributions to PEF offset the amount of nuclear property insurance costs incurred. While the NEIL distributions did decline from 2002 to 2004, the annual distributions have increased in 2005. Considering the distributions have increased in 2005 as compared to the decrease predicted by PEF in its filing, the 2005 level should be used to project the level that will be received in 2006. Thus, the test year NEIL distributions should be $2,834,700 which results in a decrease of $639,000 to insurance expense.

The purpose of D&O liability insurance is to protect the shareholders from the shareholders' own decisions. Ratepayers do not have input into who manages the Company, who serves on the Board of Directors, and certainly will not receive any compensation by insurance companies for losses incurred by shareholders for management or director mistakes or improprieties. As such, the costs associated with the protection of the shareholders' investment should be born by shareholders, not by the ratepayers. Accordingly, D&O liability insurance of $1,953,000 should be removed from test year expenses ($1,805,000 jurisdictional). (DeRonne)

FIPUG: No position at this time.

FRF: Yes. Directors' and officers' liability insurance costs should be disallowed in their entirety.

(a) Agree with OPC.

(b) Zero. Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: Yes. Directors' and officers' liability insurance costs should be disallowed in their entirety.

a. Agree with OPC.

b. Zero. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 130: Is PEF's requested $50,000,000 annual accrual for storm damage for the projected test year appropriate?

POSITIONS:

PEF: Yes. (Portuondo, Harris).

OPC: No. The establishment of the annual accrual should not be intended to provide recovery of catastrophic damages such as those incurred in 2004. If such costs occur, PEF may seek consideration of a request for an appropriate surcharge or other mechanism. The appropriate annual accrual should be $12.5 million. This will provide for an annual replenishment of the reserve of $10 million and an average expected charge against the reserve of $2.5 million. This results in a decrease to the Company's requested accrual of $37.5 million ($36,356,000 jurisdictional). (Schultz)

FIPUG: Agree with OPC.

FRF: No. PEF's annual accrual for its storm damage reserve should be $15.2 million. This results in reducing PEF's Test Year revenue requirement by $31.125 million.

SMW: Adopts same position as OPC.

AARP: No. The annual accrual should be no greater the $10 million.

WS: No. White Springs supports the Citizens of Florida position.

CG: No position at this time.

AG: No. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 131: Should an adjustment be made to Account 928, Regulatory Commission Expense, for rate case expense for the projected test year and what is the appropriate amortization period?

POSITIONS:

PEF: Yes. PEF has included an adjustment in the projected test year of $1,500,000, based on projected cost of $3,000,000 amortized over a two year period beginning January, 2006. (Portuondo).

OPC: The appropriate amount of rate case expense to include in base rates is zero and test year expenses should be decreased by $1.5 million. Citizens' analysis shows that not only does PEF not deserve any increase in rates, but instead its base rates should be decreased by $360,496,000. Even the Company's own Rate of Return Surveillance Report for April 2005 shows that it is earning a pro forma return on equity of 12.5%. Ratepayers should not be forced to fund an excessive level of rate case expense associate with a request for an increase that is so clearly imprudent and unreasonable. Further, the Commission should require the Company to expense the rate case costs in 2005 and not defer any amounts to 2006.

However, if the Commission disagrees with OPC that some level of rate case costs should be included in the test year, further adjustments are necessary to reduce the excessive hourly rates being charge to PEF by certain of its outside consultants.. OPC recommends that the project hourly costs associated with these outside consultants should be shared 50/50 between ratepayers and shareholders. PEF is free to retain the level of experts it chooses; however, ratepayers should not be burdened with excessive or unreasonable rate case costs. Finally, if the Commission does determine that some level of rate case expense should be granted for recovery in base rates, the proper amortization period should be set at four years. It has been over 12 years since PEF's last fully litigated base rate case. To now assume that another base increase will occur in two years is not reflective of past history or reasonable. (DeRonne)

FIPUG: No position at this time.

FRF: Yes. PEF should not be allowed to recover any rate case expenses for the projected Test Year, and Test Year expenses should accordingly be reduced by $1.5 million. If the Commission, contrary to the recommendations of OPC's and the FRF's witnesses, allows any rate case expense, the Commission should disallow costs associated with excessive hourly billing rates, and the proper amortization period would be at least 4 years.

AARP/SMW: Adopts same position as OPC.

WS: PEF's proposal to recover $3 million in rate case expenses from its customers is unreasonable. White Springs supports the Citizens of Florida position.

CG: No position at this time.

AG: Yes. PEF should not be allowed to recover any rate case expenses for the projected Test Year, and Test Year expenses should accordingly be reduced by $1.5 million. If the Commission, contrary to the recommendations of OPC's and the FRF's witnesses, allows any rate case expense, the Commission should disallow costs associated with excessive hourly billing rates, and the proper amortization period would be at least 4 years.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 132: Should the O&M expense items currently approved for recovery through the Environmental Cost Recovery Clause be included in base rates?

POSITIONS:

PEF: No. (Portuondo)

OPC: OPC favors recovery through base rates.

FIPUG: Yes.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: Capital costs currently recovered through the ECR Clause should be recovered through base rates.

CG: No position at this time.

AG: Agree with OPC.

STAFF: No.

ISSUE 133: Is PEF's O&M Expense of $612,136,000 ($673,859,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITIONS:

PEF: PEF's requested level of O&M Expense in the amount of $604,258,000 ($669,750,000 system) for the projected test year is appropriate. (Portuondo, M. Williams, Young, DeSouza, McDonald, Bazemore, Slusser).

OPC: No. The adjustments identified above should be made. (DeRonne)

FIPUG: Agree with OPC.

FRF: No. No position at this time regarding total allowable O&M expenses pending further calculations on all O&M issues.

AARP/SMW: Adopts same position as OPC.

WS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

CG: No. Agree with the FRF.

AG: No. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 134: What adjustments, if any, should be made to PEF's projected test year net operating income to account for spent nuclear fuel O&M expenses?

POSITIONS:

PEF: No adjustment should be made. (Portuondo, Young).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 135: DROPPED

ISSUE 136: What adjustments, if any, should be made to the projected test year expenses to recognize implementation of FAS 133/137, Accounting for Derivative Instruments and Hedging Activities?

POSITIONS:

PEF: None. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: Volatile hedging costs and profits should be dealt with in the fuel docket.

FRF: Agree with FIPUG that hedging costs and profits should be dealt with in the Fuel and Purchased Power Cost Recovery docket.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 137: **What adjustment, if any, should the Commission make to the test year Depreciation and Amortization Expense that PEF included in its filing? This is a calculation based upon the decisions in preceding issues.**

POSITIONS:

PEF: None. (Portuondo, Robinson, Bazemore).

OPC: Depreciation expense should be reduced by $4,652,000 on a jurisdictional basis to reflect the recommended adjustments to plant in service addressed by OPC witnesses Larkin, by $164,586,000 on a jurisdictional basis to reflect the flow-back of a portion of excess depreciation reserve, by $32,439,000 to reflect the flow-back of excess decommissioning funds, and increased by $980,000 to reflect the OPC's position with regards to the change in charging practices. Additional adjustments, that have not been quantified, may be appropriate associated with the sale of a portion of the distribution system to the City of Winter Park and the impact of the past charging practices on plant in service. The final amount is subject to the resolution of other issues. (Pous, DeRonne, Schultz)

FIPUG: PEF should reduce its rate $211,000,000 per year to amortize excess depreciation charges imposed upon current customers.

FRF: Agree with OPC.

AARP/SMW: Adopts same position as OPC.

WS: PEF should be directed to make a compliance filing that establishes depreciation rates that reflect the following adjustments to PEF's filed new depreciation rates: 1) zero net salvage cost for T&D plant, and (2) amortize $250 million of excess reserves over 5 years.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 138: Are any adjustments to the projected test year amortization of the net gain on sale of assets appropriate?

POSITIONS:

PEF: No. (Portuondo)

OPC: Yes. On June 1, 2005, PEF finalized the sale and operational control to the City of Winter Park of the electric distribution system within the city's boundaries. None of the impacts from this sale are included in this rate filing nor has the Company been forthcoming with any actual or estimates of the impact that this transaction will have on the rate filing. The Commission should require the Company to submit supporting documents and calculations to determine the gain on sale of the assets, which should then be amortized over 5 years, consistent with typical treatment of gains on sale of utility assets. (DeRonne)

FIPUG: No position at this time.

FRF: Yes. PEF's test year amortization of the net gain on sale of assets should be increased by at least $5.96 million to account for the gain on sale of PEF's Winter Park distribution facilities. The Commission should also consider a more rapid amortization, over 2 years, to account for the fact that the Winter Park customers will no longer be included in the retail customer base who are paying PEF's storm cost recovery charge, with the result that those costs will be transferred to the remaining PEF customers. If the Commission amortizes the gain on the Winter Park sale over 2 years, the reduction to PEF's Test Year revenue requirement is $14.9 million.

AARP/SMW: Adopts same position as OPC.

WS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

CG: No position at this time.

AG: Yes. PEF's test year amortization of the net gain on sale of assets should be increased by at least $5.96 million to account for the gain on sale of PEF's Winter Park distribution facilities. The Commission should also consider a more rapid amortization, over 2 years, to account for the fact that the Winter Park customers will no longer be included in the retail customer base who are paying PEF's storm cost recovery charge, with the result that those costs will be transferred to the remaining PEF customers. If the Commission amortizes the gain on the Winter Park sale over 2 years, the reduction to PEF's Test Year revenue requirement is $14.9 million.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 139: Should interest on tax deficiencies for the projected test year be included above-the-line?

POSITIONS:

PEF: Yes. (Portuondo)

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 140: Is PEF's Taxes Other Than Income of $113,631,000 ($122,653,000 system) for the projected test year appropriate?

POSITIONS:

PEF: PEF's requested level of Taxes Other Than Income in the amount of $111,181,000 ($120,973,000 system) for the projected test year is appropriate. (Portuondo).

OPC: No. Property tax expense should be adjusted to correspond to the recommended plant in service adjustments by OPC witness Larkin and to remove the property taxes associated with an above market value of an asset transfer from plant in service to an affiliate entity. Accordingly, property tax expense should be reduced by $4,198,000 ($3,888,000 jurisdictional).

Additionally, payroll taxes should be reduced by $3,314,000 ($3,062,000 jurisdictional) to reflect the impact of OPC's recommended reductions to payroll and incentive compensation at an effective tax rate of 7.7%. (DeRonne)

FIPUG: No position at this time.

FRF: No. PEF improperly included a portion of capitalized payroll taxes in its Test Year expenses, resulting in an overstatement of the Test Year jurisdictional revenue requirement by $6.095 million, which should accordingly be disallowed. The FRF agrees with OPC that payroll taxes should also be reduced by an additional $3.314 million (total company) and $3.062 million (jurisdictional) to reflect the impact of reducing payroll and incentive compensation. Finally, the FRF also agrees with OPC that property tax expense should be reduced by $4.198 million (total company) and $3.888 million (jurisdictional).

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No. Agree with the FRF.

CG: No. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 141: Should a Parent Debt Adjustment be made for the projected test year and if so, what is the appropriate amount of the adjustment?

POSITIONS:

PEF: No Parent Debt Adjustment should be made. (Portuondo, Sullivan, Cicchetti).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Pursuant to Rule 25-14.004, F.A.C., the Commission should make a parent debt adjustment to PEF's income tax allowance. The amount of the adjustment should be based on evidence adduced at hearing.

ISSUE 142: Has PEF appropriately calculated the adjustment to taxable income to reflect the domestic manufacturer's tax deduction which was attributable to the American Jobs Creation Act?

POSITIONS:

PEF: Yes. (Portuondo).

OPC: The OPC takes no position on this issue at this time. The OPC, however, is concerned that the impact of the Act on the effective state and federal income tax rate was not reflected in the Net Operating Income Multiplier.

FIPUG: No position at this time.

FRF: No position at this time. Agree with OPC's concern that the impact of the American Jobs Creation Act was not reflected in PEF's NOI multiplier.

AARP/SMW: Adopts same position as OPC.

WS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

CG: No position at this time.

AG: No position at this time. Agree with OPC's concern that the impact of the American Jobs Creation Act was not reflected in PEF's NOI multiplier.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 143: Are consolidating tax adjustments appropriate, and if so, what are the appropriate amounts for the projected test year for PEF?

POSITIONS:

PEF: No, taxes should be calculated on a stand-alone basis which is consistent with Commission precedent. (Portuondo).

OPC: The OPC takes no position on this issue at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 144: Is PEF's Income Tax Expense of $210,164,000 ($229,517,000 system) which includes current and deferred income taxes and interest reconciliation for the projected test year appropriate?

POSITIONS:

PEF: PEF's requested level of Income Tax Expense in the amount of $202,888,000 ($220,172,000 system) for the projected test year is appropriate. (Portuondo, Slusser).

OPC: No. Many adjustments in the filing impact both income tax expense and the interest reconciliation for the projected test year. This is a fall-out issue that is impacted by numerous other adjustments. (DeRonne)

FIPUG: No position at this time.

FRF: No. The FRF takes no position at this time on the exact amount of allowable income tax expense, pending further calculations. The deferred income tax associated with the storm damage accrual calculated by PEF is understated by $769,324, resulting in an overstatement of the Test year revenue requirement of $1.256 million.

AARP/SMW: Adopts same position as OPC.

WS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

CG: No position at this time.

AG: No. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 145: **Is PEF's projected Total Operating Expenses of $1,167,239,000 ($1,270,623,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.**

POSITIONS:

PEF: PEF's requested level of Total Operating Expense in the amount of $1,147,875,000 ($1,254,986,000 system) for the projected test year is appropriate. (Portuondo, Slusser).

OPC: No. This is a fall-out issue that is impacted by numerous other adjustments. The OPC's current recommendations result in Total Operating Expenses of $972,233,000 for the projected test year. (DeRonne)

FIPUG: No. The sum should be $972,233,000.

FRF: No. The FRF is still calculating and compiling the impacts of its positions on all issues that impact total operating expenses. Tentatively, the FRF takes the position that PEF's total allowable Test Year operating expenses are less than or equal to $972.233 million.

AARP/SMW: Adopts same position as OPC.

WS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

CG: No position at this time.

AG: No. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 146: **Is PEF's Net Operating Income of $314,983,000 ($344,564,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.**

POSITIONS:

PEF: PEF's requested level of Net Operating Income in the amount of $303,400,000 ($329,531,000 system) for the projected test year is appropriate. (Portuondo, Slusser).

OPC: No. This is a fall-out issue that is impacted by numerous other adjustments. The OPC's current recommendations result in Net Operating Income of $509,989,000 for the projected test year. (DeRonne)

FIPUG: No. The net income is $509,989,000.

FRF: No. The FRF is still calculating and compiling the impacts of its positions on all issues that impact NOI.

AARP/SMW: Adopts same position as OPC.

WS: No. White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

CG: No position at this time.

AG: No. Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

REVENUE REQUIREMENTS

ISSUE 147: What is the appropriate projected test year revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for PEF?

POSITIONS:

PEF: The appropriate projected test year revenue expansion factor is 61.2737% and the appropriate net operating income multiplier is 1.632%. (Portuondo).

(a): Yes. (Portuondo).

OPC: The appropriate revenue expansion factor is 61.2921%. The appropriate net operating income multiplier is 1.631533. The Company's multiplier should be adjusted to reflect a more appropriate bad debt factor of 0.144%. The OPC is also concerned that PEF did not reflect the impact of the domestic manufacturer's tax deduction attributable to the 2004 American Jobs Creation Acts in determining the effective state and federal income tax rates in determining the net operating income multiplier. (DeRonne)

FIPUG: No position at this time.

FRF: The appropriate NOI multiplier is 1.63153. The appropriate revenue expansion factor is 61.2921%.

(a) No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: Agree with the FRF.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 148: What is PEF's annual operating revenue requirement for the projected 2006 test year?

POSITIONS:

PEF: PEF's requested level of annual operating revenue requirement is $1,451,275,000 ($1,584,517,000 system) for the projected test year. (Portuondo).

OPC: This is a fall-out issue that is impacted by numerous other adjustments. The OPC's current recommendations result in annual required jurisdictional income of $289,034,000 for the projected test year. This results in excess revenues of $360,496,000. (DeRonne)

FIPUG: $1,121,274,000

FRF: No position at this time pending further calculations.

AARP/SMW: Adopts same position as OPC.

WS: PEF's current revenues should be reduced by between $56.8 million and $360 million.

CG: No position at this time.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 149: Is PEF's proposed increase of $206,000,000 for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

POSITIONS:

PEF: Based on the results of PEF's adjustment for the sale of its Winter Park distribution system and the effects of its updated energy, demand and customer forecast, including the Winter Park adjustment, which will be submitted with PEF's rebuttal testimony, PEF's proposed increase of $209,105,000 for the projected test year is appropriate. (Portuondo).

OPC: No. This is a fall-out issue that is impacted by numerous other adjustments. The OPC's current recommendations result a recommended decrease of $360,496,000. (DeRonne)

FIPUG: No. PEF should reduce its rates by $368,653,000.

FRF: No. PEF's retail rates should be designed to recover a jurisdictional revenue requirement that is at least $360 million less than its projected Test Year revenues at present rates. No position at this time on the exact amount of the required reduction pending further calculations.

AARP/SMW: Adopts same position as OPC.

WS: No. PEF's revenue should be decreased by at least $56.8 million.

CG: No.

AG: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

COST OF SERVICE AND RATE DESIGN

ISSUE 150: Is PEF's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?

POSITIONS:

PEF: Yes, as updated in the Company's rebuttal testimony. (Slusser).

OPC: OPC takes no position at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 151: What is the appropriate cost of service study to be used in designing PEF's rates?

POSITIONS:

PEF: The appropriate cost of service study is the study using the "12 CP and 25% AD" method for allocating production capacity costs. (Slusser).

OPC: OPC takes no position at this time.

FIPUG: The production plant costs should be allocated using the summer and winter peak month method as set forth by White Springs.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: PEF's proposed 12 monthly coincident peaks with a $1/13^{th}$ weighting of energy, and its alternative 12 CP with a 25% weighting of energy, are unreasonable. White Springs' witness Brubaker proposes a methodology that uses the average of the winter and summer peak demands for the purpose of allocating costs to customer classes.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 152: How should any change in revenue requirements approved by the Commission be allocated among the customer classes?

POSITIONS:

PEF: No changes should be made to PEF's requested revenue requirements. However, if a change in revenue requirements is approved, it should be allocated using PEF's cost of service study that employs the 12 CP and 25% AD allocation methodology, updated to incorporate the Commission's final decision. (Slusser, Portuondo).

OPC: OPC takes no position at this time.

FIPUG: Using the summer and winter peak month method set forth by White Springs for production plant.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: PEF's proposed 12 monthly coincident peaks with a $1/13^{th}$ weighting of energy, and its alternative 12 CP with a 25% weighting of energy, are unreasonable. White Springs' witness Brubaker proposes a methodology that uses the average of the winter and summer peak demands for the purpose of allocating costs to customer classes.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 153: What are the appropriate demand charges?

POSITIONS:

PEF: PEF's proposed demand charges are appropriate. (Slusser).

OPC: No position at this time.

FIPUG: Agree with White Springs.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: The appropriate demand charges must be calculated after reducing PEF's revenue request appropriately and adopting appropriate cost allocation and rate design methodologies as explained by White Springs' witness Brubaker.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 154: What are the appropriate energy charges?

POSITIONS:

PEF: PEF's proposed energy charges are appropriate. (Slusser).

OPC: No position at this time.

FIPUG: Energy charges should be based on real time cost as promulgated by the Commercial Group. In the event the Commission adopts PEF's proposed capital substitution cost of service methodology, the energy charges should be appropriately adjusted to reflect the additional capital costs allocated to high load factor consumers.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: The appropriate energy charges must be calculated after reducing PEF's revenue request appropriately and adopting appropriate cost allocation and rate design methodologies as explained by White Springs' witness Brubaker.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 155: What are the appropriate customer charges?

POSITIONS:

PEF: PEF's proposed customer charges are appropriate. (Slusser).

OPC: No position at this time.

FIPUG: Customer charges should be adjusted by the same percentage as base rates.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: The appropriate customer charges must be calculated after reducing PEF's revenue request appropriately and adopting appropriate cost allocation and rate design methodologies as explained by White Springs' witness Brubaker.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 156: What are the appropriate service charges?

POSITIONS:

PEF: PEF's proposed service charges are appropriate. (Slusser).

OPC: No position at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 157: What are the appropriate lighting rate schedule charges?

POSITIONS:

PEF: PEF's proposed lighting rate schedule charges are appropriate. (Slusser).

OPC: No position at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 158: What are the appropriate premium distribution service charges?

POSITIONS:

PEF: PEF's proposed premium distribution service charges are appropriate. (Slusser).

OPC: No position at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: For the demand-metered rate classes, the appropriate premium distribution service charge is $1.18 per kWh. For the GS-1 and GST-1 rates, the appropriate charge is $0.80 per kWh. For the GS-2 rate, the appropriate charge is $0.162 per kWh.

ISSUE 159: What are the appropriate delivery voltage credits?

POSITIONS:

PEF: PEF's proposed delivery voltage credits are appropriate. (Slusser).

OPC: No position at this time.

FIPUG: Agree with White Springs.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: The appropriate delivery voltage credits are $0.40 per kW for distribution primary delivery voltage and $1.01 per kW for transmission delivery voltage.

ISSUE 160: What are the appropriate power factor charges and credits?

POSITIONS:

PEF: PEF's proposed power factor charges and credits are appropriate. (Slusser).

OPC: No position at this time.

FIPUG: Agree with White Springs.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: The appropriate power factor charges and credits are $0.25 per kVAr.

ISSUE 161: What is the appropriate lump sum payment for time-of-use metering costs?

POSITIONS:

PEF: PEF's present lump sum payment amounts are appropriate. (Slusser).

OPC: No position at this time.

FIPUG: No position as to the appropriate payment. However, the payment should be classified as CIAC.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: The appropriate lump sum payment for residential and general service non-demand time-of-use metering is $132.00.

ISSUE 162: What are the appropriate monthly fixed charge carrying rates to be applied to the installed cost of customer-requested distribution equipment, lighting service fixtures, and lighting service poles for which there are no tariffed charges?

POSITIONS:

PEF: PEF's proposed fixed charge rates are appropriate. (Slusser).

OPC: No position at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: The appropriate monthly fixed charge carrying rate to be applied to the installed cost of customer-requested distribution equipment and lighting service poles is 1.67%. The appropriate methodology to calculate the fixed charge carrying rate to be applied to lighting fixtures is shown in Schedule E-14 Supplement, Schedule F, Part 5a, Page 1 of 1. PEF should revise the calculation based on the Commission's vote on PEF's weighted average cost of capital.

ISSUE 163: What are the appropriate charges and credits under the Firm, Interruptible, and Curtailable Standby Service rate schedules?

POSITIONS:

PEF: PEF's proposed charges and credits are appropriate. (Slusser).

OPC: No position at this time.

FIPUG: Agree with White Springs.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: For SS-2, the current relationship of approximately 72% ($3.37/kW credit / $4.70/kW demand charge) should be applied to the calculated firm rate standby charges to determine the credit applicable to customers taking interruptible standby service.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 164: DROPPED

ISSUE 165: Should the Commission approve PEF's proposal to eliminate its IS-1, IST-1, CS-1 and CST-1 rate schedules and transfer the current customers to otherwise applicable rate schedules?

POSITIONS:

PEF: Yes. (Slusser).

OPC: No position at this time.

FIPUG: No.

FRF: No.

AARP/SMW: Adopts same position as OPC.

WS: No. PEF has not demonstrated that the IS-1 and IST-1 Rate Schedules should be eliminated, nor has it justified the disproportional rate impact that its proposal would have on affected industrial customers. PEF's proposal to eliminate these rate schedules and transfer customers to IS-2 and IST-2 would have an unreasonable adverse impact on existing IS-1 and IST-1 customers.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 166: **DROPPED**

ISSUE 167: **Should the Commission approve PEF's proposal to make its Commercial/Industrial Service Rider pilot program permanent?**

POSITIONS:

PEF: Yes. (Slusser).

OPC: No position at this time.

FIPUG: Yes.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Yes. The Commercial/Industrial Service Rider pilot program should be made permanent.

ISSUE 168: **Should the Commission approve PEF's proposal to eliminate the special provision in its Lighting Service rate schedule that allows customers to make an up-front lump sum payment for lighting facilities?**

POSITIONS:

PEF: Yes. (Slusser).

OPC: No position at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Yes. No customers have elected this option to date, and therefore it should be eliminated.

ISSUE 169: **Should the Commission approve PEF's proposal to increase the minimum term of service under its Lighting Service rate schedule from six to ten years?**

POSITIONS:

PEF: Yes. (Slusser).

OPC: No position at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: Yes. A ten-year minimum term will insure the recovery of a larger portion of the capital costs of new lighting installations.

ISSUE 170: **What is the appropriate effective date for PEF's revised rates and charges?**

POSITIONS:

PEF: The first billing cycle for the month of January, 2006. (Slusser , Portuondo).

OPC: Thirty days following the decision in this case.

FIPUG: The first billing period in January 2006 that does not include usage in 2005.

FRF: January 1, 2006.

AARP/SMW: Adopts same position as OPC.

WS: January 1, 2006.

CG: No position at this time.

AG: January 1, 2006.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 171: DROPPED

ISSUE 172: DROPPED

OTHER ISSUES

ISSUE 173: Should the Commission approve PEF's request to move into base rates the security costs that result from heightened security requirements since September 11, 2001 from Capacity Cost Recovery Clause?

POSITIONS:

PEF: Yes. (Portuondo).

OPC: OPC favors recovery through base rates.

FIPUG: Yes.

FRF: Yes.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: Yes.

STAFF: Yes; the appropriate amount to be included in base rates is to be determined in Issue 102.

ISSUE 174: Should PEF continue to seek recovery of incremental security costs above the amount included in base rates through the Capacity Cost Recovery Clause? If so, what mechanism should be used to determine the incremental security costs?

POSITIONS:

PEF: Yes, based on the mechanism that is currently being used. (Portuondo).

OPC: No position at this time.

FIPUG: No. These costs should be included in base rates. Once included in base rates, increased revenues attributable to customer growth will defray or cover any incremental costs.

FRF: No.

AARP/SMW: Adopts same position as OPC.

WS: White Springs does not take a position on this issue at this time.

CG: No position at this time.

AG: No position at this time.

STAFF: PEF may continue to seek recovery of incremental security costs above the amount included in base rates through the Capacity Cost Recovery Clause in accordance with the method and process approved by Order PSC-03-1461-FOF-EI, issued December 22, 2003, in Docket No. 030001.

ISSUE 175: Should PEF be allowed to recover incremental hedging costs in excess of its base rate amount through the Fuel and Purchased Power Cost Recovery Clause, and if so, should netting be required in the clause for these costs?

POSITIONS:

PEF: PEF objects to the inclusion of this issue in this docket because it is irrelevant and has no bearing on this base rate proceeding. This issue is better addressed, if at all, in PEF's annual fuel cost recovery docket. In any event, however, PEF should be allowed to recover incremental hedging costs in excess of its base rate amount through the Fuel and Purchased Power Cost Recovery Clause. Netting in the clause will not be necessary since the costs recovered through the clause will only be incremental costs. (Portuondo)

OPC: No position at this time.

FIPUG: No.

FRF: No. Hedging costs and profits should be dealt with in the Fuel and Purchased Power Cost Recovery docket.

AARP/SMW: Adopts same position as OPC.

WS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

CG: No position at this time.

AG: No. Hedging costs and profits should be dealt with in the Fuel and Purchased Power Cost Recovery docket.

STAFF: This Issue should be dropped; this is a matter which is more appropriately addressed in the Fuel and Purchased Power Cost Recovery Clause docket.

ISSUE 176: DROPPED

ISSUE 177: DROPPED

ISSUE 178: DROPPED

ISSUE 179: Has Progress Energy realized the cost savings and efficiencies promised at the time of the merger?

POSITIONS:

PEF: Yes. The success of the merger is evident from our $125 million annual rate reduction and simultaneous improvement in a broad array of operational performance metrics, including service, reliability, nuclear and fossil performance, safety, etc. that would not have been made possible without the successful completion of the merger and realization of merger synergies. (Portuondo, Myers, Cicchetti)

OPC: No position at this time.

FIPUG: No position at this time.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: PEF has not demonstrated that the claimed cost savings and efficiencies promised at the time of the merger have been realized.

CG: No position at this time.

AG: No position at this time.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 180: DROPPED

ISSUE 181: DROPPED

ISSUE 182: DROPPED

ISSUE 183: DROPPED

ISSUE 185: DROPPED

ISSUE 186: What is the appropriate allocation between PEF and its ratepayers for revenues from wholesale sales from regulated generation, transmission and distribution assets?

POSITIONS:

PEF: As determined by current Commission practice. (Slusser).

OPC: No position at this time.

FIPUG: As long as customers pay the costs of the employees providing these functions through base rates and the facilities are included in rate base customers should be credited with 100% of the gross revenue from the sales.

FRF: PEF should appropriately allocate all costs of providing service based on the jurisdictional use of the assets and appropriate share of costs, based on factors that represent the way in which such costs are incurred. If costs and assets are allocated to the retail jurisdiction, all revenues produced from the incurrence of such costs or from the use of the assets should be assigned to the retail jurisdiction.

AARP/SMW: Adopts same position as OPC.

WS: PEF's retail customers should benefit from the margins from all wholesale sales made using retail rate-based assets, subject to any reasonable incentive mechanisms.

CG: No position at this time.

AG: No position at this time.

STAFF: This Issue should be dropped; this is a matter which is more appropriately addressed in the Fuel and Purchased Power Cost Recovery Clause docket.

ISSUE 187: DROPPED

ISSUE 188: PROPOSED STIPULATION – Category 1, Number 4

ISSUE 189: Should this docket be closed?

POSITIONS:

PEF: Yes. (Portuondo).

OPC: (no response given)

FIPUG: Yes, upon entry of a final order and the expiration of the time for appeal.

FRF: No position at this time.

AARP/SMW: Adopts same position as OPC.

WS: No.

CG: No position at this time.

AG: Yes.

STAFF: Staff has no position at this time.

ISSUE 190: Should an adjustment be made to account for any change in unbilled revenue due to any recommended rate change? If so, what is the appropriate adjustment? (Cost of Service and Rate Design)

POSITIONS:

PEF: Yes. (Portuondo).

OPC: (no response given).

FIPUG: No position at this time.

FRF: No position at this time, except to state that this issue should be rephrased to recognize the possibility that there may be a decrease in unbilled revenue due a rate decrease.

AARP/SMW: Adopts same position as OPC.

WS: (no response given).

CG: (no response given).

AG: No position at this time.

STAFF: Staff has no position at this time.

ISSUE 191: DROPPED

ISSUE 192: DROPPED

X. EXHIBIT LIST

Witness	Proffered By	I.D. No.	Description
Direct			
H. William Habermeyer, Jr.	PEF	HWH-1	Current resume
H. William Habermeyer, Jr.	PEF	HWH-2	Comparison of PEF price with other consumer goods and services
E. Michael Williams	PEF	EMW-1	A list of the minimum filing requirements (MFR's) schedules sponsored or co-sponsored by Mr. Williams

Witness	Proffered By	I.D. No.	Description
E. Michael Williams	PEF	EMW-2	Graph: Power Plant Performance-Florida steam equivalent forced outage rate, equivalent availability, and Florida simple cycle CT starting reliability
E. Michael Williams	PEF	EMW-3	PEF's 2005 Fossil Plant Dismantlement Cost Study
Dale E. Young	PEF	DEY-1	A list of the Minimum Filing Requirements (MFR's) schedules sponsored or co-sponsored by Mr. Young
Dale E. Young	PEF	DEY-2	CR3 non-fuel O&M two year average cost
Dale E. Young	PEF	DEY-3	CR3 net generation
Dale E. Young	PEF	DEY-4	PEF's 2005 Nuclear Decommissioning Study
Dale E. Young	PEF	DEY-5	Nuclear Regulatory Commission - 2005 annual assessment letter
Dale D. Williams	PEF	DDW-1	A list of the Minimum Filing Requirements (MFR's) schedules sponsored or co-sponsored by Mr. Williams
Dale D. Williams	PEF	DDW-2	The Company's fuel price forecast
Dale D. Williams	PEF	DDW-3	The Company's fuel inventories
Dale D. Williams	PEF	DDW-4	A comparison of the Company's fuel inventory levels against Florida Public Service Commission ("The Commission") guidelines.

Witness	Proffered By	I.D. No.	Description
Dale Oliver	PEF	DO-1	A summary of CTE spending that shows spending for distribution, transmission, fleet and facilities programs, which represent substantially all of our incremental CTE funding
Ray F. DeSouza	PEF	RFD-1	A list of the Minimum Filing Requirements (MFRs) sponsored or co-sponsored by Mr. DeSouza
Ray F. DeSouza	PEF	RFD-2	Transmission Florida Reliability Graphs
Ray F. DeSouza	PEF	RFD-3	Transmission Florida Accelerated & Proactive Reliability Initiatives
David McDonald	PEF	DM-1	A list of the Minimum Filing Requirements (MFRs) sponsored or co-sponsored by Mr. McDonald
David McDonald	PEF	DM-2	A summary of planned distribution reliability initiatives.
Robert H. Bazemore	PEF	RHB-1	A list of the minimum filing requirements (MFR's) schedules sponsored or co-sponsored by Mr. Bazemore
Robert H. Bazemore	PEF	RHB-2	The SEC order approving the Service Company's organizational structure and cost allocation methodologies, dated November 27, 2000
Robert H. Bazemore	PEF	RHB-3	The Service Company's cost allocation manual
Robert H. Bazemore	PEF	RHB-4	The May 8, 2003 SEC audit letter

Witness	Proffered By	I.D. No.	Description
Robert H. Bazemore	PEF	RHB-5	The Service Company's organizational chart
Robert H. Bazemore	PEF	RHB-6	The actuarial study supporting the pension credit
Robert H. Bazemore	PEF	RHB-7	The AUS Consultants' 2005 Depreciation Study
John B. Crisp	PEF	JBC-1	A list of the Minimum Filing Requirements (MFRs) sponsored or co-sponsored by Mr. Crisp
John B. Crisp	PEF	JBC-2	Customer, Energy Sales & Seasonal Demand Forecast
John B. Crisp	PEF	JBC-3	Forecast Process Flow Chart
John B. Crisp	PEF	JBC-4	PEF Short Term Forecast Performance Review
John B. Crisp	PEF	JBC-5	PEF Energy and Customer Forecasting Models
John B. Crisp	PEF	JBC-6	PEF Historical Forecast Accuracy
John B. Crisp	PEF	JBC-7	U.S. & Florida Economic Assumptions – 2002 – 2006
John B. Crisp	PEF	JBC-8	PEF Historic and Projected Growth Rates
Mark A. Myers	PEF	MAM-1	A list of the Minimum Filing Requirements (MFRs) sponsored or co-sponsored by Mr. Myers
Mark A. Myers	PEF	MAM-2	2005 and 2006 Key Budget Assumptions
Thomas R. Sullivan	PEF	TRS-1	*Credit Implications of Power Supply Risk*, Moody's Special Comment, July 2000

Witness	Proffered By	I.D. No.	Description
Thomas R. Sullivan	PEF	TRS-2	*Standard & Poor's research: " Buy versus Build": Debt Aspects of Purchased-Power Agreements,* May 8, 2003
Thomas R. Sullivan	PEF	TRS-3	*Fitch presentation to Progress Energy*, October 2003
Javier Portuondo	PEF	JP-1	A list of the Minimum Filing Requirements (MFRs) sponsored or co-sponsored by Mr. Portuondo
Javier Portuondo	PEF	JP-2	Summary table of the Company's 2006 test year results
Javier Portuondo	PEF	JP-3	Revised methodology for allocating costs of Outage and Emergency ("O&E") activities between Operation and Maintenance ("O&M") and capital accounts
Javier Portuondo	PEF	JP-4	Detailed calculation of the adjustment for depreciation expense
Javier Portuondo	PEF	JP-5	Analysis of O&M expenses compared to the Commission O&M benchmark policy.
Javier Portuondo	PEF	JP-6	Schedule of post 9/11 security costs to be moved to base rates
Javier Portuondo	PEF	JP-7	Schedule of the net cost savings from the Company's reorganization initiative
Javier Portuondo	PEF	JP-8	Schedule of adjustments to annualize net test year benefits of the mobile meter reading program

Witness	Proffered By	I.D. No.	Description
Javier Portuondo	PEF	JP-9	Company's updated hurricane risk assessment study
Javier Portuondo	PEF	JP-10	Schedule of the types of costs charged to the Storm Damage Reserve.
Javier Portuondo	PEF	JP-11	Reconciliation of test year capital and rate base
James H. Vander Weide, Ph.D	PEF	JVW-1	Summary of discounted cash flow analysis for electric energy companies
James H. Vander Weide, Ph.D	PEF	JVW-2	Summary of discounted cash flow analysis for natural gas companies
James H. Vander Weide, Ph.D	PEF	JVW-3	Comparison of the DCF expected return on an investment in electric companies to the interest rate on Moody's A-Rated utility bonds
James H. Vander Weide, Ph.D	PEF	JVW-4	Comparison of the DCF expected return on an investment in natural gas companies to the interest rate on Moody's A-Rated utility bonds
James H. Vander Weide, Ph.D	PEF	JVW-5	Comparative returns on S&P 500 stock index and Moody's A-Rated bonds 1937-2003
James H. Vander Weide, Ph.D	PEF	JVW-6	Comparative returns on S&P utility stock index and Moody's A-Rated bonds 1937-2003
James H. Vander Weide, Ph.D	PEF	JVW-7	Using the arithmetic mean to estimate the cost of equity capital

Witness	Proffered By	I.D. No.	Description
James H. Vander Weide, Ph.D	PEF	JVW-8	Calculation of capital asset pricing model cost of equity using Ibbotson Associates' 7.2% risk premium
James H. Vander Weide, Ph.D	PEF	JVW-9	Calculation of capital asset pricing model cost of equity using DCF estimate of the expected rate of return on the market portfolio
James H. Vander Weide, Ph.D	PEF	JVW-10	Derivation of the quarterly DCF model
James H. Vander Weide, Ph.D	PEF	JVW-11	Adjusting for flotation costs in determining a public utility's allowed rate of return on equity
James H. Vander Weide, Ph.D	PEF	JVW-12	Ex ante risk premium method
James H. Vander Weide, Ph.D	PEF	JVW-13	Ex post risk premium method
Charles J. Cicchetti, Ph. D.	PEF	CJC-1	A complete listing of Dr. Cicchetti's publications Re: articles on energy and environmental issues, public utility regulation, competition and antitrust, and a list of the proceedings in which Dr. Cicchetti has provided expert testimony since 1980
William C. Slusser	PEF	WCS-1	A list of the Minimum Filing Requirements (MFRs) sponsored or co-sponsored by Mr. Slusser
William C. Slusser	PEF	WCS-2	Summary development of functional unit costs with proposed revenue credits

Witness	Proffered By	I.D. No.	Description
William C. Slusser	PEF	________ WCS-3	Estimate of alternative resource investment required to serve peak demand only
William C. Slusser	PEF	________ WCS-4	Comparison of class allocated cost of service study results
William C. Slusser	PEF	________ WCS-5	Development of target revenue increase by rate class
William C. Slusser	PEF	________ WCS-6	Summary of proposed rates and class rates of return
James A. Rothschild	OPC	________ JAR-1	Overall Cost of Capital
James A. Rothschild	OPC	________ JAR-2	Cost of Equity
James A. Rothschild	OPC	________ JAR-3	Financial Data on Comparative Companies
James A. Rothschild	OPC	________ JAR-4	Comparative Companies – Selected Financial Data
James A. Rothschild	OPC	________ JAR-5	Discounted Cash Flow
James A. Rothschild	OPC	________ JAR-6	Full Discounted Cash Flow (Electric)
James A. Rothschild	OPC	________ JAR-7	Full Discounted Cash Flow (Gas)
James A. Rothschild	OPC	________ JAR-8	External Financial Rate
James A. Rothschild	OPC	________ JAR-9	Inflation Risk Premium Method
James A. Rothschild	OPC	________ JAR-10	CAPM Method
James A. Rothschild	OPC	________ JAR-11	Forecast v. Actual Interest Rates

Witness	Proffered By	I.D. No.	Description
James A. Rothschild	OPC	JAR-12	Returns v. Beta
James A. Rothschild	OPC	JAR-13	Geometric v. Arithmetic
James A. Rothschild	OPC	JAR-14	Articles
James A. Rothschild	OPC	JAR-15	Interrogatories/PODS
James A. Rothschild	OPC	JAR-16	Testifying Experience of James A. Rothschild
Jacob Pous (co-sponsored by FIPUG)	OPC	JP- Appendix A	Resume and List of Prefiled Testimony
Jacob Pous (co-sponsored by FIPUG)	OPC	JP-1	Summary of Recommended Depreciation Expense
Jacob Pous (co-sponsored by FIPUG)	OPC	JP-2	Transcript of Earl Robinson's Deposition, specific pages
Jacob Pous (co-sponsored by FIPUG)	OPC	JP-3	Company's 2003 Depreciation Study, specific pages
Jacob Pous (co-sponsored by FIPUG)	OPC	JP-4	Company's Response to Citizens' Interrogatory 204
Jacob Pous (co-sponsored by FIPUG)	OPC	JP-5	10-Year Site Plan April 2003
Jacob Pous (co-sponsored by FIPUG)	OPC	JP-6	Net Salvage Recommendation – Specific Accounts
Jacob Pous (co-sponsored by FIPUG)	OPC	JP-7	Historical Cost of Removal v. Age of Retirement Graph – Acct. 364
Jacob Pous (co-sponsored by FIPUG)	OPC	JP-8	Earl Robinson Testimony – Kansas Gas Service Docket No. 03-KGSG-602-RTS, page 24

Witness	Proffered By	I.D. No.	Description
Jacob Pous (co-sponsored by FIPUG)	OPC	JP-9	Company's 2002 Depreciation Study, specific pages
Jacob Pous (co-sponsored by FIPUG)	OPC	JP-10	Company's Response to Citizens' Interrogatory 174
Donna DeRonne	OPC	DD-1 (A)	Revenue Requirement
Donna DeRonne	OPC	DD-1(A-1)	Net Operating Income Multiplier
Donna DeRonne	OPC	DD-1(B-1)	Adjusted Rate Base
Donna DeRonne	OPC	DD-1(C-1)	Adjusted Net Operating Income
Donna DeRonne	OPC	DD-1(C-2)	Uncollectible Expense
Donna DeRonne	OPC	DD-1(C-3)	Distribution Vegetation Management Expense
Donna DeRonne	OPC	DD-1(C-4)	Property Tax Expense
Donna DeRonne	OPC	DD-1(C-5)	Impact of Adjustments to PIS on Depreciation
Donna DeRonne	OPC	DD-1(C-6)	Income Tax Expense
Donna DeRonne	OPC	DD-1(C-7)	Interest Synchronization Adjustment
Donna DeRonne	OPC	DD-1(D)	Overall Cost of Capital, per OPC
Donna DeRonne	OPC	DD-2	Qualifications of Donna DeRonne, CPA
Hugh Larkin, Jr.	OPC	HL-1	Qualifications of Hugh Larkin, Jr.

Witness	Proffered By	I.D. No.	Description
Hugh Larkin, Jr.	OPC	HL-2(B-1)	Adjustments to Plant In Service
Hugh Larkin, Jr.	OPC	HL-2(B-2)	Working Capital
Helmuth W. Schultz	OPC	HS-1	Qualifications of Helmuth W. Schultz III, CPA
Helmuth W. Schultz	OPC	HS-2 (Schedule 1)	Storm Damage Accrual
Helmuth W. Schultz	OPC	HS-2 (Schedule-2)	Incentive Compensation
Helmuth W. Schultz	OPC	HS-2 (Schedule 3)	Payroll
Helmuth W. Schultz	OPC	HS-2 (Schedule-4)	Payroll Tax Expense
Helmuth W. Schultz	OPC	HS-2 (Schedule 5)	Healthcare Expense
Helmuth W. Schultz	OPC	HS-2 (Schedule-6)	Changing Practices
Philip K. Porter, Ph.D.	FIPUG	PKP-1	Appendix A: Vita of Philip K. Porter, Ph.D.
Philip K. Porter, Ph.D.	FIPUG	PKP-2	Appendix B: Variations in Beta
Philip K. Porter, Ph.D.	FIPUG	PKP-3	Appendix C: Using Geometric Versus the Arithmetic Mean to Estimate the Cost of Equity Capital
Philip K. Porter, Ph.D.	FIPUG	PKP-4	Appendix D: Historic Annual Yields

Witness	Proffered By	I.D. No.	Description
Philip K. Porter, Ph.D.	FIPUG	PKP-5	Appendix E: Risk Analysis of PEF
Jacob Pous (will be co-sponsored by OPC)	FIPUG	JP-Appendix A	Resume and List of Filed Testimony
Jacob Pous (will be co-sponsored by OPC)	FIPUG	JP-1	Summary of Recommended Depreciation Expense
Jacob Pous (will be co-sponsored by OPC)	FIPUG	JP-2	Earl Robinson's Deposition, specific pages
Jacob Pous (will be co-sponsored by OPC)	FIPUG	JP-3	Company's 2003 Depreciation Study, specific pages
Jacob Pous (will be co-sponsored by OPC)	FIPUG	JP-4	Company's Response to Citizens' Interrogatory 204
Jacob Pous (will be co-sponsored by OPC)	FIPUG	JP-5	10-Year Site Plan 2003
Jacob Pous (will be co-sponsored by OPC)	FIPUG	JP-6	Net Salvage Recommendation – Specific Accounts
Jacob Pous (will be co-sponsored by OPC)	FIPUG	JP-7	Historical Cost of Removal Versus Age of Retirement Graph – Account 364
Jacob Pous (will be co-sponsored by OPC)	FIPUG	JP-8	Earl Robinson Testimony – Kansas Gas Service Docket No. 03-KGSG-602-RTS, page 24
Jacob Pous (will be co-sponsored by OPC)	FIPUG	JP-9	Company's 2002 Depreciation Study, specific pages
Jacob Pous (will be co-sponsored by OPC)	FIPUG	JP-10	Company's Response to Citizens' Interrogatory 174

Witness	Proffered By	I.D. No.	Description
Sheree L. Brown	FRF	SLB-1	Progress Energy Florida Labor and Benefits Adjustment
Sheree L. Brown	FRF	SLB-2	Progress Energy Florida Labor and Benefits Adjustment
Sheree L. Brown	FRF	SLB-3	Progress Energy Florida Capital Structure
Sheree L. Brown	FRF	SLB-4	Progress Energy Florida Cost of Capital Adjustments
Sheree L. Brown	FRF	SLB-5	Progress Energy Florida Distribution O & M Expenses
Sheree L. Brown	FRF	SLB-6	Progress Energy Florida Transmission O & M Expenses
Sheree L. Brown	FRF	SLB-7	Progress Energy Florida Interest Coverage Ratios without CWIP
Sheree L. Brown	FRF	SLB-8	Progress Energy Florida Bad Debt Expense
Sheree L. Brown	FRF	SLB-9	Progress Energy Florida Rate Case Expenses
Sheree L. Brown	FRF	SLB-10	Progress Energy – Florida Reported Hurricane Damage
Stephen A. Stewart	AARP	SAS-1	Regression Model-U.S.
Stephen A. Stewart	AARP	SAS-2	Regression Model-PEF
Stephen A. Stewart	AARP	SAS-3	Chart 1 “Comparison of Approved FPSC and Model Generated ROE”

Witness	Proffered By	I.D. No.	Description
Stephen A. Stewart	AARP	SAS-4	Chart 2 "Comparison of Approved FPSC and Model Generated ROE with Vander Weide Recommendation and MROE"
Stephen A. Stewart	AARP	SAS-5	Regression model – Florida Specific
Stephen A. Stewart	AARP	SAS-6	Analysis of Storm Reserve Fund
Maurice E. Brubaker	WS	MEB-1	Comparative Study of Cost of Power to Industrial Customers
Maurice E. Brubaker	WS	MEB-2	Average Quarterly Cost of Firm Power for Industrial Customers (Graph)
Maurice E. Brubaker	WS	MEB-3	EEI Typical Bill Costs (Weighted Average) by Customer Class
Maurice E. Brubaker	WS	MEB-4	Progress Energy Percentage of Energy from Oil and Natural Gas (Graph)
Maurice E. Brubaker	WS	MEB-5	Progress Energy Cost per kW Using 12 CP and 25% Energy
Maurice E. Brubaker	WS	MEB-6	Progress Energy Fuel and Purchased Power Costs by Resource Category
Maurice E. Brubaker	WS	MEB-7	Progress Energy Load Characteristics and Monthly Peak Demand (1996-2004)
Maurice E. Brubaker	WS	MEB-8	Projected Progress Energy Load Characteristics and Monthly Peak Demand (2005-2006)
Maurice E. Brubaker	WS	MEB-9	Projected Progress Energy Revenue Requirement, Increases and Unit Costs (2006)

Witness	Proffered By	I.D. No.	Description
Maurice E. Brubaker	WS	MEB-10	Projected Progress Energy Revenue Requirement, Increases and Unit Costs – Excluding Interruptible Demand (2006)
Maurice E. Brubaker	WS	MEB-11	Revenue Requirement of a Combustion Turbine (EIA-2005)
Michael P. Gorman	WS	MPG-1	Progress Energy Billing Adjustments as a Percent of Total Electricity Sales
Michael P. Gorman	WS	MPG-2	Capital Structure and Adjustments
Michael P. Gorman	WS	MPG-3	Bond Ratings and Equity Ratios to Comparable Electric Utilities
Michael P. Gorman	WS	MPG-4	Bond Ratings and Equity Ratios to Comparable Gas Utilities
Michael P. Gorman	WS	MPG-5	Growth Rate Estimates of Comparable Electric and Gas Utilities
Michael P. Gorman	WS	MPG-6	Constant Growth Discounted Cash Flow Model for Comparable Electric Utilities
Michael P. Gorman	WS	MPG-7	Constant Growth Discounted Cash Flow Model for Comparable Gas Utilities
Michael P. Gorman	WS	MPG-8	Historical Growth Rates of Comparable Electric and Gas Utilities
Michael P. Gorman	WS	MPG-9	Market/Book Ratio of Electric Utilities
Michael P. Gorman	WS	MPG-10	Equity Risk Premiums – Treasury Bonds (1986-2004)

Witness	Proffered By	I.D. No.	Description
Michael P. Gorman	WS	MPG-11	Equity Risk Premiums – Utility Bonds (1986-2004)
Michael P. Gorman	WS	MPG-12	Series "A: Utility Bond Yields
Michael P. Gorman	WS	MPG-13	Comparable Utility Group Beta
Michael P. Gorman	WS	MPG-14	CAPM Return Estimate – Electric Utilities
Michael P. Gorman	WS	MPG-15	S&P Credit Rating Financial Ratios
Michael P. Gorman	WS	MPG-16	Analysis of Dr. Vander Weide's DCF Model
Michael P. Gorman	WS	MPG-17	Excess Depreciation Reserve Adjustments – Dec. 31, 2005
Michael P. Gorman	WS	MPG-18	Net Salvage Expense Adjustment
Michael P. Gorman	WS	MPG-19	Annual Revenue Requirements – Return, Depreciation and Income Taxes
Michael P. Gorman	WS	MPG-20	Excess Decommissioning Reserve Fund
Alan R. Chalfant	WS	AC-1	Order of the Wisconsin Public Service Commission
Michael T. O'Sheasy	CG	MTO-1	RTP price responses of various commercial customers
Michael T. O'Sheasy	CG	Attachment	Professional Experience

Witness	Proffered By	I.D. No.	Description
Mike Culver / Charlie Martin	CG	CM-1	A Portion (electric providers in the Southeast) of the Edison Electric Institute's ("EEI's") Typical Bills and Average Rates Report for electric providers (Summer 2004-Winter 2005)
Thomas E. Stambaugh	STAFF	TES-1	Staff Audit Report, Docket 050078-EI
Carl S. Vinson, Jr. and William "Tripp" Coston	STAFF	CV/TC-1	July 2005 Staff operations audit
Sidney W. Matlock	STAFF	SWM-1	Distribution Reliability Indexes of Progress Energy Florida, Inc.
Rebuttal			
Jeffrey Lyash	PEF	JL-1	O&M Benchmark Analysis.
John B. Crisp	PEF	JBC-9	Revised Minimum Filing Requirement Schedules F-7 Forecasting Models – Historical Data And F-8 Assumptions.
John B. Crisp	PEF	JBC-10	Revised Energy Sales - Customers - Coincident Demand Forecast.
John B. Crisp	PEF	JBC-11	PEF Forecast Variance Review.
John B. Crisp	PEF	JBC-12	Forecast Comparison – Original vs. Revised.
John B. Crisp	PEF	JBC-13	2003 Presentation to the Florida Public Service Commission Regarding Impact of Gas Prices on New Coal Capacity.

Witness	Proffered By	I.D. No.	Description
Robert H. Bazemore	PEF	RHB-8	PEF's revised response to OPC Interrogatory No. 26
Robert H. Bazemore	PEF	RHB-9	PEF's revised response to Florida Retail Federation Interrogatory No. 17
Robert H. Bazemore	PEF	RHB-10	PEF's Health Care Cost Adjustment Schedule
Earl M. Robinson	PEF	EMR-1	Chart of relationship between Company's cost of removal and average age of retirement for FERC Account 364
Earl M. Robinson	PEF	EMR-2	Schedule of Company's depreciation analyses in 1997, 2002, and 2005
Earl M. Robinson	PEF	EMR-3	Schedule of Florida Power & Light ("FPL"), Gulf Power Company ("Gulf") and PEF net salvage parameters
Earl M. Robinson	PEF	EMR-4	Excerpts from the Public Utility Depreciation Practices, Staff Subcommittee on Depreciation of the NARUC Finance and Technology Committee of the National Association of Regulatory Utility Commissioners, August 1996
James H. Vander Weide, Ph.D.	PEF	JVW-14	Current Value Line Betas for Proxy Electric Companies
James H. Vander Weide, Ph.D.	PEF	JVW-15	Companies with negative earned rates of return on equity and market-to-book ratios greater than 1.0
James H. Vander Weide, Ph.D.	PEF	JVW-16	Companies with earned returns on equity in the range of 0 to 6% and market-to-book ratios exceeding 1.0

Witness	Proffered By	I.D. No.	Description
William C. Slusser, Jr.	PEF	WCS-7	Development of Fuel Savings Resulting from Existing Generation Fleet as Compared to Peaking Only Resources.
William C. Slusser, Jr.	PEF	WCS-8	Cost of Production Plant When Allocated Using 12 CP and 25% Energy.
William C. Slusser, Jr.	PEF	WCS-9	1983-1984 Load Factor/Coincidence Factor Curve.
William C. Slusser, Jr.	PEF	WCS-10	Revised Jurisdictional Separation Study.
Steven P. Harris	PEF	SPH-1	Numbers of Historical Hurricanes Affecting current PEF Service Territory by Decade and by Maximum SSI Wind Speed in PEF Service Territory
Steven P. Harris	PEF	SPH-2a	Landfall Milepost Map
Steven P. Harris	PEF	SPH-2b	Comparison of Protection Afforded by $50m and $15m Annual Accrual Against Potential T&D Storms Damage From a Single SSI 1 Landfall at Milepost.
Steven P. Harris	PEF	SPH-2c	Comparison of Protection Afforded by $50m and $15m Annual Accrual Against Potential T&D Storms Damage From a Single SSI 3 Landfall at Milepost
Steven P. Harris	PEF	SPH-2d	Comparison of Protection Afforded by $50m and $15m Annual Accrual Against Potential T&D Storms Damage From a Single SSI 4 Landfall at Milepost

Witness	Proffered By	I.D. No.	Description
Steven P. Harris	PEF	SPH-3	Storm Reserve Fund Analysis Case Results – Two Year Recovery of Negative Balances
Steven P. Harris	PEF	SPH-4	PEF Transmission and Distribution Asset Hurricane Loss Reserve Solvency Analyses, August, 2005.
Javier Portuondo	PEF	JP-12	Analysis of Cost of Service Associated with Winter Park.
Javier Portuondo	PEF	JP-13	Impact of Revised Sales Forecast and Winter Park Treated as Wholesale.
Javier Portuondo	PEF	JP-14	Proposed Adjustments 2006 Test Year: System and Retail.
Javier Portuondo	PEF	JP-15	Payroll and Payroll Taxes.
Javier Portuondo	PEF	JP-16	EOL Nuclear M&S and Last Core Nuclear Fuel.
Javier Portuondo	PEF	JP-17	Storm Impact.
Javier Portuondo	PEF	JP-18	Revised Schedule A-1.
Javier Portuondo	PEF	JP-19	Revised Schedule D-1a.
Javier Portuondo	PEF	JP-20	Progress Energy Florida Plant in Service Balance
MFR schedules			
Javier Portuondo, William C. Slusser	PEF	A-1	Full Revenue Requirements Increase Requested

Witness	Proffered By	I.D. No.	Description
Javier Portuondo, William C. Slusser	PEF	A-2	Full Revenue Requirements Bill Comparison – Typical Monthly Bills
Javier Portuondo, William C. Slusser	PEF	A-3	Summary of Tariffs
Javier Portuondo	PEF	A-4	Interim Revenue Requirements Increase Requested
Javier Portuondo, William C. Slusser	PEF	B-1	Adjusted Rate Base
Javier Portuondo, William C. Slusser	PEF	B-2	Rate Base Adjustments
Javier Portuondo	PEF	B-3	13 Month Average Balance Sheet – System Basis
Javier Portuondo	PEF	B-4	Two Year Historical Balance Sheet
Javier Portuondo	PEF	B-5	Detail of Changes in Rate Base
Javier Portuondo, William C. Slusser	PEF	B-6	Jurisdictional Separation Factors – Rate Base
Robert H. Bazemore, Ray F. DeSouza, David McDonald, Javier Portuondo, E. Michael Williams. Dale E. Young	PEF	B-7	Plant Balances by Account and Sub-Account
Robert H. Bazemore, Ray F. DeSouza, David McDonald, Javier Portuondo, E. Michael Williams. Dale E. Young	PEF	B-8	Monthly Plant Balances Test Year – 13 Months

Witness	Proffered By	I.D. No.	Description
Robert H. Bazemore, Ray F. DeSouza, David McDonald, Javier Portuondo, E. Michael Williams. Dale E. Young	PEF	______ B-9	Depreciation Reserve Balances by Account and Sub-Account
Robert H. Bazemore, Ray F. DeSouza, David McDonald, Javier Portuondo, E. Michael Williams. Dale E. Young	PEF	______ B-10	Monthly Reserve Balances Test Year – 13 Months
Robert H. Bazemore, Javier Portuondo	PEF	______ B-11	Capital Additions and Retirements
Robert H. Bazemore, Javier Portuondo	PEF	______ B-12	Net Production Plant Additions
Ray F. DeSouza, David McDonald, Javier Portuondo, William C. Slusser, E. Michael Williams, Dale E. Young	PEF	______ B-13	Construction Work in Progress
Javier Portuondo	PEF	______ B-14	Earnings Test
Ray F. DeSouza, David McDonald, Javier Portuondo, William C. Slusser. E. Michael Williams, Dale E. Young	PEF	______ B-15	Property Held for Future Use – 13 Month Average
Javier Portuondo	PEF	______ B-16	Nuclear Fuel Balances
Javier Portuondo, William C. Slusser	PEF	______ B-17	Working Capital – 13 Month Average
Javier Portuondo, Dale D. Williams	PEF	______ B-18	Fuel Inventory by Plant

Witness	Proffered By	I.D. No.	Description
Javier Portuondo	PEF	B-19	Miscellaneous Deferred Debits
Javier Portuondo	PEF	B-20	Other Deferred Credits
Javier Portuondo	PEF	B-21	Accumulated Provision Accounts – 228.1, 228.2 and 228.4
Robert H. Bazemore, Javier Portuondo	PEF	B-22	Total Accumulated Deferred Income Taxes
Robert H. Bazemore, Javier Portuondo	PEF	B-23	Investment Tax Credits – Annual Analysis
Ray F. DeSouza, David McDonald, Javier Portuondo, E. Michael Williams, Dale E. Young	PEF	B-24	Leasing Arrangements
Javier Portuondo	PEF	B-25	Accounting Policy Changes Affecting Rate Base
Javier Portuondo, William C. Slusser	PEF	C-1	Adjusted Jurisdictional Net Operating Income
Javier Portuondo, William C. Slusser	PEF	C-2	Net Operating Income Adjustments
Javier Portuondo, William C. Slusser	PEF	C-3	Jurisdictional Net Operating Income Adjustments
Javier Portuondo, William C. Slusser	PEF	C-4	Jurisdictional Separation Factors – Net Operating Income
Javier Portuondo, William C. Slusser	PEF	C-5	Operating Revenues Detail

Witness	Proffered By	I.D. No.	Description
Robert H. Bazemore, Ray F. DeSouza, David McDonald, Javier Portuondo, E. Michael Williams. Dale E. Young	PEF	______ C-6	Budgeted Versus Actual Operating Revenues and Expenses
Robert H. Bazemore, Ray F. DeSouza, David McDonald, Javier Portuondo, E. Michael Williams. Dale E. Young	PEF	______ C-7	Operation and Maintenance Expense – Test Year
Robert H. Bazemore, Ray F. DeSouza, David McDonald, Javier Portuondo, E. Michael Williams. Dale E. Young	PEF	______ C-8	Detail of Changes in Expenses
Robert H. Bazemore, Ray F. DeSouza, David McDonald, Javier Portuondo, E. Michael Williams. Dale E. Young	PEF	______ C-9	Five Year Analysis – Change in Cost
Javier Portuondo	PEF	______ C-10	Detail of Rate Case Expenses for Outside Consultants
Willette Morman Perry, Javier Portuondo	PEF	______ C-11	Uncollectible Accounts
Robert H. Bazemore, Javier Portuondo	PEF	______ C-12	Administrative Expenses
Robert H. Bazemore, Javier Portuondo, William C. Slusser	PEF	______ C-13	Miscellaneous General Expenses
Robert H. Bazemore, Javier Portuondo, William C. Slusser	PEF	______ C-14	Advertising Expenses

Witness	Proffered By	I.D. No.	Description
Robert H. Bazemore, Ray F. DeSouza, David McDonald, Javier Portuondo, William C. Slusser, E. Michael Williams, Dale E. Young	PEF	C-15	Industry Association Dues
Robert H. Bazemore, Ray F. DeSouza, David McDonald, Javier Portuondo, E. Michael Williams, Dale E. Young	PEF	C-16	Outside Professional Services
Robert H. Bazemore, Javier Portuondo	PEF	C-17	Pension Cost
Robert H. Bazemore, Javier Portuondo	PEF	C-18	Lobbying Expenses, Other Political Expenses and Civic/Charitable Contributions
Robert H. Bazemore, Ray F. DeSouza, David McDonald, Javier Portuondo, E. Michael Williams, Dale E. Young	PEF	C-19	Amortization/Recovery Schedule – 12 Months
Robert H. Bazemore, Javier Portuondo, William C. Slusser	PEF	C-20	Taxes Other Than Income Taxes
Robert H. Bazemore, Javier Portuondo	PEF	C-21	Revenue Taxes
Robert H. Bazemore, Javier Portuondo	PEF	C-22	State and Federal Income Taxes
Robert H. Bazemore, Javier Portuondo	PEF	C-23	Interest in Tax Expense Calculation

Witness	Proffered By	I.D. No.	Description
Robert H. Bazemore, Javier Portuondo	PEF	C-24	Parent(s) Debt Information
Robert H. Bazemore, Javier Portuondo	PEF	C-25	Deferred Tax Adjustment
Robert H. Bazemore, Javier Portuondo	PEF	C-26	Income Tax Returns
Robert H. Bazemore, Javier Portuondo	PEF	C-27	Consolidated Tax Information
Robert H. Bazemore, Javier Portuondo	PEF	C-28	Miscellaneous Tax Information
Javier Portuondo	PEF	C-29	Gains and Losses on Disposition of Plant and Property
Robert H. Bazemore, Javier Portuondo	PEF	C-30	Transactions with Affiliated Companies
Robert H. Bazemore, Javier Portuondo	PEF	C-31	Affiliated Company Relationships
Javier Portuondo	PEF	C-32	Non-Utility Operations Utilizing Utility Assets
John B. Crisp, Ray F. DeSouza, David McDonald, Mark A. Myers, Javier Portuondo, E. Michael Williams, Dale E. Young	PEF	C-33	Performance Indices
John B. Crisp, Mark A. Myers, Javier Portuondo	PEF	C-34	Statistical Information

Witness	Proffered By	I.D. No.	Description
Robert H. Bazemore, Javier Portuondo	PEF	C-35	Payroll and Fringe Benefit Increases Compared to CPI
Robert H. Bazemore, Ray F. DeSouza, David McDonald, Javier Portuondo, E. Michael Williams, Dale E. Young	PEF	C-36	Non-Fuel Operation and Maintenance Expense Compared to CPI
Robert H. Bazemore, Ray F. DeSouza, David McDonald, Willette Morman Perry, Javier Portuondo, E. Michael Williams. Dale E. Young	PEF	C-37	O & M Benchmark Comparison by Function
Robert H. Bazemore, Ray F. DeSouza, David McDonald, Willette Morman Perry, Javier Portuondo, E. Michael Williams. Dale E. Young	PEF	C-38	O & M Adjustments by Function
Robert H. Bazemore, Ray F. DeSouza, David McDonald, Willette Morman Perry, Javier Portuondo, E. Michael Williams. Dale E. Young	PEF	C-39	Benchmark Year Recoverable O & M Expenses by Function
Javier Portuondo	PEF	C-40	O & M Compound Multiplier Calculation
Robert H. Bazemore, Ray F. DeSouza, David McDonald, Javier Portuondo, E. Michael Williams. Dale E. Young	PEF	C-41	O & M Benchmark Variance by Function
Javier Portuondo, E. Michael Williams	PEF	C-42	Hedging Costs

Witness	Proffered By	I.D. No.	Description
Javier Portuondo, E. Michael Williams, Dale E. Young	PEF	C-43	Security Costs
Javier Portuondo	PEF	C-44	Revenue Expansion Factor
Javier Portuondo	PEF	D-1a	Cost of Capital – 13 Month Average
Javier Portuondo	PEF	D-1b	Cost of Capital Adjustments
Javier Portuondo	PEF	D-2	Cost of Capital – Five Year History
Javier Portuondo	PEF	D-3	Short-Term Debt
Javier Portuondo	PEF	D-4a	Long-Term Debt Outstanding
Javier Portuondo	PEF	D-4b	Reacquired Bonds
Javier Portuondo	PEF	D-5	Preferred Stock Outstanding
Javier Portuondo	PEF	D-6	Customer Deposits
Javier Portuondo	PEF	D-7	Common Stock Data
Javier Portuondo	PEF	D-8	Financing Plans – Stock and Bond Issues
Javier Portuondo	PEF	D-9	Financial Indicators – Summary
William C. Slusser	PEF	E-1	Cost of Service Studies

Witness	Proffered By	I.D. No.	Description
William C. Slusser	PEF	E-2	Explanation of Variations From Cost of Service Study Approved in Company's Last Rate Case
William C. Slusser	PEF	E-3a	Cost of Service Study – Allocation of Rate Base Components to Rate Schedule
William C. Slusser	PEF	E-3b	Cost of Service Study – Allocation of Expense Components to Rate Schedule
William C. Slusser	PEF	E-4a	Cost of Service Study – Functionalization and Classification of Rate Base
William C. Slusser	PEF	E-4b	Cost of Service Study – Functionalization and Classification of Expenses
William C. Slusser	PEF	E-5	Source and Amount of Revenues – at Present and Proposed Rates
William C. Slusser	PEF	E-6a	Cost of Service Study – Unit Costs, Present Rates
William C. Slusser	PEF	E-6b	Cost of Service Study – Unit Costs, Proposed Rates
William C. Slusser	PEF	E-7	Development of Service Charges
William C. Slusser	PEF	E-8	Company – Proposed Allocation of the Rate Increase by Rate Class
William C. Slusser	PEF	E-9	Cost of Service – Load Data
William C. Slusser	PEF	E-10	Cost of Service Study – Development of Allocation Factors

Witness	Proffered By	I.D. No.	Description
William C. Slusser	PEF	E-11	Development of Coincident and Noncoincident Demands for Cost Study
William C. Slusser	PEF	E-12	Adjustment to Test Year Revenue
William C. Slusser	PEF	E-13a	Revenue from Sale of Electricity by Rate Schedule
William C. Slusser	PEF	E-13b	Revenues by Rate Schedule – Service Charges (Account 451)
William C. Slusser	PEF	E-13c	Base Revenue by Rate Schedule – Calculations
William C. Slusser	PEF	E-13d	Revenue by Rate Schedule – Lighting Schedule Calculation
William C. Slusser	PEF	E-14	Proposed Tariff Sheets and Support for Charges
William C. Slusser	PEF	E-15	Projected Billing Determinants – Derivation
William C. Slusser	PEF	E-16	Customers by Voltage Level
John B. Crisp, William C. Slusser	PEF	E-17	Load Research Date
John B. Crisp, William C. Slusser	PEF	E-18	Monthly Peaks
William C. Slusser	PEF	E-19a	Demand and Energy Losses
William C. Slusser	PEF	E-19b	Energy Losses
William C. Slusser	PEF	E-19c	Demand Losses
Robert H. Bazemore	PEF	F-1	Annual and Quarterly Report to Shareholders

Witness	Proffered By	I.D. No.	Description
Robert H. Bazemore	PEF	F-2	SEC Reports
Robert H. Bazemore	PEF	F-3	Business Contracts with Officers or Directors
Dale E. Young	PEF	F-4	NRC Safety Citations
John B. Crisp, Mark A. Myers	PEF	F-5	Forecasting Models
John B. Crisp, Mark A. Myers	PEF	F-6	Forecasting Models – Sensitivity of Output to Changes in Input Data
John B. Crisp, Mark A. Myers	PEF	F-7	Forecasting Models – Historical Data
John B. Crisp, Mark A. Myers	PEF	F-8	Assumptions
H. William Habermeyer, Jr.	PEF	F-9	Public Notice

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

XI. PROPOSED STIPULATIONS

Category 1 Stipulations - The following are proposed stipulations to which all parties and Staff are in agreement:

1. The implementation date for PEF's depreciation rates and recovery/amortization schedules should be January 1, 2006. (Issue 9)

2. The effective date for adjusting PEF's annual accrual for nuclear decommissioning should be January 1, 2006. (Issue 22)

3. The appropriate cost rate for long-term debt for the projected test year should be 5.73%. (Issue 78)

4. PEF should be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return

reports, and books and records that will be required as a result of the Commission's findings in this rate case. (Issue 188)

5. PEF's projected test period of the twelve months ending December 31, 2006, is appropriate. (Issue 1)

6. The current amortization of investment tax credits and flow back of excess deferred income taxes should be revised to reflect the approved depreciation rates and recovery schedules; the amount of revision is dependent on the Commission's findings in other issues. (Issue 14)

7. PEF has agreed to remove the amount of employees' receivables from accounts receivable, as well as employee accounts payable. Therefore, employee receivables of $840,000 ($763,000 jurisdictional) and merchandise inventory of $262,000 ($242,000 jurisdictional) should be removed from working capital.

Category 2 Stipulations - The following are proposed stipulations on which PEF, AARP/SMW, CG, AG, and Staff are in agreement, and on which OPC, FIPUG, FRF and WS take no position:

1. PEF has employed an appropriate average service life, survivor curve, and/or reserve percentage in the calculation of the Depreciation Rate. (Issue 10A)

Category 3 Stipulations – The following are stipulations on which PEF, FIPUG, FRF, AARP/SMW, WS, CG, AG, and Staff are in agreement, and on which OPC takes no position:

1. PEF's $250 million accrued debit to the bottom line reserve balance allocation appropriate is based upon the approved settlement agreement in Order No. PSC-02-0655-AS-EI (Issue 12)

Category 4 Stipulations – The following are stipulations on which PEF, FIPUG, AARP/SMW, CG, AG, and Staff are in agreement, and on which OPC, FRF, and WS take no position.

1. Test year retail rate base should be increased by $55,554,000, as filed in PEF's Minimum Filing Requirements, to account for Mobile Meter Reading equipment. (Issue 35).

Category 5 Stipulations – The following are stipulations on which PEF, OPC, FIPUG, FRF, AARP/SMW, CG, AG, and Staff are in agreement, and on which WS takes no position.

1. The appropriate adjustment that should be made to the prepaid advertising expense portion of PEF's proposed working capital is to remove the non-utility portion of prepaid advertising from working capital in the amount of $2,119,000 ($2,305,000 system).

Category 6 Stipulations – The following are stipulations on which PEF, OPC, FRF, AARP/SMW, WS, CG, AG, and Staff are in agreement, and on which FIPUG takes no position.

1. No adjustments should be made to working capital to exclude the vacation pay accrual asset. (Issue 57)

XII. PENDING MOTIONS

There are no pending motions at this time.

XIII. PENDING CONFIDENTIALITY MATTERS

1) PEF's Third Request for Confidential Classification, filed June 17, 2005.

2) PEF's Seventh Request for Confidential Classification, filed July 15, 2005.

3) PEF's Eighth Request for Confidential Classification, filed July 19, 2005.

4) PEF's Ninth Request for Confidential Classification, filed July 20, 2005.

5) PEF's Twelfth Request for Confidential Classification, filed July 29, 2005.

6) PEF's Thirteenth Request for Confidential Classification, filed August 2, 2005.

7) PEF's Fourteenth Request for Confidential Classification, filed August 4, 2005.

8) PEF's Fifteenth Request for Confidential Classification, filed August 19, 2005.

9) PEF's Sixteenth Request for Confidential Classification, filed August 23, 2005.

XIV. RULINGS

1. Noting no objection from the parties, the Office of the Attorney General's Petition to Intervene, filed August 4, 2005, is granted. Pursuant to Rule 25-22.039, Florida Administrative Code, the AG takes the case as it finds it. All pleadings, orders, and correspondence shall be provided to the AG through the following representatives:

CHRISTOPHER M. KISE
Solicitor General
JACK SHREVE
Senior General Counsel
OFFICE OF THE ATTORNEY GENERAL
The Capitol – PL01
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2. Parties are allotted time for Opening Statements as follows: PEF – 20 minutes; Intervenors, collectively, 35 minutes.

3. OPC's First Motion to Compel Production of Documents from Progress Energy Florida, Inc., filed July 29, 2005, was voluntarily withdrawn by OPC at the Prehearing Conference.

It is therefore,

ORDERED by Chairman Braulio L. Baez, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Chairman Braulio L. Baez, as Prehearing Officer, this 1st day of September, 2005.

BRAULIO L. BAEZ
Chairman and Prehearing Officer

(S E A L)

JSB

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.