BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for increase in rates by Progress Energy Florida, Inc.	DOCKET NO. 090079-EI
In re: Petition for limited proceeding to include Bartow repowering project in base rates, by Progress Energy Florida, Inc.	DOCKET NO. 090144-EI
In re: Petition for expedited approval of the deferral of pension expenses, authorization to charge storm hardening expenses to the storm damage reserve, and variance from or waiver of Rule 25-6.0143(1)(c), (d), and (f), F.A.C., by Progress Energy Florida, Inc.	DOCKET NO. 090145-EI ORDER NO. PSC-09-0638-PHO-EI ISSUED: September 18, 2009

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code (F.A.C.), a Prehearing Conference was held on September 14, 2009, in Tallahassee, Florida, before Commissioner Nathan Skop, as Prehearing Officer.

APPEARANCES:

R. ALEXANDER GLENN, JOHN T. BURNETT, ESQUIRES, Progress Energy Service Company, LLC, P.O. Box 14042, St. Petersburg, Florida 33733-4042; JAMES MICHAEL WALLS, DIANNE M. TRIPLETT, and MATTHEW BERNIER, ESQUIRES, Carlton Fields, P.A., Post Office Box 3239, Tampa, Florida 33601-3239; RICHARD D. MELSON, ESQUIRE, 705 Piedmont Drive, Tallahassee, Florida 32312
On behalf of Progress Energy Florida, Inc. (PEF).

CHARLES REHWINKEL, Associate Public Counsel, CHARLIE BECK, Deputy Public Counsel, and PATRICIA A. CHRISTENSEN, Associate Public Counsel, ESQUIRES, Office of the 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).

STEPHANIE ALEXANDER, ESQUIRE, 200 West 200 West College Avenue, Suite 216, Tallahassee, Florida 32301
On behalf of the Florida Association for Fairness in Rate Making (AFFIRM).

CECILIA BRADLEY, Office of the Attorney General, The Capitol – PL01, Tallahassee, FL 32399
On behalf of the Office of the Attorney General (AG).

JON MOYLE, JR, and VICKI GORDON KAUFMAN, ESQUIRES, 118 North Gadsden Street, Tallahassee, Florida 32312 and JOHN W. McWHIRTER, JR., ESQUIRE, P.O. Box 3350, Tampa, Florida
On behalf of the Florida Industrial Power Users Group (FIPUG).

ROBERT SCHEFFEL WRIGHT and JOHN T. LAVIA, III, ESQUIRES, Young van Assenderp, P.A., 225 South Adams Street, Suite 200, Tallahassee, Florida 32301
On behalf of the Florida Retail Federation (FRF).

AUDREY VAN DYKE and ELLEN EVANS, Naval Facilities Engineering Command, Litigation Headquarters, 720 Kennon Street, S.E. Building 36, Room 136, Washington Navy Yard, DC 20374
On behalf of the Navy (NAVY).

JAMES W. BREW and F. ALVIN TAYLOR, ESQUIRES, Brickfield, Burchette, Ritts and Stone, P.C., 1025 Thomas Jefferson St., N.W., Eighth Floor, West Tower, Washington, D.C. 20007
On behalf of White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs (PCS PHOSPHATE or PCS).

KATHERINE E. FLEMING, CAROLINE M. KLANCKE, KEINO YOUNG, and ERIK L. SAYLER, ESQUIRES, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (STAFF).

MARY ANNE HELTON, Deputy General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
Advisor to the Florida Public Service Commission.

PREHEARING ORDER

I. CASE BACKGROUND

On February 12, 2009, Progress Energy Florida, Inc. (PEF) filed a test year letter, as required by Rule 25-6.140, Florida Administrative Code (F.A.C.), notifying this Commission of its intent to file a petition in the Spring of 2009 for a general rate increase effective January 1, 2010. Pursuant to the provisions of Chapter 366, Florida Statutes (F.S.), and Rules 25-6.0425 and 25-6.043, F.A.C., PEF filed a petition for an increase in rates on March 20, 2009. On March 27, 2009, Order No. PSC-09-0190-PCO-EI (Order Establishing Procedure) was issued, scheduling matters for an administrative hearing on September 21-25 and September 28-October 2, 2009. Office of Public Counsel (OPC), Attorney General's Office (AG), Florida Retail Federation (FRF), Florida Industrial Power Users Group (FIPUG), Florida Association for Fairness in Rate Making (AFFIRM), the Department of the Navy (NAVY), and White Springs

Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs (PCS Phosphate or PCS) have each been granted intervention in this docket.

II. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, F.A.C., this Prehearing Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

III. JURISDICTION

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapter 366, Florida Statutes (F.S.). This hearing will be governed by said Chapter and Chapters and Chapters 25-6, 25-22, and 28-106, F.A.C., as well as any other applicable provisions of law.

IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

Information for which proprietary confidential business information status is requested pursuant to Section 366.093, F.S., and Rule 25-22.006, F.A.C., shall be treated by the Commission as confidential. The information shall be exempt from Section 119.07(1), F.S., pending a formal ruling on such request by the Commission or pending return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been made a part of the evidentiary record in this proceeding, it shall be returned to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of this proceeding, it shall be returned to the person providing the information within the time period set forth in Section 366.093, F.S. The Commission may determine that continued possession of the information is necessary for the Commission to conduct its business.

It is the policy of this Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, F.S., to protect proprietary confidential business information from disclosure outside the proceeding. Therefore, any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, F.S., at the hearing shall adhere to the following:

(1) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the court reporter, in red envelopes clearly marked with the nature of the contents and with the confidential information highlighted. 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.

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

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 Office of Commission Clerk's confidential files. If such material is admitted into the evidentiary record at hearing and is not otherwise subject to a request for confidential classification filed with the Commission, the source of the information must file a request for confidential classification of the information within 21 days of the conclusion of the hearing, as set forth in Rule 25-22.006(8)(b), F.A.C., if continued confidentiality of the information is to be maintained.

V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties (and Staff) has been prefiled and 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 timely and appropriate objections. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. 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 five minutes.

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. After all parties and Staff have had the opportunity to cross-examine the witness, 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.

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.

The parties shall avoid duplicative or repetitious cross-examination. Further, friendly cross-examination will not be allowed. Cross-examination shall be limited to witnesses whose testimony is adverse to the party desiring to cross-examine. Any party conducting what appears to be a friendly cross-examination of a witness should be prepared to indicate why that witness's direct testimony is adverse to its interests.

VI. ORDER OF WITNESSES

As a result of discussions at the prehearing conference, each witness whose name is preceded by an asterisk (*) will be excused from this hearing if no Commissioner assigned to this case seeks to cross-examine the particular witness. Parties shall be notified as soon as possible as to whether any such witness shall be required to be present at the 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 IX of this Prehearing Order and be admitted into the record.

Witness	Proffered By	Issues #
Direct		
Vincent Dolan (adopting testimony of Jeff Lyash)	PEF	1, 6, 47, 87
Dale E. Young	PEF	6, 22, 23, 27, 38, 69, 77, 78, 79, 83
David Sorrick	PEF	6, 25, 27, 30, 38, 62, 69, 83
*Kevin Murray	PEF	25
*Sasha J. Weintraub	PEF	34
J. Dale Oliver	PEF	6, 27, 30, 38, 62, 70, 83
Jackie Joyner, Jr.	PEF	6, 27, 30, 38, 62, 71, 83
Willette Morman	PEF	6, 83, 94
Masceo S. DesChamps	PEF	63, 64, 66, 67, 83
Sandra S. Wyckoff	PEF	85
John "Ben" Crisp	PEF	3, 4, 11, 12
Earl M. Robinson	PEF	7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 28, 29, 75, 76
Steven P. Harris	PEF	33

Witness	Proffered By	Issues #
Thomas R. Sullivan	PEF	15, 28, 29, 41, 42, 43, 44, 45, 46, 47, 48, 75, 76, 81
James H. Vander Weide	PEF	44, 47, 48
William C. Slusser	PEF	5, 50, 56, 57, 59, 60, 61, 84, 85, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115
Peter Toomey (for rate base proceeding 090079 and Bartow limited proceeding 090144)	PEF	1, 2, 3, 7, 8, 15, 16, 17, 18, 19, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 65, 68, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 115, 116, 117, 118, 122
Jacob Pous	OPC	7-21, 28, 29, 75, 76
Kimberly H. Dismukes	OPC	24, 27, 28, 49, 85
Dr. J. Randall Woolridge	OPC	39, 40, 41, 42, 44 - 48
Helmuth W. Schultz	OPC	1, 28, 32-38, 49, 59-73, 83, 84, 86, 87
Daniel J. Lawton	OPC	15
Russell L. Klepper	AFFIRM	
Martin J. Marz	FIPUG	33, 63, 64, 66, 69, 70, 71
Jeffry Pollock	FIPUG	7, 9-12, 14-15, 41-42, 44, 90-92, 95-96, 109-112
*James Selecky	NAVY	90-92, 111, 112
*Rhonda L. Hicks	STAFF	
*Jocelyn Y. Stephens	STAFF	

Witness	Proffered By	Issues #
Rebuttal		
Vincent Dolan	PEF	1, 6, 47, 87
David Sorrick	PEF	6, 25, 27, 30, 38, 62, 69, 83
J. Dale Oliver	PEF	6, 27, 30, 38, 62, 70, 83
Jackie Joyner, Jr.	PEF	6, 27, 30, 38, 62, 71, 83
Masceo S. DesChamps	PEF	63, 64, 66, 67, 83
John "Ben" Crisp	PEF	3, 4, 11, 12
Joe Donahue	PEF	32
Steven P. Harris	PEF	33
Jeff Kopp	PEF	17, 19, 20, 21, 76
Earl M. Robinson	PEF	7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 28, 29, 75, 76
Will Garrett	PEF	7, 8, 9, 14, 15, 16, 28, 29, 75, 76
Michael J. Vilbert	PEF	15, 28, 29, 75, 76
Thomas R. Sullivan	PEF	15, 28, 29, 41, 42, 43, 44, 45, 46, 47, 48, 75, 76, 81
James H. Vander Weide	PEF	44, 47, 48
William C. Slusser	PEF	5, 50, 56, 57, 59, 60, 61, 84, 85, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115

Witness	Proffered By	Issues #
Peter Toomey	PEF	1, 2, 3, 7, 8, 15, 16, 17, 18, 19, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 65, 68, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 115, 116, 117, 118, 122

VII. 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 other pass-through revenues and expenses are excluded.)

Line No.	Description	Source	Amount
1	Jurisdictional Adjusted Rate Base	Schedule B-1	6,238,617,000
2	Rate of Return on Rate Base Requested	Schedule D-1a	9.21%
3	Jurisdictional Net Operating Income requested	Line 1 x Line 2	574,577,000
4	Jurisdictional Adjusted Net Operating Income	Schedule C-1	268,546,000
5	Net Operating Income Deficiency (Excess)	Line 3 –Line 4	306,031,000
6	Earned Rate of Return	Line 4/Line 1	4.30%
7	Net Operating Income Multiplier	Schedule C-44	1.6338
8	Total Revenue Deficiency Calculated	Line 5 x Line 7	499,997,000

On March 20, 2009, pursuant to Chapter 366, Florida Statutes, PEF petitioned the Commission for approval of a permanent increase in rates and charges sufficient to generate additional total annual base revenues of approximately $499 million for electric service provided to customers beginning January 1, 2010. Based on forecasts at the time of the filing, 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 12.54% rate of return on the Company's common equity capital, sufficient to attract the capital the Company needs to fulfill federal and state energy policy goals. PEF's outlook for sales has declined since the time of the filing, as shown in an updated load and energy forecast as of May 2009 filed with the rebuttal testimony of John B. Crisp. Despite this changed outlook, PEF is not seeking a revenue increase greater than the $499 million contained in its original request. However, the updated sales forecast and related jurisdictional separation study show that an additional $94,830,000 above the requested level would be required to allow PEF to earn its requested rate of return for 2010. Thus PEF will not earn its requested rate of return for 2010 even if the Commission approves the full $499 million increase requested. With its March 20, 2009 Petition, PEF also petitioned for an interim rate increase of about $13 million. In Order Number PSC-09-0413-PCO-EI, dated June 10, 2009, the Commission approved a $6.5 million interim increase, subject to refund after consideration in the full base rate proceeding.

PEF last had a general base rate increase in 1993. In 2002, the Company substantially reduced its base rates under the Stipulation and Settlement Agreement ("2002 Stipulation") approved by the Commission in Order No. PSC-02-0655-AS-EI. The 2002 Stipulation produced more than $500 million in direct savings to PEF's customers over the four-year term of the 2002 Stipulation. Further, the revenue sharing provision of the 2002 Stipulation yielded another $50 million in revenue sharing benefits for PEF's customers. Subsequent to the 2002 Stipulation, in 2005, the Company resolved its then-pending base rate proceeding with another Stipulation and Settlement Agreement that was approved by this Commission in Order No. PSC-05-0945-S-EI ("2005 Stipulation"). In the 2005 Stipulation, the Company froze its already lowered base rates for four more years, except for a limited increase beginning in 2008 to account only for the revenue requirements necessary for new generation units added to PEF's system in 2003 and 2007 to meet customer needs for reliable electric service. As a result of the 2005 Stipulation, however, PEF absorbed the cost of another new generation plant -- the Hines Unit 3, 500 megawatt ("MW"), natural gas-fired, combined cycle plant that commenced operation in 2005 -- without any additional increase in its base rates. As a result of the 2002 Stipulation and the 2005 Stipulation, PEF has provided its customers with a sustained period of relatively flat base rates.

In fact, PEF's residential base rates have increased by only one (1) percent since 1984. In sharp contrast to PEF's residential base rates, the Consumer Price Index has increased by 106 percent, the price of housing has increased 113 percent, the price of food has increased 115 percent, and the price of medical care has increased 253 percent over the same time period. Customer and sales growth over this time cannot and did not fully offset the growth in PEF's capital investment needs and costs of operation to continuously provide PEF's customers with the reliable electric service they demand. PEF in fact invested $4.5 billion to add an additional 3,000 MW of generation, additional transmission and substation facilities, distribution facilities, and other capital improvements to meet customer energy reliability needs since the Company's last general base rate increase in 1993. But for PEF's cost management and cost reduction and efficiency measures, a general base rate increase likely would have been required long before now.

The Florida Legislature and Governor have set forth a comprehensive set of energy goals and mandates for the State of Florida. These goals and mandates encourage public utilities to (1) add and expand nuclear power generation; (2)

further diversify their fuel resources and reduce their dependence and the State's dependence on fossil fuels; (3) increase generation efficiency through repowering projects and capital and maintenance improvements; (4) increase renewable energy resources; and (5) reduce greenhouse gas ("GHG") and other emissions. The Company must continue to make the necessary investments today if these energy policy goals and mandates are going to be met in the future. Additionally, the Federal Energy Regulatory Commission ("FERC"), through the North American Electric Reliability Corporation ("NERC"), has established stringent, mandatory reliability requirements for the nation's transmission systems. These reliability requirements require the Company to enhance the reliable delivery of power across the electric power grid at further, additional expense to the Company. Similarly, following the costly efforts to restore power and repair the damage caused by the violent storms during the 2004 and 2005 hurricane seasons, this Commission requires the Florida investor owned utilities to implement plans that include measures to harden their transmission and distribution systems against storm damage, at additional cost to the utilities. By establishing these energy policy goals, mandates, and requirements, the Florida Legislature, the Governor, and this Commission intend to provide a different energy future for Florida, one in which Florida utility customers have even more reliable electric service produced from cleaner, more efficient power resources at less volatile and, thus, more stable and affordable fuel prices. The Company must continue to invest now, however, to ensure that the necessary infrastructure improvements are made to attain these state energy policy goals and requirements.

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, 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 selects the period January 1, 2010 through December 31, 2010 as the test year for calculating the revenue deficiency in this case. A calendar year 2010 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 implement its "Balanced Solution" strategy, which includes investment in state-of-the-art power plants to achieve State energy policy goals while continuing to meet customer needs for reliable power. The Company's investment in the steam generator replacement project at its existing nuclear power plant, Crystal River Unit 3 ("CR3") during the CR3 refueling outage in 2009 advances this strategy. The steam generator replacement ensures that the Company's customers will continue to receive the state-of-the-art performance from CR3 they have benefited from in the past. This project requires an approximately $48 million increase in the Company's base rates.

The Company has repowered its oil-fired Bartow steam power plant with cleaner burning, state-of-the-art combined cycle, natural gas-fired technology to meet customer needs for additional, reliable power generation. This project satisfies the Power Plant Efficiency Improvements Policy recommended by the Governor's Action Team on Energy and Climate Change as part of Florida's Energy and Climate Change Action Plan. The repowered plant, which was placed in service in June 2009, will generate more than twice the amount of power as the 1950's-vintage 450 MW oil-fired plant, but it will produce significantly less sulfur dioxide and nitrogen oxide emissions than the prior facility. It will also reduce the Company's reliance on foreign oil sources and it will increase the efficiency of the Company's energy production. The estimated additional annual revenue requirements needed for the Bartow repowering project are about $130 million. In addition to the March petition filed in this proceeding, PEF filed a separate petition for a limited proceeding to recover its 2009 revenue requirements for the Bartow repowering project. The Commission, in PAA Order Number PSC-09-0415-PAA-EI, dated June 12, 2009, approved recovery of a $126,212,000 annual base rate increase, to be held subject to refund pending a review and final determination of the appropriate calculation of the Bartow Repowering Project revenue requirements in this base rate proceeding. Interveners filed a protest of the PAA order on July 2, 2009. No Intervener or Staff witness has challenged the prudence of any Bartow costs in this proceeding. PEF thus requests that the Commission not require any refund of the 2009 base rate increase and further requests that the 2010 revenue requirements for the Bartow project be included in the final rates set by the Commission.

The Company also needs additional investment capital for its transmission and distribution systems. Continued growth requires additional investment in the transmission and distribution facilities necessary to ensure that customers continue to receive reliable electric power. The Company's customer base grew at around 2 percent a year in 2006 and 2007 and, despite lower growth expectations under current economic conditions, the fact is there are more customers today than in the Company's last base rate proceeding that need safe, reliable electric service. As a result, the Company has made and will continue to make substantial capital and operation and maintenance (O&M) investments in its transmission and distribution systems to meet its existing and future customers' needs for reliable electric service.

Finally, also on March 20, 2009, PEF by separate petition requested the creation of a regulatory asset to allow the deferral of projected 2009 pension expenses, and to allow the Company to charge 2009 storm hardening expenses to the storm damage reserve. By PAA Order Number PSC-09-0484-PAA-EI, dated July 6, 2009, the Commission denied the Company's request to charge 2009 storm hardening expenses to the storm damage reserve, but approved the deferral of the retail portion of the projected 2009 pension expenses, in the amount of approximately $31.5 million. Interveners filed a protest of the PAA order on July 27, 2009 and that protest has been consolidated with this proceeding. No Intervener or Staff witness addresses the appropriateness of the deferral of these pension expenses. PEF thus requests that the Commission reaffirm its decision to authorize the creation of a regulatory asset and authorize the continued deferral of the 2009 pension expenses.

OPC: OPC's basic position is that PEF has overstated its need for any rate increase. Its' request for a half billion increase in retail base rates comes at a time when the state of Florida is mired in the worst economic slump in over 50 years. This case is driven by three main issues. First, the Company is seeking an outlandish return on Equity of 12.54 at a time when ROE awards around the country are almost 200 basis points lower. The OPC has filed expert testimony demonstrating that an ROE of 9.75% is more appropriate. The overstatement of its cost of capital requirement inflates revenue requirements by over $140 million. Second, PEF has in the past over collected depreciation expense resulting in over $850 million in depreciation reserve surplus. Furthermore the Company has improperly calculated its proposed depreciation expense by at least $113 million. Together these errors inflate the revenue requirement by 275 million. Finally, PEF is seeking excessive compensation of nearly $60 million. All told, these three issues drive the company's "need" to seek rate relief in these unfortunate times. The commission should reject the Company's positions on these issues and reject the requested rate relief.

To the extent that the OPC takes "No Position" on an issue and the issue is impacted by the May 2009 revisions to the sales forecast attached to the Rebuttal Testimony of PEF Witness Slusser and/or referred to by PEF Witness Crisp, the OPC is not waiving any objection or legal remedy it may otherwise have with respect to the manner in which PEF is seeking to have the commission consider the revised (May 2009 Sales Forecast). OPC has tentatively identified these Issues 27-32, 34, 37, 38, 44, 49, 56, 57, 59-61, 63, 76, 79, 80, 82, 84, and 88-114.

AFFIRM: AFFIRM's basic position is that a new commercial time of use rate should be developed and implemented under which the rate charged by PEF (i) varies during different time periods and reflects the variance, if any, in the utility's cost of generation and purchasing electricity at the wholesale level; and (ii) enables the electric consumer to manage energy use and cost through advanced metering and communications technology.

AG: As noted by the Public Counsel, the rate request from Progress Energy Florida, Inc. ("Progress") is excessive. In particular, the rate request by Progress does not provide a fair and reasonable rate for the citizens and small businesses of Florida in the current economic climate. Numerous citizens and small business owners sat for hours at the public hearings and testified that they are struggling and simply cannot afford an increase in their electric rates.

These customers testified about the sacrifices they have made to decrease their electrical usage and how their electric bills have continued to go up despite these sacrifices. A number of the customers testified that they would like to take advantage of the programs to purchase more energy-efficient appliances or make energy-saving repairs but could not afford to do so.

Many of these customers talked about being on fixed incomes and having their Social Security payments frozen for the next two years while their expenses for medications and other goods and services continue to rise. Some of these customers talked about cutting back on their food choices or other expenses because they had to use oxygen or other medical devices requiring electricity. Other customers talked about only taking their prescribed medications every other day or not taking some medications at all so that they could pay their electric bills. Many of the seniors testified about having been raised to live within their means but that their means would no longer cover the necessities. These seniors are now afraid they will have to move in with family or relocate to another state with more affordable electric rates.

Some business owners also testified about the trickle-down effect the requested increase would have on their customers and businesses. Some testified their businesses had absorbed some of the recent increasing costs but that they couldn't afford to do so if this increase was granted. These business owners testified that they feared their customers would no longer be able to afford their goods and services, forcing them to lay off more staff or close their businesses.

The customers who testified ranged in age from 10 to 90, but they were consistent in their opposition to the rate increase and the serious consequences of such an action by this Commission. Although some customers were complimentary of the service they received from Progress, many others complained about the service responsiveness, the numerous power surges, and the intermittent power outages during sunny days. This customer testimony clearly shows that the rate increase requested by Progress will not provide a fair and reasonable rate for its customers during this tough economic time and accordingly should be denied.

FIPUG: **Cost of Service**

The purpose of a cost of service study is to ensure that the costs of service are borne by those customers for whom the utility incurs such costs. The cost of service methodology PEF proposes (12CP and 50 Average Demand [AD]) fails to follow cost causation principles and should be rejected. PEF has failed to justify its request to change the method of allocation of production plant from the 12CP and 1/13th AD method.

The 12CP and 50% AD method fails to reflect cost causation because:

- It fails to recognize PEF's strong summer and winter peaks.
- PEF fails to consistently apply the methodology and does not follow the method's "costs follow benefits standard" to recognize that some variable costs also provide reliability benefits and should be allocated in the same way as demand costs.
- The higher costs of base load and intermediate capacity are not caused by average demand;
- The method severely undervalues capacity.
- The method double counts the coincident demand.

If the Commission does decide to replace the 12CP and 1/13th AD method, it should adopt the Average and Excess (A&E) method described in Mr. Pollock's testimony.

Further, if an increase is granted, no rate should receive an increase higher than 150% of system average base rate increase. This has been the Commission's long-standing practice and policy.

In addition, PEF's proposed rate design should be revised to:

- Assign no increase to non-fuel energy charges to more closely align the demand and energy charges to reflect the corresponding demand and non-fuel energy-related costs; and
- Increase the Interruptible Demand Credit to at least $10.49 per kW-Month to reflect the costs PEF avoids by providing this service.

Last, the Interruptible Demand Credit should not be load factor adjusted because load factor is not a reasonable proxy for the amount of capacity that a customer curtails, and because curtailments can occur at any time, not just during the hour that PEF's monthly coincident peak occurs. In lieu of measuring the amount of load curtailed, the Credit should not be less than $7.13 per kW-Month of billing demand, which recognizes that the interruptible class has an average 68% (12CP-to-Billing demand) coincidence factor.

Depreciation

PEF has overstated its depreciation expense by using life spans which are too short for its coal and combined cycle units. PEF should use at least 55 years for its coal units and 35 years for its combined cycle units. In addition, PEF should reduce the depreciation reserve by $100 million per year to correct the very large ($789 million) surplus in the depreciation reserve to restore generational equity; that is, current ratepayers should be charged only for the assets that are consumed to provide electric service.

Capital Structure

The Commission should reject PEF's proposal to impute debt associated with purchased power agreements. Rejection of this adjustment, as the Commission did in the Tampa Electric rate case, would change the common equity portion of PEF's capital structure to 50% on an adjusted basis. A 50% equity ratio is in line with the equity ratios of other comparably-rated electric utilities.

Revenue Requirements

Incentive Compensation

During this difficult economic period, the Commission should look closely at incentive compensation. All incentive compensation that is based on achieving financial goals of the parent company of PEF should be disallowed. Such compensation benefits shareholders, not ratepayers. Therefore, FIPUG recommends the following disallowances:

- $2.6 million of incentive compensation budgeted for executives and senior management (executives).
- $15.6 million (or 50%) of the incentive compensation applicable to other management and non-management.

O&M Adjustments

PEF's test year O&M expense should be adjusted to correct a large spike in such expenses. In particular, the Commission should disallow $17.65 million related to transmission and distribution overhead line maintenance expenses and $15 million in production maintenance expense. The test year transmission and distribution O&M expenses PEF proposes represent an increase of 60% and 37%, respectively, compared to PEF's actual/projected expenses for the period 2006 – 2009. This includes increases of 47% (transmission) and 44% (distribution) from 2009 to 2010. Similarly, steam and other generation maintenance expense would increase by 36% relative to 2009 and by 57% relative to the average of the most recent four- year period. These increases are excessive and have not been supported.

Storm Accrual

The Commission should reject PEF's request to increase annual contributions to the storm reserve by $16 million per year. The current $133 million storm reserve balance is sufficient to cover all but the most serious of storm events. PEF's proposal is inconsistent with the Commission's existing framework, which is predicated upon a multi-faceted approach to funding storm damage. This approach does not rely solely on the storm reserve accrual to provide coverage for storm damage. Even without any additional contributions, the storm reserve is adequate to provide coverage for the estimated annual average loss for the next eight years. Thus, contributions to the fund should cease.

Revised Forecast

FIPUG objects to the Commission's consideration of PEF's revised forecast filed in this case on August 31, 2009 as attached to Witness' Crisp's rebuttal testimony and as utilized by Witness Slusser in his jurisdiction separation study attached to his rebuttal filed on August 31, 2009. Such information is a material change in the company's case to which the parties have not had the opportunity to respond. Its consideration in this case is inappropriate. FIPUG intends that this position and objection shall apply to any issue herein that is affected by the August 31st revised forecast.

FRF: The core question to be addressed by the Commission in this proceeding is whether Progress Energy Florida ("PEF") needs any additional revenues in order to provide safe, adequate, reliable service, to recover its legitimate costs of providing such service, and to have an opportunity to earn a fair and reasonable return on its legitimate investment in assets used and useful in providing such service. The evidence shows that the answer to this question is unequivocally "No."

Progress's requested after-tax return on equity of 12.54% equates to a before-tax return greater than 20%. This is excessive and unjustified relative to current capital market conditions and relative to the minimal risks that PEF faces in its Florida operations.

Progress also has a huge depreciation reserve surplus, which means that PEF has collected roughly $858 million more in depreciation expense than it needed to collect relative to the actual lives of its assets. This huge surplus has been created by current and previous customers, and the Commission must act to correct this overpayment by amortizing – flowing back – a substantial part of this huge surplus over the next 4 years. The evidence shows that PEF can accomplish this amortization without jeopardizing its financial integrity, and the fundamental principles of fairness, justice, and reasonableness require this action.

Progress has also overstated its projected depreciation expenses, and thus overstated its revenue needs for the 2010 test year. The Commission should reduce PEF's claimed revenue requirement to reflect this overstatement.

In summary, the combined evidence submitted by witnesses for the consumer parties in this case shows that PEF can provide safe, adequate, and reliable service while reducing its rates by approximately $35 million per year. It is the utility's fundamental duty to provide safe, adequate, and reliable service at the lowest possible cost, and this fundamental principle requires that the Commission reduce PEF rates accordingly.

The FRF has endeavored in good faith to take positions, or to state "No position" on all issues. Several of the issues with respect to which the FRF has taken "No position" may be subject to being affected by Progress's revised sales forecast submitted with its rebuttal testimony on August 31, 2009, after the consumer intervenors in this case had filed their rebuttal testimony. The FRF and other consumer intervenors object to the Commission's consideration of the revised sales forecast unless the Commission postpones the hearings in this docket and gives the consumer intervenors adequate opportunity to review and prepare responsive testimony addressing the revised sales forecast. Accordingly, where the FRF has taken "No position" on any issue that may be impacted by the revised sales forecast, the FRF's intent is to take no position as to the issue for PEF's originally filed case but to object to any consideration of the revised sales forecast in this docket, on its current schedule; additionally, there are several other issues on which the FRF has taken positions that are also subject to this caveat and objection. The FRF has tentatively identified the following issues as being subject to this caveat and objection: Issues 27-32, 34, 37, 38, 44, 49, 56, 57, 59-61, 63, 76, 79, 80, 82, 84, and 88-114.

NAVY: The Navy is concerned with PEF's "Allocated Class Cost of Service and Rate Return Study" (CCOSS). Specifically, we are concerned with PEF's proposed allocation of production capacity costs. The retail class cost of service study methodology proposed by PEF is inappropriate because it allocates 50% of the production fixed cost on an energy basis. Allocating 50% of the production fixed cost on an energy basis has the effect of skewing allocation of generation capacity costs toward high-load factor customers without providing a proper share of the lower cost of fuel from the base load resources.

If the Commission is going to allocate a significant portion of the production fixed costs on an energy basis, it should also allocate the energy symmetrically. That is high load factor customers who receive an above average allocation of base load production costs should receive the benefit of lower fuel costs produced by this generation resource.

PEF's system winter and summer peak demands are the most prominent and therefore the most important in determining PEF's capacity needs. Therefore, summer/winter coincident peaks should be used to allocate fixed production costs. If the Commission elects not to utilize a summer/winter peak coincident peak allocation, we recommend using the 12 coincident peak study with a 1/13 weighting to energy as contained in the Minimum Filing Requirements.

PCS: The overall revenue requirement proposed by Progress Energy Florida ("PEF" or "Progress") is excessive and should be reduced for the reasons identified by the Office of Public Counsel ("OPC"). In particular, PCS Phosphate supports the testimony of OPC's witnesses explaining why PEF should be required to amortize its excess depreciation reserve (compared to the theoretical reserve). PCS Phosphate also endorses the other adjustments to PEF's depreciation expense identified by OPC's witnesses.

With respect to cost allocation and rate design, PCS Phosphate supports the testimony of the Florida Industrial Power Users Group's ("FIPUG") witnesses. In particular, PCS Phosphate agrees with FIPUG that PEF's proposed allocation of costs using the 12 CP and 50% methodology is inappropriate and is not consistent with either cost causation principles or Florida's express policies to manage peak load growth. PCS Phosphate further supports FIPUG's testimony concerning the need to substantially increase the credit provided for interruptible service. The credit contained in PEF's existing tariffs is stale and is not indicative of current costs avoided by interruptible service or the other system reliability, economic and environmental benefits associated with interruptible service.

Finally, it is imperative that the Commission consider the economic circumstances surrounding the decision in this case. The lagging energy sales that PEF points to in this case are but an indicator of the severe challenges facing all Florida businesses and consumers.

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.

VIII. ISSUES AND POSITIONS

ISSUE 1: **DROPPED**

TEST PERIOD AND FORECASTING

ISSUE 2: **CATEGORY 1 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 3: What are the appropriate inflation, customer growth, and other trend factors for use in forecasting?

POSITIONS:

PEF: The appropriate inflation, customer growth and other trend factors for use in forecasting are those included in the MFRs. (Toomey, Crisp)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: The various factors which should be the subject of this case are those included in PEF's March 20, 2009 filing.

FRF: No position.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 4: Are PEF's forecasts of customer growth, KWH by revenue class, and system KW for the projected test year appropriate?

POSITIONS:

PEF: Yes, PEF's load and sales forecast for the projected test year was appropriate as of the time of PEF's original filing. PEF's revised load and sales forecast as of

May, 2009, included as Exhibit JBC-9 to the rebuttal testimony of witness Crisp, is more appropriate at this time. (Crisp)

OPC: No. To the extent the revised forecast is a material change to the MFRs or the company's request for rate relief, filed on March 20, 2009, at a minimum PEF's 8-month clock should be restarted from the August 31, 2009 date of filing PEFs' rebuttal testimony. Other relief may be warranted as the nature of the Company's request is further defined. With respect to any issue that is impacted by the May 2009 revised forecast attached to Witness Slusser's rebuttal testimony, the OPC objects to its consideration in this docket.

AFFIRM: No position.

AG: No. Support the position of the Office of Public Counsel.

FIPUG: No. The load and sales forecasts which should be the subject of this case are those included with PEF's original filing. Parties have had no opportunity to rebut the new forecast filed on August 21, 2009 which represents a material and substantial change to PEF's case. Such forecast should not be relied upon for any purpose in this matter; however, if the Commission does intend to consider the new forecast filed on August 21st, it must reset the 8 month clock.

FRF: No. With respect to any issue that is impacted by the May 2009 revised forecast attached to Witness Slusser's rebuttal testimony, the FRF objects to its consideration in this docket.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 5: Are PEF's forecasts of billing determinants by rate class for the projected test year appropriate?

POSITIONS:

PEF: Yes, PEF's forecasts of billing determinants by rate class for the projected test year were appropriate as of the time of PEF's original filing. PEF's revised billing determinants by rate class, included as Exhibit WCS-12 to the rebuttal testimony of witness Slusser, are based on the updated load and sales forecast as of May, 2009, and are more appropriate at this time. (Slusser)

OPC: No. To the extent the revised forecast is a material change to the MFRs or the company's request for rate relief, filed on March 20, 2009, at a minimum PEF's 8-month clock should be restarted from the August 31, 2009 date of filing PEFs' rebuttal testimony. Other relief may be warranted as the nature of the Company's request is further defined. With respect to any issue that is impacted by the May 2009 revised forecast attached to Witness Slusser's rebuttal testimony, the OPC objects to its consideration in this docket.

AFFIRM: No position.

AG: No. Support the position of the Office of Public Counsel.

FIPUG: No. The billing determinants which should be the subject of this case are those included with PEF's original filing. Parties have had no opportunity to rebut the new billing determinants or jurisdictional separation study t filed on August 21, 2009 which represents a material and substantial change to PEF's case. These determinants should not be relied upon for any purpose in this matter; however, if the Commission does intend to consider the new determinants filed on August 21st, it must reset the 8 month clock.

FRF: No. With respect to any issue that is impacted by the May 2009 revised forecast attached to Witness Slusser's rebuttal testimony, the FRF objects to its consideration in this docket.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

QUALITY OF SERVICE

ISSUE 6: 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. (Dolan, Young, Sorrick, Oliver, Joyner, Morman)

OPC: No position pending receipt of all customer testimony.

AFFIRM: No position.

AG: No, as reflected by customer testimony. This will be updated after testimony of September 21 hearing.

FIPUG: No position.

FRF: Tentative – No. Based on the evidence presented to date in the customer service hearings, the quality and reliability or service provided by PEF is called into serious question. The FRF will take a definitive position after the final customer hearing on September 21, 2009.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

DEPRECIATION STUDY

ISSUE 7: **CATEGORY 1 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 8: What are the appropriate capital recovery schedules?

POSITIONS:

PEF: None, as PEF has not proposed any capital recovery schedules. (Robinson, Garrett, Toomey)

OPC: The appropriate recovery schedules should be revised consistent with recommendations of OPC witnesses Jacob Pous, outlined in the following issues. Further, this should be a "fallout issue" that takes into account the Commission's consideration of, and explicit rulings on, the specific depreciation-related issues that OPC and other parties have raised and addressed through testimony and other participation in this proceeding. (Pous)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: Agree with OPC.

FRF: The appropriate capital recovery schedules are those recommended by witness Jacob Pous on behalf of the Citizens of the State of Florida.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 9: Is PEF's calculation of the average remaining life appropriate?

POSITIONS:

PEF: Yes, PEF calculated the average remaining life consistent with Commission rules and precedent. (Robinson, Garrett)

OPC: Yes. However, the OPC does not agree with the assumptions and inputs used; the methodology and the math appear to be correct. (Pous)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: No. PEF has understated the life spans for its coal and combined cycle plants and overstating its depreciation requirements.

FRF: Yes, but only to the extent that the methodology and arithmetic appear to be correct. The FRF does not agree with the assumptions and inputs used in the calculation.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 10: What life spans should be used for PEF's coal plants?

POSITIONS:

PEF: The appropriate life span for PEF's Crystal River Units 1 and 2 coal-fired plants is 53 years, and the appropriate life span for Crystal River Units 4 and 5 is 52 years. (Crisp, Robinson)

OPC: PEF's proposed life spans of 53.5 and 50.5 years, respectively, for the Crystal River 4 and 5 coal-fired generating units is artificially short. Based on empirical evidence and the treatment afforded such units in other jurisdictions, as well as indications of PEF's expectations, OPC supports a 60-year life span for coal-fired units. (Pous)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: Based on industry experience and specific examples, the Commission should use a life span of at least 55 years for its coal plants.

FRF: Agree with OPC that the appropriate depreciation life span for PEF's coal units is 60 years.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 11: What life spans should be used for PEF's combined cycle plants?

POSITIONS:

PEF: The appropriate life span for PEF's combined cycle plants is 30 years. (Crisp, Robinson)

OPC: OPC submits that the 30-year life span that PEF uses for combined cycle units is unrealistically short. At a minimum, the Commission should direct PEF to evaluate available information and develop a more appropriate life span in its next depreciation study. OPC is aware that another intervenor's witness has identified 35 years as the appropriate life span. This life span is more appropriate and closer to the view of OPC's witness, as well. If the Commission decides to revise the life span for combined cycle units in this proceeding, it should set the minimum value at 35 years. (Pous)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: Based on industry experience and specific examples, the Commission should use a life span of at least 35 years for its combined cycle plants.

FRF: The appropriate depreciation life span for PEF's coal plants is 60 years, and the appropriate depreciation life span for PEF's combined cycle units is 40 years. The other appropriate depreciation parameters are those recommended by witness Jacob Pous on behalf of the Citizens of the State of Florida.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 12: What are the appropriate depreciation parameters (remaining life, net salvage percent, and reserve percent), amortizations, and resulting rates for each production unit, including but not limited to coal, steam, combined cycle, etc.?

POSITIONS:

PEF: The appropriate depreciation parameters, amortizations and resulting rates for each production unit are those set forth in the 2009 Depreciation Study filed as Exhibit No. EMR-2 to the testimony of Mr. Robinson. (Robinson)

OPC: The appropriate depreciation parameters should be determined using the recommendations of OPC witness Jacob Pous regarding the appropriate life spans, remaining life calculations, the level of interim retirements, net salvage, and depreciation rates as addressed in the sub-categories below:

Appropriate life spans by category

Coal-fired production units: No. PEF's proposed life spans of 53.5 and 50.5 years, respectively, for the Crystal River 4 and 5 coal-fired generating units is artificially short. Based on empirical evidence and the treatment afforded such units in other jurisdictions, as well as indications of PEF's expectations, OPC supports a 60-year life span for coal-fired units.

Large steam oil or gas-fired generating facilities: No. Based on empirical evidence and the treatment afforded such units in other jurisdictions, as well as indications of PEF's own expectations, the Anclote units 1 and 2 should be afforded a life span of 50 years for purposes of the depreciation study.

NOTE: The impact of OPC's adjustments for coal-fired and large steam units is to decrease depreciation expense by $26 million.

Combined cycle generating facilities: OPC submits that the 30-year life span that PEF uses for combined cycle units is unrealistically short. At a minimum, the Commission should direct PEF to evaluate available information and develop a more appropriate life span in its next depreciation study. OPC is aware that another intervenor's witness has identified 35 years as the appropriate life span. This life span is more appropriate and closer to the view of OPC's witness, as well. If the Commission decides to revise the life span for combined cycle units in this proceeding, it should set the minimum value at 35 years. (Pous)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: See Issues 9, 10, 11, 13.

FRF: The appropriate depreciation parameters are those recommended by witness Jacob Pous on behalf of the Citizens of the State of Florida.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 13: What are the appropriate depreciation parameters (remaining life, net salvage percent, and reserve percent), amortizations, and resulting rates for each transmission, distribution, and general plant account?

POSITIONS:

PEF: The appropriate depreciation parameters, amortizations and resulting rates for each transmission, distribution and general plant account are those set forth in the 2009 Depreciation Study filed as Exhibit No. EMR-2 to the testimony of Mr. Robinson. (Robinson)

OPC: *Appropriate depreciation rates*: The Commission should adopt the depreciation rates as recommended by OPC witness Jacob Pous. The cumulative effect of his recommendation is to reduce annual depreciation expense from PEF's requested $445,613,594 to $332,500,603, or a reduction of $113,112,961. (Pous)

The appropriate depreciation parameters should be determined using the recommendations of OPC witness Jacob Pous regarding the appropriate life characteristics, remaining life calculations, the level of interim retirements, net salvage, and depreciation rates. These positions are specifically addressed in the sub-categories below:

Level of interim retirements - production units and interim net salvage and interim net terminal salvage: PEF has proposed interim retirements based on inappropriate use of actuarial analysis which essentially is an effort to create and implement an accelerated form of depreciation. In addition, the Company proposes an interim retirement life-curve combination approach that produces unreasonable and unrealistic results. These interim retirement results are inconsistent with what PEF's consultant has proposed in other proceedings and create excessive levels of interim retirements. Mr. Pous advances a better approach which results in a $45 million reduction in depreciation expense. These recommended ratios and lives related to interim retirements are shown on Exhibit (JP-4). Interim net salvage results proposed by the Company's consultant are excessively negative and not documented. OPC witness Pous recommends the use of the actual historic values reflected in the company's study be used as a conservative approach. These recommendations are found on Exhibit (JP-5).

Appropriate life characteristics and net salvage levels for transmission, distribution, and general plant PEF proposes inappropriate life characteristics and excessive levels of negative net salvage. PEF overstates depreciation expense by the cumulative effect of adjustments to 22 different accounts, each of which requires a discrete decision.

a) Account 353.1- Transmission Station Equipment: Adjust PEF's proposed forecasted negative net salvage to positive 5% net salvage.

b) Account 355 – Transmission, Poles and Fixtures: Adjust PEF's proposed negative 50% net salvage to negative 25% net salvage.

c) Account 356 – Transmission Overhead Conductors and Devices: Adjust PEF's proposed negative 30% net salvage to negative 10% net salvage.

d) Account 358 – Transmission Underground Conductors and Devices: Adjust PEF's proposed negative 3% to zero net salvage.

e) Account 362 – Distribution Station Equipment: Adjust PEF's proposed negative 15% net salvage to zero net salvage.

f) Account 364 – Distribution Poles, Towers and fixture Other Production Fuel Holders: Adjust PEF's proposed negative 50% net salvage to 35% negative net salvage.

g) Account 365 – Distribution Overhead Conductors and Devices: Adjust PEF's proposed negative 45% net salvage to negative 20% net salvage.

h) Account 366 – Distribution Underground Conduit: Adjust PEF's proposed negative 10% net salvage to zero net salvage.

i) Account 367 – Distribution Underground Conductors and Devices: Adjust PEF's proposed negative 10% net salvage to zero net salvage.

j) Account 367 – Distribution line transformers: Adjust PEF's proposed negative 15% net salvage to negative 5% net salvage.

k) Account 369.1 – Distribution Services - Overhead: Adjust PEF's proposed negative 50% net salvage to negative 40% net salvage.

l) Account 369.2 – Distribution Services - Underground: Adjust PEF's proposed negative 15% net salvage to zero net salvage.

m) Account 370 – Distribution Meters: Adjust PEF's proposed negative 10% net salvage to 6% net salvage.

n) Account 373 – Distribution Street Lighting and Signals: Adjust PEF's proposed negative 20% net salvage to negative 5% net salvage.

o) Account 390 – General Structures and Improvements: Adjust PEF's proposed negative 5% net salvage to a positive 15% net salvage. (Pous)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: FIPUG agrees with OPC.

FRF: The appropriate depreciation parameters are those recommended by witness Jacob Pous on behalf of the Citizens of the State of Florida.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 14: Based on the application of the depreciation parameters that the Commission has deemed appropriate to PEF's data, and a comparison of the calculated theoretical reserves to the book reserves, what are the resulting differences?

POSITIONS:

PEF: When compared with the hypothetical reserve calculated in PEF's Depreciation Study, the book reserve shows a positive net variance as set forth in the 2009

Depreciation Study filed as Exhibit No. EMR-2, Table 5f-Future (Pro Forma). (Robinson, Garrett)

OPC: PEF currently has a depreciation reserve excess of $858 million. This amount is based on acceptance of OPC witness Jacob Pous' adjustments to PEF's depreciation study. It does not take into account OPC's and Mr. Pous' position that the life spans that PEF assigns to combined cycle units are too short; modifying those values to more realistic life spans in this proceeding would increase the size of PEF's depreciation reserve excess. (Pous)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: PEF has a depreciation reserve in excess of $646 million.

FRF: Based on Witness Jacob Pous's testimony and exhibits, PEF has a depreciation reserve excess of $858 million.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 15: What, if any, corrective reserve measures should be taken with respect to the differences identified in the Issue 14?

POSITIONS:

PEF: The Commission should take no corrective reserve measures with respect to these differences. 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. (Robinson, Garrett, Toomey, Vilbert, Sullivan)

OPC: PEF's enormous depreciation reserve excess means it has over-collected depreciation expense from current customers in a way that constitutes a massive intergenerational inequity. A priority of this proceeding should be to rectify this cumulative inequity to the extent consistent with the dual objectives of achieving fairness to current customers while maintaining PEF's financial integrity. PEF's proposal to return the excess over a remaining plant life of about 2 years is woefully inadequate to address the inequity involved. OPC estimates that there will be a 50% turnover in residential customers during that period. Moreover, PEF can afford to do much more. PEF should be required to amortize $$646 million of its reserve excess back to customers over a period of four years. Limiting the amount of the overall $858 million excess to be amortized to $646 million will leave a reserve excess that will protect PEF at the same time the Commission requires PEF to begin to restore a measure of more equitable treatment to the customers who have overpaid. Limiting the amount to be amortized to $646 million will protect PEF's financial integrity. OPC's review of PEF's financial integrity takes into account both the amortization of $646 million of depreciation reserve excess and the adoption of all of OPC's other recommendations in the consolidated proceedings, including the recommendation to reduce base rates by $35 million. Based on OPC's review, PEF will continue to show the very strong financial parameters typical of an investment grade-rated utility. OPC's recommended four year amortization period coincides with the timing of PEF's next depreciation study, and is the same amortization period PEF relied on for its special amortization requests. At that time, based on further evaluation the Commission can fine tune its corrective action.

Considerations and criteria when evaluating time frame for amortization of the depreciation reserve imbalances: The Commission should consider the extent to which it can reverse the pattern of over collection of depreciation expense while maintaining PEF's strong financial integrity. It should also consider the timing of PEF's next depreciation study. The period of four years, when coupled with identifying $646 million as the amount to be amortized, satisfies these criteria.

Impact of proposal with respect to the treatment of the depreciation reserve imbalances on PEF's financial integrity: If the Commission adopts all of OPC's recommendations in these consolidated dockets, including the recommendation to amortize $646 million of PEF's reserve excess over four years and OPC's overall recommendation to reduce base rates by $35 million annually, PEF would continue to exhibit strong financial integrity. In his testimony and exhibits, OPC witness Daniel J. Lawton demonstrates that PEF would continue to display the financial parameters and indicators typical of an investment grade-rated electric utility. (Pous)

AFFIRM: No position.

AG: Excess depreciation should be refunded to the customers who paid for the excess.

FIPUG: To compensate for the huge reserve surplus that PEF has, the Commission should order PEF to implement a $100 million annual depreciation expense adjustment. PEF should credit depreciation expense and debit to the bottom line depreciation reserve by at least $100 million per year.

FRF: PEF's huge depreciation reserve indicates that current and recent-period customers have overpaid drastically relative to the true depreciation costs incurred by PEF, resulting in a gross inequity being imposed on those customers. The Commission should remedy this gross inequity by amortizing 75% of the surplus, or $646 million, over 4 years; limiting the amount of the surplus to be amortized will maintain PEF's financial integrity, taking account of all of the Citizens' witnesses' testimony, after reducing Progress's retail rates by $35 million per year.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 16: **CATEGORY 1 STIPULATION** - See Section X, Proposed Stipulations

FOSSIL DISMANTLEMENT COST STUDY

ISSUE 17: Should the current-approved annual dismantlement provision be revised?

POSITIONS:

PEF: Yes, the annual dismantlement provision should be revised in accordance with PEF's 2008 Fossil Dismantlement Study. (Kopp, Toomey)

OPC: The Commission should direct PEF to propose a more realistic approach and cost level to terminal net salvage in its next depreciation study. (Pous)

AFFIRM: No position.

AG: Yes.

FIPUG: Yes. Agree with OPC.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 18: What, if any, corrective reserve measures should be approved for fossil dismantlement?

POSITIONS:

PEF: No corrective reserve measures should be approved. (Toomey)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: No position.

FRF: No position.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 19: What is the appropriate annual provision for dismantlement?

POSITIONS:

PEF: PEF's 2008 Fossil Plant Dismantlement Study shows PEF will need to accrue $3.8 million (system) annually beginning in 2010 in order to ensure that sufficient funds will be available to cover the costs of dismantlement of the Company's fossil plant generating sites. (Kopp, Toomey)

OPC: If the Commission decides to address fossil dismantlement in this proceeding, the Company's costs should be reduced by 60%. (Pous)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: Agree with OPC.

FRF: Agree with OPC that if fossil dismantlement is addressed in this proceeding, PEF's costs should be reduced by 60%.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 20: Are PEF's assumptions in the fossil dismantlement study with regard to site restoration reasonable?

POSITIONS:

PEF: Yes, PEF's assumptions are consistent with industry standards and with Commission Rule 25-6.04364. Burns & McDonnell specifically reviewed each of PEF's generating units and sites and reasonably estimated the costs to dismantle each unit. (Kopp)

OPC: No. (Pous)

AFFIRM: No position.

AG: No.

FIPUG: No. Agree with OPC.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 21: **DROPPED**

NUCLEAR DECOMMISSIONING COST STUDY

ISSUE 22: Should the currently approved annual nuclear decommissioning accruals be revised?

POSITIONS:

PEF: No. In accordance with PEF's 2008 Nuclear Decommissioning Study filed in this docket, the annual accrual amount should remain at $0, which is consistent with the stipulation in the Company's 2005 rate case. (Young, Toomey)

OPC: No.

AFFIRM: No position.

AG: No position.

FIPUG: No.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No. The issues associated with PEF's nuclear decommissioning study should be deferred from the rate case and addressed next year when FPL files its nuclear decommissioning study in December 2010. This will afford the Commission the opportunity to address the appropriateness of each companies' cost of nuclear decommissioning at the same time. PEF will not be required to prepare a new site-specific nuclear decommissioning study. However, PEF will be required to update the current study with the most currently available escalation rates.

ISSUE 23: What is the appropriate annual decommissioning accrual in equal dollar amounts necessary to recover future decommissioning costs over the remaining life Crystal River Unit 3 (CR3)?

POSITIONS:

PEF: The appropriate amount is $0. (Young, Toomey)

OPC: The commission should make no change in PEF's nuclear decommissioning accrual.

AFFIRM: No position.

AG: No position.

FIPUG: No change should be made in PEF's nuclear decommissioning accrual.

FRF: Agree with OPC that the Commission should not change PEF's nuclear decommissioning accrual.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No. The issues associated with PEF's nuclear decommissioning study should be deferred from the rate case and addressed next year when FPL files its nuclear decommissioning study in December 2010. This will afford the Commission the opportunity to address the appropriateness of each companies' cost of nuclear decommissioning at the same time. PEF will not be required to prepare a new site-specific nuclear decommissioning study. However, PEF will be required to update the current study with the most currently available escalation rates.

RATE BASE

ISSUE 24: Has the company removed all non-utility activities from rate base?

POSITIONS:

PEF: Yes, all non-utility activities have been appropriately removed from rate base. (Toomey)

OPC: No. Ratebase and associated accumulated depreciation should be reduced to account for the erroneous wholesale direct allocation to the City of Tallahassee's ownership in CR3. (Dismukes)

AFFIRM: No position.

AG: No.

FIPUG: No. Agree with OPC.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 25: Should any adjustments be made to rate base related to the Bartow Repowering Project?

POSITIONS:

PEF: No adjustments should be made to the rate base related to the Bartow Repowering Project. (Sorrick, Murray, Toomey)

OPC: No Position. [OPC's does not take a position on this issue so long as there is no prejudice to its rights to contest the legality and impact of inclusion of the Bartow project in ratebase and rates during 2009. With this understanding OPC believes this issue is a candidate for a "Class 2 stipulation.]

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: The interim increase related to this project should not have been approved. FIPUG reserves its right to challenge the Bartow costs as to this interim approval and their impact on rate base and rates in 2009.

FRF: Agree with OPC.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 26: Should an adjustment be made to reflect any test year or post test year revenue requirement impacts of "The American Recovery and Reinvestment Act" signed into law by the President on February 17, 2009?

POSITIONS:

PEF: No. (Toomey)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: No position.

FRF: No position.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 27: Is PEF's requested level of Plant in Service for the projected 2010 test year appropriate?

POSITIONS:

PEF: Yes. PEF's requested level of Electric Plant in Service for 2010 of $10,381,341,000 was appropriate at the time of PEF's original filing. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, the separation factors have changed. The updated appropriate level of Electric Plant in Service for the projected 2010 test year is $10,548,852,000, as reflected in the Rebuttal Testimony of Peter Toomey, Exhibit PT-17. (Toomey, Young, Sorrick, Oliver, Joyner)

OPC: No. Plant in service should be adjusted ($2,312,287) to properly allocate general plant to wholesale operations. See Issue 24. (Dismukes, Schultz)

AFFIRM: No position.

AG: No.

FIPUG: No. Agree with OPC.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 28: What adjustments, if any, should be made to accumulated depreciation to reflect revised depreciation rates, capital recovery schedules, and amortization schedules resulting from PEF's depreciation study?

POSITIONS:

PEF: No adjustments should be made. (Robinson, Toomey, Garrett, Vilbert, Sullivan)

OPC: Accumulated depreciation should be reduced ($112,883,411) to account for the net impact of the amortization of the depreciation reserve surplus reserve recommended by OPC witness Jacob Pous and the impact of the wholesale allocation adjustment proposed by OPC witness Kimberly Dismukes. (Schultz, Pous, Dismukes)

AFFIRM: No position.

AG: Accumulated depreciation should be reduced.

FIPUG: See Issues 9, 10, 11, 13.

FRF: Agree with OPC that accumulated depreciation should be reduced by $112,883,411.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 29: Is PEF's requested level of Accumulated Depreciation and Amortization in the amount of $4,437,117,000 for the 2010 projected test year appropriate?

POSITIONS:

PEF: Yes. PEF's requested level of Accumulated Depreciation for 2010 of $4,437,117,000 was appropriate at the time of PEF's original filing. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, the separation factors have changed. The updated appropriate level of Accumulated Depreciation for the projected 2010 test year is $4,510,592,000, as reflected in the Rebuttal Testimony of Peter Toomey, Exhibit PT-17. (Robinson, Toomey, Garrett, Vilbert, Sullivan)

OPC: No.

AFFIRM: No position.

AG: No.

FIPUG: No. The adjustments Intervenors recommend should be made.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 30: Is PEF's requested level of CWIP – No AFUDC in the amount of $151,145,000 for the projected 2010 test year appropriate?

POSITIONS:

PEF: Yes. PEF's requested level of CWIP-No AFUDC for 2010 of $151,145,000 was appropriate at the time of PEF's original filing. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, the separation factors have changed. The updated appropriate level of CWIP-No AFUDC for the projected 2010 test year is $153,310,000, as reflected in the Rebuttal Testimony of Peter Toomey, Exhibit PT-17. (Toomey, Sorrick, Oliver, Joyner)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: No position.

FRF: Agree with OPC.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 31: Is PEF's requested level of Plant Held for Future Use in the amount of $25,723,000 for the projected 2010 test year appropriate?

POSITIONS:

PEF: Yes. PEF's requested level of Plant Held for Future Use for 2010 of $25,723,000 was appropriate at the time of PEF's original filing. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, the separation factors have changed. The updated appropriate level of Plant Held for Future Use for the projected 2010 test year is $25,904,000, as reflected in the Rebuttal Testimony of Peter Toomey, Exhibit PT-17. (Toomey)

OPC: No.

AFFIRM: No position.

AG: No.

FIPUG: No.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 32: Is PEF's requested level of Nuclear Fuel – No AFUDC (net) in the amount of $126,566,000 for the projected 2010 test year appropriate?

POSITIONS:

PEF: Yes. PEF's requested level of Nuclear Fuel-No AFUDC for 2010 of $126,566,000 was appropriate at the time of PEF's original filing. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, the separation factors have changed. The updated appropriate level of Nuclear Fuel-No AFUDC for the projected 2010 test year is $126,510,000, as reflected in the Rebuttal Testimony of Peter Toomey, Exhibit PT-17. (Toomey, Donahue)

OPC: No. PEF's proposed nuclear fuel balance should be reduced ($26,752,411) as a result of the company's failure to provide any justification for the large increase in test year nuclear fuel. (Schultz)

AFFIRM: No position.

AG: No position.

FIPUG: No. Agree with OPC.

FRF: No. PEF has failed to justify its nuclear fuel balance for the test year, and accordingly, its nuclear fuel balance should be reduced by $26,752,411.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 33: Should an adjustment be made to PEF's requested storm damage reserve, annual accrual of $14.9 million, and target level of $150 million?

POSITIONS:

PEF: No, PEF's requested storm damage annual accrual of $14.9 million (jurisdictional) and its target reserve level of $152.5 million are appropriate given the likelihood of storms impacting PEF's service territory and the increase in T&D infrastructure across PEF's territory. (Toomey, Harris)

OPC: Yes, PEF has not justified any increase in its storm damage accrual. In addition, PEF's storm damage reserve appears to be at a level that is more than adequate to meet the requirements of its expected level of non-catastrophic storms based on recent experience. For this reason, the Commission should order PEF to cease its storm damage accrual entirely. (Schultz)

AFFIRM: No position.

AG: Yes.

FIPUG: Yes. PEF's requested storm reserve accrual of $14.9 million (jurisdictional), $16 million (system) should be suspended concurrent with the effective date of the new rates in this case. No further accruals should be made to the storm reserve as the current reserve balance is sufficient to provide for coverage of the expected annual loss (EAL) and also provides coverage for all category 1 storms.

FRF: Yes. The Commission should order PEF to reduce its storm accrual to zero, because the current reserve balance is sufficient to cover the costs of non-catastrophic storms and because the company has available other means of addressing cost recovery in the event of catastrophic storms.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 34: **CATEGORY 2 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 35: Should unamortized rate case expense be included in Working Capital?

POSITIONS:

PEF: Yes. $1,688,000 of unamortized rate case expense should be included in working capital. This 13-month average balance is based on total rate case expense of $2,251,077 amortized over 24 months. (Toomey)

OPC: No. (Schultz)

AFFIRM: No position.

AG: No.

FIPUG: No.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 36: Has PEF appropriately reflected the impact of SFAS 143 (Asset Retirement Obligations) in its proposed working capital calculation?

POSITIONS:

PEF: Yes, PEF has appropriately removed the impact of SFAS 143 (Asset Retirement Obligations) from its proposed working capital. (Toomey)

OPC: PEF has not demonstrated that it has reflected the impact of SFAS 143 in a revenue neutral manner as required by Commission Rule 25-14.014. Absent any demonstration that PEF has complied with the rule, the Commission should require PEF to record an appropriate reduction to ratebase to offset the increase in working capital caused by the ARO adjustment. (Schultz)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: No. Agree with OPC.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 37: Is PEF's requested level of Working Capital Allowance in the amount of ($9,041,000) for the projected test year appropriate?

POSITIONS:

PEF: Yes. PEF's requested level of Working Capital Allowance for 2010 of ($9,041,000) was appropriate at the time of PEF's original filing. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, the separation factors have changed. This separation factor change results in a Working Capital Allowance of ($7,001,000). Further, an adjustment is necessary to correct the balance of unamortized rate case expense, which decreases Working Capital Allowance by $1,099,000, resulting in an appropriate adjusted level of Working Capital Allowance for the 2010 projected test year of ($8,099,000) as reflected in the Rebuttal Testimony of Peter Toomey, Exhibit PT-17. (Toomey)

OPC: No. Working capital allowance should be increased $26,190,221 after adjusting for removing unamortized rate case expense and excess storm damage reserve amounts. (Schultz)

AFFIRM: No position.

AG: No.

FIPUG: No. Agree with OPC.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 38: Is PEF's requested level of Rate Base in the amount of $6,238,617,000 for the 2010 projected test year appropriate?

POSITIONS:

PEF: Yes. PEF's requested level of Rate Base for 2010 of $6,238,617,000 was appropriate at the time of PEF's original filing. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, the separation factors have changed, resulting in a change in the level of Rate Base to $6,336,983,000. Further, an adjustment is necessary to correct the balance of unamortized rate case expense, which decreases Rate Base by $1,099,000, resulting in an appropriate adjusted level of Rate Base for the 2010 projected year of $6,335,884,000 as reflected in the Rebuttal Testimony of Peter Toomey, Exhibit PT-17. (Toomey, Young, Sorrick, Oliver, Joyner)

OPC: No. Ratebase should be $6,348,626,000 after adjustments recommended by OPC witnesses Pous, Dismukes and Schultz. (Schultz)

AFFIRM: No position.

AG: No.

FIPUG: This is a fall out issues based on the Commission's decision on other issues.

FRF: No. Consistent with the recommendations of the Citizens' witnesses, PEF's rate base should be $6,348,626,000.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

COST OF CAPITAL

ISSUE 39: What is the appropriate amount of accumulated deferred taxes to include in the capital structure for the projected test year?

POSITIONS:

PEF: At the time of PEF's original filing, the appropriate amount of accumulated deferred taxes to include in the capital structure was $389,297,000. However, as a result of changes identified in PEF's position on Issue 38, the appropriate adjusted level of rate base for the 2010 projected year is $6,335,884,000. When synchronizing rate base to capital structure, the appropriate amount of accumulated deferred income taxes to include in capital structure for the 2010 projected test year is $395,367,000 as reflected in the Rebuttal Testimony of Peter Toomey, Exhibit PT-17. (Toomey)

OPC: $373,161,000. (Woolridge)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: $373,161,000.

FRF: $329,399,000.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 40: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for the projected test year?

POSITIONS:

PEF: At the time of PEF's original filing, the appropriate amount of unamortized investment tax credits to include in the capital structure was $3,610,000. However, as a result changes identified in PEF's position on Issue 38, the appropriate adjusted level of rate base for the 2010 projected year is $6,335,884,000. When synchronizing rate base to capital structure, the appropriate amount of unamortized investment tax credits to include in capital structure for the 2010 projected test year is $3,666,000 and the appropriate cost rate is 9.74% as reflected in the Rebuttal Testimony of Peter Toomey, Exhibit PT-17. (Toomey)

OPC: $4,991,000. The appropriate cost rate is 7.84%. (Woolridge)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: Agree with OPC.

FRF: $4,991,000; appropriate cost rate of 7.84%.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 41: Should PEF's requested pro forma adjustment to equity to offset off-balance sheet purchased power obligations be approved?

POSITIONS:

PEF: Yes. (Sullivan, Toomey)

OPC: No. Due to the lack of guidance given by S&P on the risk factor they use, the Commissions support for the collection of payments for PPAs, the fact that the PPAs are not GAAP adjustments and which are not recorded as liabilities on the books of the company and the fact that, from a regulatory perspective, PPA payments are unlike debt, the PPA adjustment to the Company's capital structure is inappropriate. (Woolridge)

AFFIRM: No position.

AG: No.

FIPUG: No. PEF should not be permitted to impute debt for purchased power agreements. Recovery for such contracts is under the purview of this Commission and once such contracts are approved, PEF is entitled to full and direct recovery of all such costs. Thus, they should not be treated as imputed debt.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 42: What is the appropriate equity ratio that should be used for PEF for purposes of setting rates in this proceeding?

POSITIONS:

PEF: The appropriate equity ratio is 50.52% equity as reflected in MFR D-1a. (Sullivan, Toomey)

OPC: As demonstrated by Dr. Woolridge, a 50% equity ratio is fair to the Company and is conservative compared to electric utilities generally and is consistent with the way investors view PEF's capital structure. (Woolridge)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: The appropriate equity ratio for PEF is 46.93%. This would lower PEF's base revenue request by approximately $32.9 million.

FRF: 50%.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 43: Have rate base and capital structure been reconciled appropriately?

POSITIONS:

PEF: Yes specific adjustments have been made where appropriate and the pro-rata adjustment has been appropriately been made across all sources of capital. (Toomey, Sullivan)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: No position.

FRF: No position.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 44: What is the appropriate capital structure for the projected test year?

POSITIONS:

PEF: The appropriate capital structure at the time of PEF's filing was that shown in MFR D-1a As a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp and the adjustment to correct the balance of unamortized rate case expense, the appropriate capital structure is that shown in the Rebuttal Testimony of Peter Toomey, Exhibit PT-17. (Toomey, Sullivan, Vander Weide)

OPC: The capital structure recommended by Dr. Woolridge as reflected in Ex. HWS-1, Schedule D, appended to the testimony of Helmuth W. Schultz, is the appropriate capital structure. (Woolridge)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: See Issue 41 regarding disallowance of an adjustment for purchased power agreements. FIPUG agrees with OPC as to the other components of capital structure.

FRF: The appropriate capital structure for PEF in this case is that recommended by Dr. J. Randall Woolridge, witness for the Citizens of the State of Florida.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 45: 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 5.25% as presented in MFR D-3. (Sullivan)

OPC: 3.06%. (Woolridge)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: Agree with OPC.

FRF: 3.06%.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 46: What is the appropriate cost rate for long-term debt for the projected test year?

POSITIONS:

PEF: The appropriate cost rate for long-term debt is 6.42% as presented in MFR D-4a. (Sullivan)

OPC: 6.05%. (Woolridge)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: Agree with OPC.

FRF: 6.05%.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 47: What is the appropriate return on equity (ROE) for the projected test year?

POSITIONS:

PEF: The appropriate return on equity for the projected test year is 12.54%. (Vander Weide, Sullivan, Dolan)

OPC: 9.75%. (Woolridge)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: The appropriate ROE should be no higher than 9.75%.

FRF: 9.75%.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 48: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the projected capital structure?

POSITIONS:

PEF: The appropriate weighted average cost of capital is 9.210% as calculated in MFR D-1a and the Rebuttal Testimony of Peter Toomey. (Toomey, Sullivan, Vander Weide)

OPC: 7.48%. (Woolridge)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: Agree with OPC.

FRF: 7.48%.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

NET OPERATING INCOME

ISSUE 49: Is PEF's projected level of total operating revenues in the amount of $1,517,918,000 for the 2010 projected test year appropriate?

POSITIONS:

PEF: Yes. PEF's requested level of operating revenues for 2010 of $1,517,918,000 was appropriate at the time of PEF's original filing. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, this level has changed. The updated appropriate level of operating revenues for the projected 2010 test year is $1,450,633,000, as reflected in the Rebuttal Testimony of Peter Toomey, Exhibit PT-17. (Toomey)

OPC: Projected operating revenues should be adjusted by $8,646,274 as recommended by OPC witness Dismukes to correct for inadequate attribution of costs to the non regulated operations. Projected test year revenues should be at least be $1,526,564,000. (Schultz, Dismukes).

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: Agree with OPC.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 50: What are the appropriate adjustments to reflect the base rate increase for the Bartow Repowering Project authorized in Order No. PSC-09-0415-PAA-EI?

POSITIONS:

PEF: The appropriate adjustment to reflect the base rate increase for the Bartow Repowering project would be to adjust present revenues to include the authorized increase. No adjustment should be made to the proposed revenues as they reflect the Company's total cost of service including the revenue requirements for the Bartow repowering project in the 2010 test period. (Toomey, Slusser)

OPC: No position.

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: See Issue 25.

FRF: Agree with OPC.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 51: **CATEGORY 2 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 52: **CATEGORY 2 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 53: **CATEGORY 2 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 54: **CATEGORY 2 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 55: **DROPPED**

ISSUE 56: Has PEF made the appropriate adjustments to remove Aviation cost for the test year?

POSITIONS:

PEF: Yes, PEF has appropriately removed aviation costs of $3,126,000 as reflected in MFR C-2. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, the separation factors have changed. This separation factor change results in an aviation cost adjustment of $3,164,000 when applying a separation factor of .88755 as reflected in the Rebuttal Testimony of William C. Slusser, Exhibit WCS-12. (Toomey, Slusser)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: No position.

FRF: No position.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 57: Should an adjustment be made to advertising expenses?

POSITIONS:

PEF: An adjustment has been appropriately made to remove image-building advertising expense in the amount of $3,388,000 as reflected in MFR C-2. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, the separation factors have changed. This separation factor change results in an image building advertising expense adjustment of $3,429,000 when applying a separation factor of .88755 as reflected in the Rebuttal Testimony of William C. Slusser, Exhibit WCS-12. (Toomey, Slusser)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: No position.

FRF: No position.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 58: **DROPPED**

ISSUE 59: Is PEF's proposed allowance of $2,412,100 for directors and officers liability insurance appropriate?

POSITIONS:

PEF: No. PEF provided the system amount of directors and officers (D&O) liability insurance in response to OPC Interrogatory No. 310 of $2,200,000. The jurisdictional amount in PEF's original filing was $1,929,000. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, the separation factors have changed. With this change, PEF's appropriate amount of D&O liability insurance is $1,953,000 when applying a separation factor of .88755 as reflected in the Rebuttal Testimony of William C. Slusser, Exhibit WCS-12. (Toomey, Slusser)

OPC: No. Directors and Officers Liability insurance expense should be disallowed it its entirety as those costs are incurred only for the protection and benefit of the shareholders who are ultimately responsible for hiring directors and officers. (Schultz)

AFFIRM: No position.

AG: No.

FIPUG: No, this amount should be disallowed. Ratepayers should not be required to fund this expense which directly benefits only PEF's shareholders.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 60: Is PEF's proposed allowance of $3,669,000 for 2010 injuries and damages expense appropriate?

POSITIONS:

PEF: No. PEF's original filing includes injuries and damages (FERC Acct 925) of $9,821,000 on a system basis. In addition to injuries and damages, this account includes corporate insurance in the amount of $5,637,097, as reflected in the Rebuttal Testimony of Peter Toomey, Exhibit PT-13, codes 98EC8S and 98T01S. When removing the corporate insurance, the remaining injuries and damages budget in 2010 is $4,184,000 on a system basis and $3,669,000 on a jurisdictional basis (as noted in this issue). In response to OPC Interrogatory No. 386, PEF explained that $450,000 had been classified as "salaries and wages" that should have been classified as "injuries and damages". When including this amount, total system injuries and damages is appropriately $4,634,000, and the jurisdictional amount at the time of PEF's original filing was $4,064,000. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, the separation factors have changed. With this change, PEF's appropriate amount of injuries and damages is $4,113,000 when applying a separation factor of .88755 as reflected in the Rebuttal Testimony of William C. Slusser, Exhibit WCS-12. (Toomey, Slusser)

OPC: No. Since it appears that the injuries and damages reserve expense is not supported by the record or the company's efforts to justify it and the amount of $4,778,604 -- which includes dollars identified as related to both Injuries & Damages Expense and A&G Office Supplies & Expense -- should be disallowed. (Schultz)

AFFIRM: No position.

AG: No.

FIPUG: No. This amount should be disallowed because it is not supported in PEF's filing.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 61: Is PEF's proposed allowance of $23,228,000 for 2010 A&G office supplies and expenses appropriate?

POSITIONS:

PEF: No. As explained in response to OPC Interrogatory No. 386, PEF budgeted $1,208,000 to Salaries and Wages that should have been budgeted to A&G Office Supplies and Expense. In addition, an adjustment is proposed to reduce A&G Office Supplies and Expense by $1,319,000 as explained in the Rebuttal Testimony of Peter Toomey. MFR C-4, page 12, shows system A&G office supplies and expense as $26,783,000. With these adjustments, the appropriate amount of A&G Office Supplies and Expense on a system basis is $26,672,000 and the jurisdictional amount based on the separation study at the time of PEF's original filing would be $23,130,000. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, the separation factors have changed. With this change, PEF's appropriate amount of A&G office supplies and expense is $23,411,000 when applying a separation factor of .88755 on the labor related portion as reflected in the Rebuttal Testimony of William C. Slusser, Exhibit WCS-12. (Toomey, Slusser)

OPC: No. $2,331,755 of A&G Office Supplies and Expense should be disallowed as a result of the failure to explain or justify those expenses in the 2001 budget. (Schultz)

AFFIRM: No position.

AG: No.

FIPUG: No. Agree with OPC.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 62: Should an adjustment be made to PEF's proposed 2010 allowance for O&M expense to reflect productivity improvements, if any?

POSITIONS:

PEF: No, such an adjustment is inappropriate. The Company has supported all of its 2010 O&M expenses through the testimony of its witnesses, and its budgets already reflect the productivity improvements the Company has implemented. (Toomey, Oliver, Joyner, Sorrick)

OPC: Yes. The Commission should recognize the company's incentive to implement post rate case award efficiencies beyond those reflected in its filing. PEF's strategic plan sets as a goal achievement of annual productivity gains of 3-5%. The Commission should utilize the more conservative target of 3% and reduce projected O&M expense by $13.034 million. (Schultz)

AFFIRM: No position.

AG: Yes.

FIPUG: Yes. Agree with OPC. PEF fails to reflect any productivity cost savings.

FRF: Yes.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 63: Should an adjustment be made to PEF's requested level of salaries and employee benefits for the 2010 projected test year?

POSITIONS:

PEF: Yes, as explained in response to OPC Interrogatory No. 386, PEF budgeted $1,208,000 to Salaries and Wages that should have been budgeted to A&G Office Supplies and Expense. In addition, PEF budgeted $450,000 to Salaries and Wages that should have been budgeted to A&G Injuries and Damages. Therefore, Salaries and Wages should be reduced by $1,658,000 (system). The jurisdictional amount at the time of PEF' original filing would be $1,454,000. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, the separation factors have changed. With this change, the appropriate amount of the adjustment is a decrease of $1,472,000 when applying a separation factor of .88755 as reflected in the Rebuttal Testimony of William C. Slusser, Exhibit WCS-12. (Toomey, DesChamps)

OPC: Yes. As demonstrated in the testimony of OPC witness Schultz, PEF's Salaries and benefits are excessive in light of today's economy and PEF's obligation to minimize the impact of its rate request on its customers. Compensation expense should be reduced by $47,540,636 to eliminate the excessive nature of the company's increase in base salary. This adjustment is comprised of adjustments to payroll increases, benefits, proposed employee position levels, and incentive compensation as discussed in Issues 64-67. (Schultz)

AFFIRM: No position.

AG: Yes.

FIPUG: Yes. Agree with OPC.

FRF: Yes.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 64: Are PEF's proposed increases to average salaries for 2010 appropriate?

POSITIONS:

PEF: Yes, PEF's proposed increases in average salaries are based on market studies and are designed to maintain total compensation packages that are competitive so that the Company can attract and retain qualified employees. (DesChamps)

OPC: No. PEF's proposed 4.7% overall increase in base salaries is excessive in light of the labor market specifically and the economy in general. The overall increase should be held to 2.35%, resulting in a reduction to payroll expense of $12,209,439. (Schultz)

AFFIRM: No position.

AG: Not in light of the current economic climate.

FIPUG: No; in these difficult economic times, PEF should be required to tighten its belt just as many citizens, county governments and school boards must do. Employee increases are inappropriate.

FRF: No. Agree with OPC that PEF's proposed increase of 4.7% in base salaries is excessive in light of current labor market conditions and in light of the current bleak state of the economy.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 65: Are PEF's proposed increases in employee positions for 2010 appropriate?

POSITIONS:

PEF: Yes, PEF's proposed increase of thirty-six new positions is appropriate for the reasons set forth in the Rebuttal Testimony of Peter Toomey. (Toomey)

OPC: No. The Company's proposed allowance for filling 80 positions should be rejected to account for the overall level of vacant positions that will likely exist in the test year. This reduces payroll expense $4,156,891. (Schultz)

AFFIRM: No position.

AG: No.

FIPUG: No; PEF should be required to freeze employee hiring in order to hold down costs, just as many citizens, county governments and school boards must do.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 66: Should the proposed 2010 allowance for incentive compensation be adjusted?

POSITIONS:

PEF: No adjustment for incentive compensation is warranted. (DesChamps)

OPC: Yes. As demonstrated in the testimony of OPC witness Schultz, PEF's expense in the amount of $25,371,639 for incentive compensation and $ 12,094,011 for long term incentive compensation should be disallowed as providing no benefit to ratepayers and constituting nothing more than added compensation that is inappropriate at any times, but especially in today's economic climate. (Schultz)

AFFIRM: No position.

AG: Yes. This does not provide any benefit for the customers and is inappropriate in this economic climate.

FIPUG: Yes. At a minimum, the Commission should disallow $18.25 million of incentive compensation. Such additional awards should not be permitted in light of the difficult economic climate.

FRF: Yes. Agree with OPC that PEF's proposed incentive compensation amount of $25,371,639 and PEF's proposed $12,094,011 for long-term incentive compensation should be disallowed.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 67: Should the Company's proposed 2010 allowance for employee benefit expense be adjusted?

POSITIONS:

PEF: No adjustment for employee benefit expense is warranted. (DesChamps)

OPC: Yes. Employee benefits expense should be reduced by $9,376, 809 to account for an unexplained discrepancy between the MFRs and the revised MFRs. Additionally, an adjustment needs to be made to be consistent with the adjustment in the level of employee due to vacant positions (See, Issue 65). (Schultz)

AFFIRM: No position.

AG: Yes.

FIPUG: Yes. Agree with OPC.

FRF: Yes. Agree with OPC that PEF's employee benefit expense should be reduced by $9,376,809.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 68: Should an adjustment be made to the accrual for property damage for the 2010 projected test year?

POSITIONS:

PEF: No. (Toomey)

OPC: Yes. The accrual for storm damage should be eliminated. (See, Issue 33). (Schultz)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: See Issue 33.

FRF: Yes. PEF's annual accrual for storm damage reserve should be eliminated because the current reserve balance is sufficient to cover the costs of non-catastrophic storms and because the company has adequate other means of addressing cost recovery in the event of catastrophic storms.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 69: Should an adjustment be made to PEF's 2010 generation O&M expense?

POSITIONS:

PEF: No. (Sorrick, Young)

OPC: Yes. Power Operations Expense should be reduced $17,741,309 due to the lack of justification and documentation for the company's proposed increases in expense levels or due to the recurring nature of costs. (Schultz)

AFFIRM: No position.

AG: Yes.

FIPUG: Yes. PEF's steam and other generation O&M expense is overstated. PEF projects a 36% increase in expenses compared to its budgeted 2009 numbers. It projects a 57% increase in comparison to its four year average (2006-2009) expenses. This dramatic increase is a result of PEF moving a CR3 outage from a period beyond the 2010 test year, additional planned outages, and a "contingency" expense. A $15 million reduction should be made to generation O&M to address these excessive amounts.

FRF: Yes. PEF's Power Operations Expense should be reduced by $17,741,309.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 70: Should an adjustment be made to PEF's 2010 transmission O&M expense?

POSITIONS:

PEF: No. (Oliver)

OPC: Yes. Transmission vegetative management expenses should be reduced $1,717,043 due to the lack of justification for the increase over historical levels. Further, transmission bonding and grounding expense should be reduced $338,145 due to account for the fact that the proposed 2010 expense does not reflect that the cost is not incurred on an annual basis. (Schultz)

AFFIRM: No position.

AG: Yes.

FIPUG: Yes. PEF's transmission expense should be reduced by $3.75 million. PEF has overstated the amount of this expense by including storm hardening activities like vegetation management and tree trimming, which have been required by the Commission since 2006.

FRF: Yes. PEF's Transmission expenses should be reduced by $2,055,188.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 71: Should an adjustment be made to PEF's 2010 distribution O&M expense?

POSITIONS:

PEF: No. (Joyner)

OPC: Yes. Distribution vegetative management expense should be reduced $8,924,197 to account for PEF's deferral of 2009 expenses into the test year. The Company's proposed cost level is not representative of annual requirements to perform tree trimming and the adjustment accounts for that. (Schultz)

AFFIRM: No position.

AG: Yes.

FIPUG: Yes. PEF's distribution expense should reduced by $13.9 million. PEF has overstated the amount of this expense by including storm hardening activities like vegetation management and tree trimming, which have been required by the Commission since 2006.

FRF: Yes.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 72: **DROPPED**

ISSUE 73: What is the appropriate amount and amortization period for PEF's rate case expense for the 2010 projected test year?

POSITIONS:

PEF: The appropriate amount for rate case expense is $2,251,000, as presented in the Rebuttal Testimony of Peter Toomey, amortized over a two year period beginning January, 2010. (Toomey)

OPC: Rate case expense should be reduced by $989,618 and the amount included in rate base should be reduced at least $969,531. (Schultz)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: Agree with OPC as to amount to be disallowed. Rate case expense should be amortized over 5 years.

FRF: Rate case expense should be reduced by $989,618.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 74: **CATEGORY 2 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 75: What adjustments, if any, should be made to the 2010 projected test year depreciation expense to reflect revised depreciation rates, capital recovery schedules, and amortization schedules resulting from PEF's depreciation study?

POSITIONS:

PEF: No adjustment should be made to PEF's depreciation expense as reflected in its 2009 Depreciation Study. (Robinson, Toomey, Garrett, Vilbert, Sullivan)

OPC: Depreciation expense requested by PEF should be reduced by $113,112,961. (Pous)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: The adjustments recommended by Intervenors should be made.

FRF: PEF's allowed depreciation expense should be reduced by $113,112,961.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 76: What is the appropriate amount of depreciation and fossil dismantlement expense for the 2010 projected test year?

POSITIONS:

PEF: PEF's requested level of depreciation and dismantlement expenses for the 2010 projected test year of $354,755,000 and $3,114,000, respectively, were appropriate at the time of PEF's original filing. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, these expenses have changed. The updated appropriate depreciation and dismantlement expenses for the projected 2010 test year are $360,454,000 and $3,194,000, respectively, as reflected in the Rebuttal Testimony of Peter Toomey, Exhibit PT-17. PEF updated its dismantlement costs in response to Staff's Interrogatory No. 319. The updated cost is higher than in PEF's original filing, however PEF does not seek to recover this increase. PEF believes its fossil dismantlement accrual is appropriate and reasonable given the inherent uncertainty and volatility with regard to inflation and scrap value assumptions as well as the time frame between dismantlement filings. (Toomey, Robinson, Garrett, Kopp, Vilbert, Sullivan)

OPC: The appropriate depreciation expense for PEF for 2010 is $322,500.632. OPC's position on the level of fossil dismantlement expense is reflected in Issue 19. (Pous)

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: See Issues 9, 10, 11, 13.

FRF: The appropriate depreciation expense for PEF for 2010 is $322,500,632. The FRF's position on fossil dismantlement is stated at Issue 19.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 77: **CATEGORY 1 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 78: **CATEGORY 2 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 79: **CATEGORY 2 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 80: Should an adjustment be made to taxes other than income taxes for the 2010 projected test year?

POSITIONS:

PEF: No adjustment to taxes other than income taxes for 2010 is necessary based on PEF's original filing of $129,587,000. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, the separation factors have changed. With this change, the appropriate amount of taxes other than income taxes for the 2010 projected test year is $131,813,000 as reflected in the Rebuttal Testimony of Peter Toomey, Exhibit PT-17. (Toomey)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: Agree with OPC.

FRF: Agree with OPC.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 81: Is it appropriate to make a parent debt adjustment as per Rule 25-14.004, Florida Administrative Code?

POSITIONS:

PEF: No, it is not appropriate to make a parent-debt adjustment. The equity contributions made to PEF by the parent were from equity issuances at the parent, not debt. Equity issued in 2008, 2009 and 2010 at the parent will be greater than contributions made to PEF in 2009 and 2010.
(Toomey, Sullivan)

OPC: Yes.

AFFIRM: No position.

AG: Yes.

FIPUG: Yes.

FRF: Yes.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 82: Should an adjustment be made to Income Tax expense for the 2010 projected test year?

POSITIONS:

PEF: Yes. Based on the adjustments to reduce rate case expense by $269,000 and A&G office supplies and expense by $1,157,000 (jurisdictional) as explained in the Rebuttal Testimony of Peter Toomey Exhibit PT-17, an adjustment should be made to increase income tax expense by $550,000 based on the statutory income tax rate of 38.575%. Therefore, based on PEF's original filing with this adjustment, income tax expense would have been $45,040,000. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp and the change in separation factors, the appropriate amount of income tax expense for the 2010 projected test year is $12,079,000 as reflected in the Rebuttal Testimony of Peter Toomey, Exhibit PT-17. (Toomey)

OPC: OPC proposes no specific adjustment for income taxes. Any adjustment would be a fallout of other adjustments.

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: Agree with OPC.

FRF: Agree with OPC that this would be a fallout of decisions on other issues.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 83: Is PEF's requested level of Operating Expenses in the amount of $1,249,372,000 for the 2010 projected test year appropriate?

POSITIONS:

PEF: No. PEF's requested level of Operating Expense of $1,249,372,000 must be adjusted to reduce A&G Office Supplies and Expense and Rate Case Expense as explained in the Rebuttal Testimony of Peter Toomey. With these adjustments, the level of Operating Expense would have been $1,248,488,000. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, the separation factors have changed. The impact of this change on Operating Expense is a net reduction of $18,303,000, for total adjusted Operating Expenses of $1,230,185,000 as presented in the Rebuttal Testimony of Peter Toomey Exhibit PT-17. (Toomey, Morman, Sorrick, Young, DesChamps, Joyner, Oliver)

OPC: No. (Schultz)

AFFIRM: No position.

AG: No.

FIPUG: No. The adjustments recommended by Intervenors should be made.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 84: Is PEF's projected net operating income in the amount of $268,546,000 for the 2010 projected test year appropriate?

POSITIONS:

PEF: No. PEF's net operating income must be adjusted to reflect the decrease in operating expense of $876,000 as explained in Issue No. 83. With this adjustment, the projected net operating income would have been $269,422,000 based on PEF's original filing. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, the separation factors have changed. The impact of this change on net operating income is a net reduction of $48,974,000, for total adjusted Net Operating Income of $220,448,000 as presented in the Rebuttal Testimony of Peter Toomey Exhibit PT-17. (Toomey, Slusser)

OPC: No. (Schultz)

AFFIRM: No position.

AG: No.

FIPUG: No. The adjustments recommended by Intervenors should be made.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 85: Has PEF appropriately accounted for affiliated transactions? If not, what adjustment, if any, should be made?

POSITIONS:

PEF: Yes, PEF has appropriately accounted for affiliate transactions. There are no adjustments necessary. (Toomey, Wyckoff, Slusser)

OPC: No. The commission should make two general adjustments to account for PEFs failure to protect retail ratepayers from non jurisdictional transactions.

Under-allocation of expenses to non regulated operations
Excessive profitability (return on investment) of affiliated non-regulated operations indicates that PEF is not fairly allocating costs to these operations. OPC proposes that to remedy this and insure that ratepayers do not provide a subsidy to non-regulated affiliates, that all related costs and revenues of the operations be treated above the line for ratemaking. This would increase net operating income by $8.6 million.

Direct Assignment of Costs to the Wholesale Jurisdiction.
In order to properly allocate administrative and general and general plant to the City of Tallahassee's interest in the Crystal River nuclear plant, the Commission should reduce plant and associated accumulated depreciation and property taxes for a net plant reduction of $1.8 million. Retail test year A&G expense should be reduced by $6.3 million. (Dismukes)

AFFIRM: No position.

AG: No. Support OPC's position.

FIPUG: No. Agree with OPC.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

REVENUE REQUIREMENTS

ISSUE 86: **CATEGORY 2 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 87: Is PEF's requested annual operating revenue increase of $499,997,000 for the 2010 projected test year appropriate?

POSITIONS:

PEF: Yes. At the time of PEF's original filing, the requested increase of $499,997,000 was appropriate, subject to the adjustments to net operating income and rate base described herein. PEF is not seeking a revenue increase greater than the $499,997,000 contained in its original request. However, as a result of the updated sales forecast filed in the Rebuttal Testimony of John B. Crisp, an additional $94,830,000 above the requested level would be required to allow PEF to earn its requested rate of return for 2010. (Toomey, Dolan)

OPC: No. Required annual operating revenues for the 2010 projected test year are ($35,038,000). PEF's retail rates should be reduced to reflect this. (Schultz)

AFFIRM: No position.

AG: No.

FIPUG: No. The adjustments recommended by Intervenors should be made.

FRF: No. This increase is excessive and unnecessary to enable PEF to provide adequate and reliable service and also unnecessary to enable PEF to attract needed capital. Granting PEF's requested increase would result in rates that are unfair, unjust, unreasonable, and contrary to the public interest.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

COST OF SERVICE AND RATE DESIGN

ISSUE 88: Has PEF correctly calculated revenues at current rates for the projected test year?

POSITIONS:

PEF: Yes. PEF appropriately calculated revenues using test period billing determinants as developed from both the originally filed sales forecast and the revised May 2009 sales forecast. (Slusser)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: No. The billing determinants which should be the subject of this case are those included with PEF's original filing. Parties have had no opportunity to rebut the new billing determinants or jurisdictional separation study t filed on August 21, 2009 which represents a material and substantial change to PEF's case. These determinants should not be relied upon for any purpose in this matter; however, if the Commission does intend to consider the new determinants filed on August 21st, it must reset the 8 month clock. See Issues 4 and 5.

FRF: Consistent with its Statement of Basic Position above, the FRF has "No position" with respect to the revenue calculation for 2010 in PEF's original case filed in March 2009. However, the FRF objects – with respect to this issue and to any other issue impacted by PEF's revised sales forecast filed on August 31, 2009 – to consideration of the revised sales forecast.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 89: Is PEF's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?

POSITIONS:

PEF: Yes. PEF's proposed separation of costs and revenues between wholesale and retail jurisdictions is appropriate for both the originally filed jurisdictional cost of service study and the revised jurisdictional cost of service study associated with the May 2009 sales forecast. (Slusser)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: No. The separation study which should be the subject of this case is the study included with PEF's original filing. Parties have had no opportunity to rebut the new jurisdictional separation study filed on August 21, 2009 which represents a material and substantial change to PEF's case. This study should not be relied upon for any purpose in this matter; however, if the Commission does intend to consider the new study filed on August 21st, it must reset the 8 month clock.

FRF: Consistent with its Statement of Basic Position above, the FRF has "No position" with respect to the jurisdictional separation cost study for 2010 in PEF's original case filed in March 2009. However, the FRF objects – with respect to this issue and to any other issue impacted by PEF's revised sales forecast filed on August 31, 2009 – to consideration of the revised sales forecast, to the consideration of the jurisdictional cost study based thereon, and to any other consideration of the revised forecast.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of FIPUG.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 90: What is the appropriate Cost of Service Methodology to be used to allocate base rate and cost recovery costs to the rate classes?

POSITIONS:

PEF: The appropriate cost of service methodology is "12 CP and 50% AD" method for allocating production capacity costs and the 12 CP method for allocating transmission costs. (Slusser)

OPC: No position.

AFFIRM: 12 CP and 1/13th Average Demand.

AG: No position.

FIPUG: The Commission should continue to use the 12CP and 1/13th AD cost of service methodology. It should not adopt the cost of service methodology PEF proposes, 12CP and 50% AD, because this methodology fails to follow cost causation principles. If the Commission does decide to replace the 12CP and 1/13th AD method, it should adopt the Average and Excess (A&E) method described in Mr. Pollock's testimony. The summer/winter coincident peak method described by Mr. Pollock should be used to allocate transmission plant costs.

FRF: No position.

NAVY: Summer/winter coincidence peaks should be used to allocate fixed production costs. If the Commission elects not to utilize a summer/winter peak coincident peak allocation the results of the cost of service study that utilizes a 12 coincident peak study with a 1/13 weighted to energy should be used. (Selecky)

PCS: PCS Phosphate agrees with and adopts the position of FIPUG.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 91: If the Commission approves a cost allocation methodology other than the 12 CP and 1/13th Average Demand, should all cost recovery factors be adjusted to reflect the new cost of service methodology?

POSITIONS:

PEF: Yes. The Commission's practice has been to use the same cost allocation method approved in a utility's last base rate proceeding to allocate costs in the utility's cost recovery clauses for each functional cost. (Slusser)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: Yes, provided that the interruptible credit is adjusted to reflect its full value.

FRF: No position.

NAVY: Yes. The cost allocation methodology approved by the Commission should primarily be utilized to allocate any increase in this proceeding. (Selecky)

PCS: PCS Phosphate agrees with and adopts the position of FIPUG.

STAFF: Yes, if the Commission approves a cost allocation methodology other than the 12 CP and 1/13th Average Demand, all cost recovery factors should be adjusted to reflect the new cost of service methodology.

ISSUE 92: How should any change in revenue requirements approved by the Commission be allocated among the customer classes?

POSITIONS:

PEF: The appropriate allocation of any change in revenue requirements, after recognizing any additional revenues from service charges, should track, to the extent practical, each class's revenue deficiency as determined from the approved cost of service study. No class should receive an increase greater than 1.5 times the system average percentage increase in total, and no class should receive a decrease. The appropriate allocation should recognize the combination of the Curtailable and Interruptible rate classes for the purpose of establishing base rate and billing adjustment charges. It should also recognize any customer migration that may occur between the GS and GSD rate schedules as a result of the final rate design. (Slusser)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: If an increase is granted, no rate should receive an increase greater than 150% of the system average base rate increase. This has been the Commission's long-standing practice and policy. To do otherwise would result in excessive increases to certain classes, some of which are over 50%.

FRF: Any decrease (or increase) in PEF's authorized revenue requirements should be allocated to the customer classes on the basis of an equal percentage decrease (or increase) to all base rates.

NAVY: The Commission should utilize the result of a retail class cost of service study as a primary factor to allocate any changes in the revenue requirement among the customer classes. (Selecky)

PCS: PCS Phosphate agrees with and adopts the position of FIPUG.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 93: **CATEGORY 2 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 94: **CATEGORY 2 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 95: 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. These rate schedules, which are proposed to be eliminated, have been closed to new customers since April 1996. At that time, existing customers were grandfathered under these schedules to avoid the possibility of hardship from immediate transfer to comparable, cost-effective rate schedules. It is now appropriate to bring this interim grandfathering to a close. (Slusser)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: No. The Commission should retain the IS-1, IST-1, CS-1 and CST-1 rate schedules. These are separate and distinct schedules which should be maintained.

FRF: No.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of FIPUG.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 96: Is PEF's proposal to grandfather certain terms and conditions for existing IS-1, IST-1, CS-1, and CST-1 customers transferred to the IS-2, IST-2, CS-2, and CST-2 rate schedules appropriate?

POSITIONS:

PEF: Yes. Grandfathering certain terms and conditions is appropriate to avoid placing an undue burden on the transferred customers. (Slusser)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: Yes. If the existing IS-1, IST-1, CS-1, and CST-1 customers are transferred, combined, terms and conditions for service to those classes should be grandfathered.

FRF: No position.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of FIPUG.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 97: **CATEGORY 2 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 98: Are PEF's proposed customer charges appropriate?

POSITIONS:

PEF: Yes. (Slusser)

OPC: No position.

AFFIRM: No position.

AG: No.

FIPUG: No position.

FRF: No. PEF's proposed customer charges should be reduced to reflect the reduction in revenue requirements identified by the Citizens' witnesses.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 99: Are PEF's proposed service charges appropriate?

POSITIONS:

PEF: Yes. The proposed service charges will more appropriately assign costs to the customers imposing such cost. (Slusser)

OPC: No position.

AFFIRM: No position.

AG: No.

FIPUG: No position.

FRF: No. (Tentative)

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 100: Is PEF's proposed charge for Temporary Service appropriate?

POSITIONS:

PEF: Yes. (Slusser)

OPC: No position.

AFFIRM: No position.

AG: No.

FIPUG: No position.

FRF: No. (Tentative) PEF's proposed charges should be reduced to reflect the reduction in revenue requirements identified by the Citizens' witnesses.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: Yes, PEF's proposed $250 temporary service charge is appropriate.

ISSUE 101: Is PEF's proposed Premium Distribution Service charge appropriate?

POSITIONS:

PEF: Yes. (Slusser)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: No.

FRF: No. (Tentative) PEF's proposed charges should be reduced to reflect the reduction in revenue requirements identified by the Citizens' witnesses.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: Yes, PEF's proposed Premium Distribution Service charges are appropriate.

ISSUE 102: **DROPPED**

ISSUE 103: **CATEGORY 1 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 104: **CATEGORY 2 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 105: **CATEGORY 2 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 106: **CATEGORY 2 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 107: What is the appropriate method of designing time of use rates for PEF?

POSITIONS:

PEF: The appropriate methodology is that used by PEF, which designed those schedules in the same manner as has been prescribed by the Commission since their inception. (Slusser)

OPC: No position.

AFFIRM: The appropriate method of designing time of use rates is one that produces rates that (1) vary during different time periods and (2) reflect the variance, if any, in the utility's cost of generation and purchasing electricity at the wholesale level. Moreover, the design and implantation of the rate should enable the electric consumer to manage energy use and cost through advanced metering and communications technology.

AG: No position.

FIPUG: No position.

FRF: No position.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of AFFIRM.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 108: What are the appropriate charges under the Firm, Interruptible, and Curtailable Standby Service rate schedules?

POSITIONS:

PEF: PEF's proposed Standby Service charges were appropriately developed in accordance with Commission prescribed methodology. (Slusser)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: This is a fall out issue of the cost of service study.

FRF: The appropriate charges are those that reflect the reduction in revenue requirements identified by the Citizens' witnesses.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of FIPUG.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 109: What is the appropriate level of the interruptible credit?

POSITIONS:

PEF: There should be no change in the current level of the interruptible credit. Any change in the credit should be addressed in the conservation clause docket. (Slusser)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: The credit for interruptible customers should be $10.49 per kW-Month. PEF provided an updated cost-effectiveness test that shows that this is the appropriate value for the credit.

FRF: No position.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of FIPUG.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 110: Should the interruptible credit be load factor adjusted?

POSITIONS:

PEF: Yes, the interruptible credit should continue to be load factor adjusted as it is currently. Any change in the application of the credit should be addressed in the conservation clause docket. (Slusser)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: No. PEF's proposal uses a customer's billing load factor as a proxy for the customer's coincidence factor. This approach incorrectly assumes that load factor and coincidence factor are the same but they are not. The interruptible class has a 61% billing load factor. However, the average coincidence factor (with PEF's monthly system peaks) is 68%. Thus, the Interruptible Demand Credit should not be less than $7.13 per kW-Month ($10.49 x 68%) of billing demand. Further, curtailments can occur at any time, not just during the system peaks. Thus, the Interruptible Demand Credit should apply to the amount of load that PEF is not obligated to serve during an interruption event.

FRF: No position.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of FIPUG.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 111: What are the appropriate energy charges?

POSITIONS:

PEF: Energy charges should be set in combination with demand charges to produce the target revenue requirements and to the extent practical provide for uniform percentage increases throughout the class. (Slusser)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: PEF's current non-fuel energy charges should remain the same. The non-fuel energy charges PEF proposes are much higher than PEF's actual energy costs. The current non-fuel energy charges for Schedules GSD, CS, and IS already exceed non-fuel energy unit costs at PEF's proposed rates. Thus, any increase allocated to these rates should be applied only to the demand charges. Similarly, any rate decrease should be used to reduce the current non-fuel energy charges.

FRF: The appropriate energy charges are those that reflect the reduction in revenue requirements identified by the Citizens' witnesses.

NAVY: The energy charges should be designed to collect only those costs that fluctuate with kWh usage. (Selecky)

PCS: PCS Phosphate agrees with and adopts the position of FIPUG.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 112: What are the appropriate demand charges?

POSITIONS:

PEF: Demand charges should be set at a level to at least recover distribution costs and be set in combination with energy charges to produce the target revenue requirements and to the extent practical provide for uniform percentage increases throughout the class. (Slusser)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: Any approved revenue increase that is not recovered in the customer charge should be recovered in the demand charges.

FRF: The appropriate demand charges are those that reflect the reduction in revenue requirements identified by the Citizens' witnesses.

NAVY: Demand related or fixed costs should be recovered through the demand charges. (Selecky)

PCS: PCS Phosphate agrees with and adopts the position of FIPUG.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 113: What are the appropriate lighting charges?

POSITIONS:

PEF: The appropriate lighting charges are those presented in the tariff sheets contained in MFR E-14. (Slusser)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: No position.

FRF: The appropriate lighting charges are those that reflect the reduction in revenue requirements identified by the Citizens' witnesses.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 114: Should PEF's proposal to revise its Leave Service Active (LSA) provision (tariff sheet No. 6.110) be approved?

POSITIONS:

PEF: Yes. (Slusser)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: No position.

FRF: No position.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 115: What is the appropriate effective date for PEF's revised rates and charges?

POSITIONS:

PEF: The appropriate effective date for the revised rates is the first billing cycle for the month of January, 2010. The appropriate effective date for revised service charges is January 1, 2010. (Slusser, Toomey)

OPC: The appropriate effective date for any change in rates as a result of this docket is January 1, 2010. No customers should experience a rate change for any usage prior to January 1, 2010.

AFFIRM: No position.

AG: Support OPC's position.

FIPUG: The rates the Commission sets in this proceeding may only apply to customer consumption after January 1, 2010, pursuant to the terms of the Rate Case Stipulation.

FRF: The appropriate effective date for any changes in PEF's rates and charges as a result of this docket is for usage (consumption) on and after January 1, 2010, and for services rendered on and after January 1, 2010.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

OTHER ISSUES

ISSUE 116: Should any of the $13,078,000 interim rate increase granted by Order No. PSC-09-0413-PCO-EI be refunded to the ratepayers?

POSITIONS:

PEF: No. (Toomey)

OPC: Yes. The increase was not lawfully granted and should be refunded with interest as determined by commission rule.

AFFIRM: No position.

AG: Yes. The interim rate monies should be refunded with interest as determined by Commission rule.

FIPUG: Yes. The entire amount should be refunded, as collection of this amount violates the Stipulation Agreement entered into to settle PEF's last rate case.

FRF: Yes. The increase was not lawfully granted and should be refunded to customers with interest.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 117: **CATEGORY 2 STIPULATION** - See Section X, Proposed Stipulations

ISSUE 118: **DROPPED**

ISSUE 119: Does the creation of a regulatory asset and the deferral of pension expenses from a period covered by the Stipulation approved by Order No. PSC-05-0945-S-EI to a future period violate the terms of the Stipulation and order?

POSITIONS:

PEF: No, nothing in the Stipulation precludes the creation of a regulatory asset and the deferral of pension expenses. (Legal Issue)

OPC: Yes.

AFFIRM: No position.

AG: Yes.

FIPUG: Yes.

FRF: Yes.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 120: Does the creation of a regulatory asset and the deferral of pension expenses from a period covered by the Stipulation and order to a future period constitute retroactive ratemaking?

POSITIONS:

PEF: No, the deferral of these expenses to a future period does not constitute retroactive ratemaking. (Legal Issue)

OPC: Yes.

AFFIRM: No position.

AG: Yes.

FIPUG: Yes.

FRF: Yes.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 121: Does the creation of a regulatory asset and the deferral of pension expenses from a period covered by the revenue sharing provisions of the Stipulation and order to a future period result in double recovery of those expenses?

POSITIONS:

PEF: No, the deferral of these expenses to a future period does not result in any double recovery. (Legal Issue)

OPC: Yes.

AFFIRM: No position.

AG: Yes.

FIPUG: Yes.

FRF: Yes.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 122: Should this docket be closed?

POSITIONS:

PEF: Yes. (Toomey)

OPC: No position.

AFFIRM: No position.

AG: No position.

FIPUG: Yes, after PEF's rates are reduced and the rate order is final.

FRF: Yes. After the Commission issues its order reducing Progress's rates as recommended by the Citizens' witnesses, and after that order has become final as a matter of law, this docket should be closed.

NAVY: No position.

PCS: PCS Phosphate agrees with and adopts the position of the OPC.

STAFF: No position pending evidence adduced at the hearing.

IX. EXHIBIT LIST

Witness	Proffered By		Description
Direct			
Various	PEF	PEF-1	MFR Schedules
Jeff J. Lyash adopted by Vincent Dolan	PEF	JJL-2	PEF's decreasing OSHA injury rate

Witness	Proffered By		Description
Jeff J. Lyash adopted by Vincent Dolan	PEF	JJL-3	PEF's improving reliability performance
Dale E. Young	PEF	DEY-1	List of Minimum Filing Requirements (MFRs) schedules sponsored or co-sponsored
Dale E. Young	PEF	DEY-2	CR3 Non-Fuel and O&M Two Year Average Cost
Dale E. Young	PEF	DEY-3	CR3 Net Generation
Dale E. Young	PEF	DEY-4	PEF's 2008 Nuclear Decommissioning Study
Dale E. Young	PEF	DEY-5	Nuclear Regulatory Commission – 2008 Annual Assessment Letter
David Sorrick	PEF	DS-1	List of MFR schedules sponsored or co-sponsored
David Sorrick	PEF	DS-2	Tables: Power Plant Performance – Simple Cycle Starting Reliability; Fossil Equivalent Forced Outage Rate; Combined Cycle ("CC") Equivalent Forced Outage Rate; Fossil Equivalent Availability Rates; and Combined Cycle Equivalent Availability Factor.
Sasha J. Weintraub	PEF	SAW-1	List of MFR schedules sponsored or co-sponsored
Sasha J. Weintraub	PEF	SAW-2	PEF's fuel price forecast
Sasha J. Weintraub	PEF	SAW-3	PEF's fuel inventories
Sasha J. Weintraub	PEF	SAW-4	Comparison of PEF's fuel inventory levels to the Florida Public Service Commission guidelines

Witness	Proffered By		Description
Sasha J. Weintraub	PEF	SAW-5	PEF's 2005 actual coal inventory levels
J. Dale Oliver	PEF	JDO-1	List of MFR schedules sponsored or co-sponsored
J. Dale Oliver	PEF	JDO-2	Summary of Transmission capital projects, with total capital project cost, (1) to comply with federal reliability standards, (2) to comply with regional reliability initiatives, (3) to accommodate new generation and reliability needs from expansion, and (4) to maintain the system
Jackie Joyner, Jr.	PEF	JJ-1	List of MFRs sponsored or co-sponsored
Jackie Joyner, Jr.	PEF	JJ-2	Summary of Distribution reliability results for the years 2000 through 2008
Jackie Joyner, Jr.	PEF	JJ-3	Summary of PEF's Distribution Capital and O&M Expenses for key distribution enhancements and reliability and storm hardening initiatives
Masceo S. DesChamps	PEF	MSD-1	List of MFR schedules sponsored or co-sponsored
Masceo S. DesChamps	PEF	MSD-2	Composite exhibit of PEF Pension Plan Actuarial Valuation Report and the Retirement Plan for Bargaining Unit Employees Actuarial Valuation Report
Masceo S. DesChamps	PEF	MSD-3	Nineteenth Edition of the National Health Care Trend Survey, conducted by Buck Consultants

Witness	Proffered By		Description
Masceo S. DesChamps	PEF	MSD-4	Excerpt of the 2007 Towers Perrin Benval Energy Services Study – Medical Plan Comparison for the bargaining and non-bargaining plans
Masceo S. DesChamps	PEF	MSD-5	Excerpt of the 2007 Towers Perrin Benval Energy Services Study – Entire Benefit Program Comparison for the bargaining and non-bargaining plans
Masceo S. DesChamps	PEF	MSD-6	List of the utilities included in the peer group against which the Company benchmarks its executive compensation program
Masceo S. DesChamps	PEF	MSD-7	Excerpt from the 2009 Hewitt Market Analysis of Executive Officer Compensation
Sandra S. Wyckoff	PEF	SSW-1	List of MFRs sponsored or co-sponsored
Sandra S. Wyckoff	PEF	SSW-2	Organizational chart of the Service Company
Sandra S. Wyckoff	PEF	SSW-3	Company's Cost Allocation Manual
John "Ben" Crisp	PEF	JBC-1	List of MFRs sponsored or co-sponsored
John "Ben" Crisp	PEF	JBC-2	Customer, Energy Sales & Seasonal Demand Forecast
John "Ben" Crisp	PEF	JBC-3	Forecast Process Flow Chart
John "Ben" Crisp	PEF	JBC-4	PEF Energy and Customer Forecasting Models
John "Ben" Crisp	PEF	JBC-5	U.S. & Florida Economic Assumptions – 2006 – 2010

Witness	Proffered By		Description
John "Ben" Crisp	PEF	JBC-6	PEF Historic & Projected Growth Rates
Earl M. Robinson	PEF	EMR-1	Professional Qualifications of Earl M. Robinson, CDP
Earl M. Robinson	PEF	EMR-2	Depreciation Study as of December 31, 2007 and Pro Forma Depreciation Rates of December 31, 2009
Steven P. Harris	PEF	SPH-1	PEF Transmission and Distribution Assets Hurricane Loss and Reserve Performance Analyses, December 2008
Thomas R. Sullivan	PEF	TRS-1	Moody's Industry Outlook – U.S. Electric Utility Sector, January 2008
Thomas R. Sullivan	PEF	TRS-2	Regulated Utilities – Capital Consequences, Dan Ford, CFA, Lehman Brothers, June 3, 2008
Thomas R. Sullivan	PEF	TRS-3	Moody's Global Infrastructure Special Comment, "Near-Term Bank Credit Facility Renewals Expected To Be More Challenging for U.S. Investor-Owned Electric and Gas Utilities," January, 2009
Thomas R. Sullivan	PEF	TRS-4	Bank Consolidation Diagram, St. Petersburg Times, February 22, 2009
Thomas R. Sullivan	PEF	TRS-5	"Challenges in Energy Financing," Michael G. Haggarty, Vice President/Senior Credit Officer, Moody's Investors Service, 36th Annual Public Utility Research Center Conference, February 5, 2009

Witness	Proffered By		Description
Thomas R. Sullivan	PEF	TRS-6	Transcript and certain testimony and exhibits from the proceeding In the Matter of Credit and Capital Issues Affecting the Electric Power Industry before the Federal Energy Regulatory Commission (FERC), January 13, 2009
Thomas R. Sullivan	PEF	TRS-7	Schedule of Key Credit Ratios
Thomas R. Sullivan	PEF	TRS-8	"A Fresh Look at U.S. Utility Regulation," Standard & Poor's, January 29, 2004
Thomas R. Sullivan	PEF	TRS-9	Standard & Poor's Methodology for Imputing Debt for U.S. Utilities Power Purchase Agreements, May 7, 2007
Thomas R. Sullivan	PEF	TRS-10	Standard & Poor's, U.S. Utilities Ratings Analysis Now Portrayed in the S&P Corporate Ratings Matrix, November 30, 2007
Thomas R. Sullivan	PEF	TRS-11	Standard & Poor's Ratings Direct – Progress Energy Florida credit report, February 4, 2009
Thomas R. Sullivan	PEF	TRS-12	Moody's Investors Service Credit Opinion: Progress Energy Florida, Inc., August 28, 2008
James Vander Weide	PEF	JVW-1	Summary of Discounted Cash Flow Analysis for Electric Energy Companies

Witness	Proffered By		Description
James Vander Weide	PEF	JVW-2	Comparison of the DCF Expected Return on an Investment in Electric Companies to the Interest Rate on Moody's A-Rated Utility Bonds
James Vander Weide	PEF	JVW-3	Comparative Returns on S&P Stock Index and Moody's A-Rated Utility Bonds 1937 – 2008
James Vander Weide	PEF	JVW-4	Comparative Returns on S&P Utility Stock Index and Moody's A-Rated Utility Bonds 1937 – 2008
James Vander Weide	PEF	JVW-5	Using the Arithmetic Mean to Estimate the Cost of Equity Capital
James Vander Weide	PEF	JVW-6	Calculation of Capital Asset Pricing Model Cost of Equity Using the Ibbotson® SBBI® 7.1 Percent Risk Premium
James Vander Weide	PEF	JVW-7	Calculation of Capital Asset Pricing Model Cost of Equity Using DCF Estimate of the Expected Rate of Return on the Market Portfolio
James Vander Weide	PEF	JVW-8	Illustration of Calculation of Cost of Equity Required for Company to Have the Same Weighted Average Cost of Capital as the Comparable Group
James Vander Weide	PEF	JVW-9	Vander Weide Resume
James Vander Weide	PEF	JVW-10	Derivation of the Quarterly DCF Model

Witness	Proffered By		Description
James Vander Weide	PEF	JVW-11	Adjusting for Flotation Costs in Determining a Public Utility's Allowed Rate of Return on Equity
James Vander Weide	PEF	JVW-12	Ex Ante Risk Premium Method
James Vander Weide	PEF	JVW-13	Ex Post Risk Premium Method
William C. Slusser	PEF	WCS-1	List of MFRs sponsored or co-sponsored
William C. Slusser	PEF	WCS-2	Summary Development of Functional Unit Costs with Proposed Revenue Credits
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 Class Revenues and Class Rates of Return
Peter Toomey	PEF	PT-1	List of MFRs sponsored or co-sponsored
Peter Toomey	PEF	PT-2	Summary table of PEF's 2010 test year results
Peter Toomey	PEF	PT-3	Summary of revenue requirements associated with the Bartow Repowering project

Witness	Proffered By		Description
Peter Toomey	PEF	PT-4	Summary of the revenue requirements associated with the Steam Generator replacement project at the Crystal River nuclear facility
Peter Toomey	PEF	PT-5	Calculation of the revenue requirements for Interim Rate Relief
Peter Toomey	PEF	PT-6	PEF's key assumptions for its 2009 and 2010 Budget & Financial Process
Peter Toomey	PEF	PT-7	PEF's O&M and construction budgets by functional area
Peter Toomey	PEF	PT-8	Analysis of O&M expenses compared to the Commission's O&M benchmark test
Peter Toomey	PEF	PT-9	Detailed calculation of the impact of the change in depreciation rates
Peter Toomey	PEF	PT-10	2008 Fossil Dismantlement Study
Peter Toomey	PEF	PT-11	Reconciliation of the capital structure to rate base
Peter Toomey	PEF	PT-1 (Bartow)	Bartow Limited Proceeding Revenue Requirement
Peter Toomey	PEF	PT-2 (Bartow)	Order Approving Stipulation and Settlement
Peter Toomey	PEF	PT-3 (Bartow)	Retail Rate Impact of Bartow Limited Proceeding Revenue Requirements
Peter Toomey	PEF	PT-4 (Bartow)	Limited Proceeding Tariff Sheets (Legislative format)
Peter Toomey	PEF	PT-5 (Bartow)	Limited Proceeding Tariff Sheets (Clean format)

Witness	Proffered By		Description
Jacob Pous	OPC	JP-Appendix A	Resume
Jacob Pous	OPC	JP-1	Recommended Depreciation Adjustment Summary
Jacob Pous	OPC	JP-2	Summary of Excess Reserves
Jacob Pous	OPC	JP-3	Account 343 Prior Case Life Table
Jacob Pous	OPC	JP-4	Interim Retirement Ratios and Impact on Remaining Lives
Jacob Pous	OPC	JP-5	Summary of Interim Net Salvage Levels
Jacob Pous	OPC	JP-6	Prior and Current Observed Life Tables for Account 364
Jacob Pous	OPC	JP-7	Life-Curve Combinations for Account 364
Jacob Pous	OPC	JP-8	FPL Observed Life Table for Account 364
Jacob Pous	OPC	JP-9	Life-Curve Combinations for Account 368
Jacob Pous	OPC	JP-10	Mass Property Net Salvage Summary
Jacob Pous	OPC	JP-11	Iowa Survivor Curves Details
Kimberly H. Dismukes	OPC	KHD-1	Kimberly H. Dismukes Qualifications
Kimberly H. Dismukes	OPC	KHD-2	Progress Energy, Inc. Organizational Chart
Kimberly H. Dismukes	OPC	KHD-3	Progress Energy Florida, Inc. Home Wire Advertisement
Kimberly H. Dismukes	OPC	KHD-4	Progress Energy Florida, Inc. Company Surge Protection Services
Kimberly H. Dismukes	OPC	KHD-5	Progress Energy Florida, Inc Heater Repair Advertisement

Witness	Proffered By		Description
Kimberly H. Dismukes	OPC	KHD-6	Progress Energy Florida, Inc. Lighting Advertisement
Kimberly H. Dismukes	OPC	KHD-7	Progress Energy Florida, Inc. Adjustment for Non Regulated Operations
Kimberly H. Dismukes	OPC	KHD-8	Progress Energy Florida, Inc. Adjustment for Wholesale Operations
J. Randall Woolridge	OPC	Appendix A	Resume for J. Randall Woolridge
J. Randall Woolridge	OPC	JRW-1	Weighted Vander Weide's Cost of Capital
J. Randall Woolridge	OPC	JRW-2	Interest Rates Ten Year Treasury Yields
J. Randall Woolridge	OPC	JRW-3	Thirty Year Yields and Yield Spreads
J. Randall Woolridge	OPC	JRW-4	Summary Financial Risk Statistics for Electric Proxy Group
J. Randall Woolridge	OPC	JRW-5	Capital Structure Ratios and Debt Cost Rate
J. Randall Woolridge	OPC	JRW-6	The Relationship Between Estimated ROE And Market-To-Book Ratios
J. Randall Woolridge	OPC	JRW-7	Long Term – "A" Rated Public Utility Bonds
J. Randall Woolridge	OPC	JRW-8	Industry Average Betas
J. Randall Woolridge	OPC	JRW-9	Three-Stage DCF Model
J. Randall Woolridge	OPC	JRW-10	DCF Study
J. Randall Woolridge	OPC	JRW-11	CAPM Study
J. Randall Woolridge	OPC	JRW-12	Summary of Dr. Vander Weide's Results

Witness	Proffered By		Description
J. Randall Woolridge	OPC	JRW-13	DCF Growth Rate Analysis
J. Randall Woolridge	OPC	JRW-14	Historical Risk Premium Evaluation
J. Randall Woolridge	OPC	JRW-15	S&P 500 Growth Rates
Helmuth W. Schultz, III	OPC	HWS-Appendix A	Qualifications of Helmuth W. Schultz, III
Helmuth W. Schultz, III	OPC	HWS-1	Projected Test Year Ended December 31, 2010
Helmuth W. Schultz, III	OPC	HWS-2	J9B2 Rate Case
Helmuth W. Schultz, III	OPC	HWS-3	Discovery Example
Daniel J. Lawton	OPC	DJL-1	Resume Of Daniel J. Lawton
Daniel J. Lawton	OPC	DJL-2	Excess Reserve / Function
Daniel J. Lawton	OPC	DJL-3	Cash Flow Impacts
Daniel J. Lawton	OPC	DJL-4	Filed Case Cash Flow
Daniel J. Lawton	OPC	DJL-5	Progress Energy Financial Ratios
Russell L. Klepper	AFFIRM	RLK-1	Resume of Russell L. Klepper
Russell L. Klepper	AFFIRM	RLK-2	Typical Florida Daily Electric Load Shapes (excerpt from February 2009 Annual Report on Activities Pursuant to the Florida Energy Efficiency and Conservation Act (FEECA))
Martin J. Marz	FIPUG	Appendix A	Qualifications of Martin J. Marz
Martin J. Marz	FIPUG	MJM-1	Actual and Budgeted Overhead Lines Maintenance Expense

Witness	Proffered By		Description
Martin J. Marz	FIPUG	MJM-2	Production Maintenance Expense – Actual vs. Projected
Martin J. Marz	FIPUG	MJM-3	Steam & Other Generation Maintenance Expenses – Recommended Test Year Level
Martin J. Marz	FIPUG	MJM-4	Incentive Compensation Adjustment
Martin J. Marz	FIPUG	MJM-5	Storm Damage Charges to Storm Reserve – 2006 to Present
Jeffry Pollock	FIPUG	Appendix A	Qualifications of Jeffry Pollock
Jeffry Pollock	FIPUG	Appendix B	Procedures for Conducting a Class Cost-of-Service Study
Jeffry Pollock	FIPUG	JP-1	Peak Demand Illustration
Jeffry Pollock	FIPUG	JP-2	Monthly Peak Demands
Jeffry Pollock	FIPUG	JP-3	Reserve Margins
Jeffry Pollock	FIPUG	JP-4	Capacity Value
Jeffry Pollock	FIPUG	JP-5	Allocation Factors
Jeffry Pollock	FIPUG	JP-6	Allocation Factors
Jeffry Pollock	FIPUG	JP-7	Cost Study
Jeffry Pollock	FIPUG	JP-8	Revenue Allocation
Jeffry Pollock	FIPUG	JP-9	Revenue Allocation
Jeffry Pollock	FIPUG	JP-10	Cost Study Results
Jeffry Pollock	FIPUG	JP-11	Cost-Effectiveness
Jeffry Pollock	FIPUG	JP-12	Depreciation Expense Adjustment

Witness	Proffered By		Description
Jeffry Pollock	FIPUG	JP-13	Capital Structure
Jeffry Pollock	FIPUG	JP-14	Capital Structure Adjustment
James T. Selecky	NAVY	Appendix A	Qualifications of James T. Selecky
James T. Selecky	NAVY	JTS-1	Cost per kW of Production Plant When Allocating Using 12 CP and 50% Energy Forecasted 12 Mos Ending December 31, 2010
James T. Selecky	NAVY	JTS-2	Progress Energy Florida Fuel Cost by Generation Category
James T. Selecky	NAVY	JTS-3	Summary of Load Characteristics for Historical Years 1999-2008
Rhonda L. Hicks	STAFF	RH-1	Florida PSC Complaints by Cloe Type
Jocelyn Y. Stephens	STAFF	JYS-1	Audit Report Year Ended 12/31/2008
Rebuttal			
Masceo S. DesChamps	PEF	MSD-8	Order PSC-92-1197-FOF-EI, *In Re: Petition for a rate increase by Florida Power Corporation* (Oct. 22, 1992)
Masceo S. DesChamps	PEF	MSD-9	Order PSC-02-0787-FOF-EI, *In re: Request for rate increase by Gulf Power Company* (June 2, 2002)
Masceo S. DesChamps	PEF	MSD-10	Results of a July 2009 Survey Conducted by the Company
Masceo S. DesChamps	PEF	MSD-11	Watson Wyatt Survey Results Press Release

Witness	Proffered By		Description
Masceo S. DesChamps	PEF	MSD-12	Composite Exhibit of the Summary of the Findings from the Company's 2008 and 2009 Job Value Studies
Masceo S. DesChamps	PEF	MSD-13	June 2009 Top 5 Proxy Analysis completed by Hewitt Associates LLC
Masceo S. DesChamps	PEF	MSD-14	Average Healthcare Costs Per Member (including dependents) – Progress Energy vs. Fortune 500
John "Ben" Crisp	PEF	JBC-7	PEF's 2008 Generation Plant Retirement Scenario supplied in response to OPC Seventh Request for Production of Documents No. 174
John "Ben" Crisp	PEF	JBC-8	Chart of the Comparison of Retirement Date Projections for PEF Plants
John "Ben" Crisp	PEF	JBC-9	Revised May 2009 Load and Sales Forecast
Joe W. Donahue	PEF	JWD-1	Corrected calculation of Schultz Exhibit HWS-1, Schedule B-3.
Earl M. Robinson	PEF	EMR-3	Comparison of Life Span Property With a Iowa 10-R2 Survivor Curve Versus an Interim Retirement Rate of 2%
Earl M. Robinson	PEF	EMR-4	Excerpt from California PUC, Standard Practice U-4, "Determination of Straight-Line Remaining Life Depreciation Accruals"
Earl M. Robinson	PEF	EMR-5	364.00 POLES, TOWER AND FIXTURES, Original and Smooth Survivor Curves

Witness	Proffered By		Description
Earl M. Robinson	PEF	EMR-6	368.00 LINE TRANSFORMERS, Original and Smooth Survivor Curves
Earl M. Robinson	PEF	EMR-7	Summary of Net Salvage Factors for selected plant accounts for several Florida operating companies
Will Garrett	PEF	WG-1	Explanation Chart of Theoretical to Book Depreciation Reserve Variance
Will Garrett	PEF	WG-2	PEF Chart Of Production Plant Terminal Dates
Will Garrett	PEF	WG-3	Composite Exhibit of Commission Orders Cited by Intervenor Witnesses and Other Commission Depreciation Orders
Will Garrett	PEF	WG-4	Composite Exhibit of Decisions by the Federal Energy Regulatory Commission ("FERC") Regarding Depreciation Principles
Will Garrett	PEF	WG-5	PEF's Response to OPC Interrogatory No. 56
Will Garrett	PEF	WG-6	Revenue Requirement Impact of Intervenors Proposed Amortization
Michael J. Vilbert	PEF	Appendix A	Qualifications of Michael J. Vilbert
Thomas R. Sullivan	PEF	TRS-13	Moody's Report "Industry Outlook: U.S. Investor-Owned Electric Utilities," January 2009

Witness	Proffered By		Description
Thomas R. Sullivan	PEF	TRS-14	Fitch's Report "U.S. Utilities, Power and Gas 2009 Outlook," December 2008
Thomas R. Sullivan	PEF	TRS-15	Moody's Report "Rating Methodology: Regulated Electric and Gas Utilities," August 2009
Thomas R. Sullivan	PEF	TRS-16	Fitch's Report "EEI 2008 Wrap-Up: Cost of Capital Rising," November 2008
Thomas R. Sullivan	PEF	TRS-17	Standard & Poor's ("S&P") Report "Credit FAQ: Top 10 Investor Questions for the U.S. Electric Utility Sector in 2009," January 2009
Thomas R. Sullivan	PEF	TRS-18	Moody's Credit Opinion: Progress Energy Florida, Inc., June 2009
Thomas R. Sullivan	PEF	TRS-19	PEF 2010 Adjusted Credit Metrics Chart
Thomas R. Sullivan	PEF	TRS-20	"The A Rating," by Steven M. Fetter, Electric Perspectives, May/June 2009
Thomas R. Sullivan	PEF	TRS-21	Moody's Report "Special Comment: New Nuclear Generation: Ratings Pressure Increasing," June 2009
Thomas R. Sullivan	PEF	TRS-22	Fitch's Report "U.S. Electric and Gas Financial Peer Study," June 2009
Thomas R. Sullivan	PEF	TRS-23	S&P's Report "Request for Comments: Imputing Debt To Purchased Power Obligations," November 2006

Witness	Proffered By		Description
Thomas R. Sullivan	PEF	TRS-24	S&P Ratings Direct – Florida Power Corp. d/b/a Progress Energy Florida, Inc. credit report, June 2009
Thomas R. Sullivan	PEF	TRS-25	S&P Ratings Direct – Florida Power Corp. d/b/a Progress Energy Florida, Inc. credit report, May 2008
Thomas R. Sullivan	PEF	TRS-26	Composite Exhibit of Forward 3-month London Interbank Offered Rate ("LIBOR") and 10-year and 30-year Treasury Note and Bond Forecasts
James Vander Weide	PEF	JVW-15	Comparison of Bond Ratings and Safety Ranks for Woolridge and Vander Weide Proxy Companies
James Vander Weide	PEF	JVW-16	Dr. Woolridge's DCF Analysis Results Using Mean Analysts' Growth Estimates
James Vander Weide	PEF	JVW-17	Updated Summary of Discounted Cash Flow Analysis for Value Line Electric Companies
James Vander Weide	PEF	JVW-18	Research Literature that Studies the Efficacy of Analysts' Earnings Forecasts
William C. Slusser	PEF	WCS-7	Development of Fuel Savings Resulting from Existing Generation Fleet as Compared to Peaking Only Resources
William C. Slusser	PEF	WCS-8	Cost of Production Plant When Allocated Using 12 CP and 50% AD

Witness	Proffered By		Description
William C. Slusser	PEF	WCS-9	Comparison of "Average and Excess" and "12 CP and 50% AD" Production Capacity Cost Allocators
William C. Slusser	PEF	WCS-10	Comparison of Billing Statistics, GSD-1 vs. GSDT-1
William C. Slusser	PEF	WCS-11	Quick Serve Restaurant Load Profile
William C. Slusser	PEF	WCS-12	Revised Jurisdictional Separation Study
Peter Toomey	PEF	PT-12	Detail of Costs of Non-regulated Operations by Cost Type
Peter Toomey	PEF	PT-13	Analysis of Injuries and Damages
Peter Toomey	PEF	PT-14	Analysis of Office Supplies and Expense
Peter Toomey	PEF	PT-15	ARO Adjustments on MFR B-1
Peter Toomey	PEF	PT-16	Rate Case Expense
Peter Toomey	PEF	PT-17	Summary of Adjustments

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

X. PROPOSED STIPULATIONS

As referenced in Section VIII, above, the parties have reached stipulations on several issues. These stipulations fall within one of two categories, as listed below. "Category 1" stipulations reflect the agreement of PEF, Staff, and at least one of the intervenors in this docket. Intervenors who have not affirmatively agreed with a particular Category 1 stipulation but otherwise take no position on the issue are identified in the proposed stipulation. "Category 2" stipulations reflect the agreement of PEF and Staff where no other party has taken a position on the issue.

CATEGORY 1 STIPULATIONS:

ISSUE 2: Is PEF's projected test period of the twelve months ending December 31, 2010 appropriate?

Stipulation: Yes. The twelve months ended December 31, 2010 is the appropriate test year. (AFFIRM, FIPUG, NAVY, and PCS do not affirmatively stipulate this issue but takes no position on the issue.)

ISSUE 7: Should the current-approved depreciation rates, capital recovery schedules, and amortization schedules be revised?

Stipulation: Yes. The parties' positions on how they should be revised are set forth in subsequent issues. (AFFIRM does not affirmatively stipulate this issue but takes no position on the issue.)

ISSUE 16: What should be the implementation date for revised depreciation rates, capital recovery schedules, and amortization schedules?

Stipulation: The implementation date should be January 1, 2010. (AFFIRM does not affirmatively stipulate this issue but takes no position on the issue.)

ISSUE 77: What is the appropriate amount of nuclear decommissioning expense for the 2010 projected test year?

Stipulation: The appropriate amount is $0. (AFFIRM does not affirmatively stipulate this issue but takes no position on the issue.)

ISSUE 103: Are PEF's proposed 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, appropriate?

Stipulation: The methodology used by PEF to calculate the monthly fixed charge carrying rates is appropriate. To the extent any of the inputs used by PEF in the calculation are modified at the revenue requirements Agenda, PEF should recalculate the monthly fixed charge carrying rates using the approved inputs. (OPC, AFFIRM, AG, FIPUG, NAVY, and PCS do not affirmatively stipulate this issue but takes no position on the issue.)

ISSUE 117: Should PEF 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, earnings surveillance reports, and books and records which will be required as a result of the Commission's findings in this proceeding?

Stipulation: Yes. (AFFIRM does not affirmatively stipulate this issue but takes no position on the issue.)

CATEGORY 2 STIPULATIONS:

ISSUE 34: Should any adjustments be made to PEF's fuel inventories?

Stipulation: No adjustment should be made to PEF's requested level of non-nuclear fuel inventories in the amount of $347,235,000 (system). The appropriate jurisdictional amount is a fall-out based on the jurisdictional separation factor approved in Issue 89.

ISSUE 51: Has PEF made the appropriate test year adjustments to remove conservation revenues and expenses recoverable through the Conservation Cost Recovery Clause?

Stipulation: Yes.

ISSUE 52: Has PEF made the appropriate test year adjustments to remove fuel and purchased power revenues and expenses recoverable through the Fuel and Purchased Power Cost Recovery Clause?

Stipulation: Yes.

ISSUE 53: Has PEF made the appropriate test year adjustments to remove capacity revenues and expenses recoverable through the Capacity Cost Recovery Clause?

Stipulation: Yes.

ISSUE 54: Has PEF made the appropriate test year adjustments to remove environmental revenues and expenses recoverable through the Environmental Cost Recovery Clause?

Stipulation: Yes.

ISSUE 74: Should an adjustment be made to bad debt expense for the 2010 projected test year?

Stipulation: No.

ISSUE 78: What adjustments, if any, should be made to the amortization of End of Life Material and Supplies inventories?

Stipulation: No adjustments should be made.

ISSUE 79: What adjustments, if any, should be made to the amortization of the costs associated with the last core of nuclear fuel?

Stipulation: No adjustments should be made.

ISSUE 86: 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?

Stipulation: The appropriate projected test year revenue expansion factor is 61.207% and the appropriate net operating income multiplier is 1.63381.

ISSUE 93: Is PEF's proposed methodology for treatment of unbilled revenue due to any recommended rate change appropriate?

Stipulation: Yes.

ISSUE 94: Is PEF's proposed charge for Investigation of Unauthorized Use appropriate?

Stipulation: Yes.

ISSUE 97: Should PEF's proposal to close the RST-1 rate to new customers be approved?

Stipulation: Yes.

ISSUE 104: Are PEF's proposed delivery voltage credits appropriate?

Stipulation: Yes.

ISSUE 105: Are PEF's power factor charges and credits appropriate?

Stipulation: Yes. PEF's propose power factor charge and credit of $0.25 kilovolt-ampere reactive (kVAR) is appropriate.

ISSUE 106: Is PEF's proposed lump sum payment for time-of-use metering costs appropriate?

Stipulation: Yes. PEF's proposed $90 lump sum payment contained in the RST-1 rate for time-of-use metering costs is appropriate.

XI. PENDING MOTIONS

There are two pending motions:

1. Motion in Limine filed by the Attorney General's Office.
2. Motion to Reschedule Evidentiary Hearings filed on September 16, 2009 by the Intervenors.

XII. PENDING CONFIDENTIALITY MATTERS

There are several pending confidentiality matters:

1. Motion for Temporary Protective Order regarding OPC's First, Second, and Third Request for Production of Documents (Document No. 03763-09).

2. Motion for Temporary Protective Order regarding OPC's First Set of Interrogatories, No. 39b (Document No. 03962-09).

3. PEF's Request for Confidential Classification of Staff's First Set of Interrogatories (No. 1) and Staff's Second Request for Production of Documents (No. 7) (Document No. 04091-09).

4. PEF's Request for Confidential Classification of Staff's Fourth Request for Production of Documents (Nos. 12 and 13) (Document No. 04601-09).

5. PEF's Request for Confidential Classification of OPC's Seventh Request for Production of Documents (Nos. 189, 190, and 196) (Document No. 05582-09).

6. PEF's Request for Confidential Classification of FIPUG's Fourth Request for Production of Documents (No. 44) (Document No. 08433-09).

7. PEF's Request for Confidential Classification of Staff's Thirteenth Request for Production of Documents (Nos. 70, 71, and 90) (Document No. 08854-09).

8. PEF's Request for Confidential Classification of Staff's Fifteenth Request for Production of Documents (Nos. 98-99) (Document No. 08991-09).

9. PEF's Request for Confidential Classification of Staff's Sixteenth Request for Production of Documents (No. 100) and Staff's Twenty-Second Set of Interrogatories (No. 270) (Document No. 09209-09).

10. PEF's Request for Confidential Classification of Staff's Eighteenth Request for Production of Documents (No. 102) (Document No. 09439-09).

XIII. 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, set off with asterisks, shall be included in that statement. The summary shall consist of 80 words for most positions, except that each party shall be permitted to use up to 150 words for 10 of its position statements. If a party's position has not changed since the issuance of this Prehearing Order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than the word limit listed above, it must be reduced to the limits listed above. 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, F.A.C., 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 140 pages and shall be filed at the same time.

XIV. RULINGS

Opening statements, if any, shall not exceed 20 minutes for Petitioner. Additionally, opening statements, if any, shall not exceed 20 minutes for OPC.

Opening statements, if any, shall not exceed 10 minutes each for AFFIRM, AG, FIPUG, FRF, NAVY, and PCS.

It is therefore,

ORDERED by Commissioner Nathan A. Skop, 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 Commissioner Nathan A. Skop, as Prehearing Officer, this 18th day of September, 2009.

NATHAN A. SKOP
Commissioner and Prehearing Officer

(S E A L)

KEF

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 Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, 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.