

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Progress Energy Florida, Inc.'s)
petition for approval of storm cost) Docket No.: 041272
recovery clause for extraordinary)
expenditures related to Hurricanes)
Charley, Frances, Jeanne, and Ivan.) Submitted for Filing: December 6, 2004
_____)

PROGRESS ENERGY FLORIDA, INC.'S ANSWERS TO
OFFICE OF PUBLIC COUNSEL'S FIRST SET OF INTERROGATORIES TO
PROGRESS ENERGY FLORIDA (Nos. 1-11)

Progress Energy Florida, Inc. ("PEF") responds to the Staff of the Office of the Public Counsel's ("OPC") First Set of Interrogatories (Nos. 1-11) and states as follows:

GENERAL RESPONSES

PEF intends to respond fully to OPC's interrogatories whenever possible but, as noted in its Clarifications filed with the Commission on November 24, 2004, PEF must object to any interrogatory that calls for information protected by the attorney-client privilege, the work product doctrine, the accountant-client privilege, the trade secret privilege, or any other applicable privilege or protection afforded by law. Also, in certain circumstances, PEF may determine upon investigation and analysis that information responsive to certain interrogatories is confidential and proprietary and should be produced only under an appropriate confidentiality agreement, protective order, or the procedures otherwise provided by law or in the Order Establishing Procedure. Accordingly, PEF will make every effort to respond, but PEF cannot waive and must insist upon appropriate protection of confidential information under the Florida Rules of Civil Procedure and other applicable statutes, rules, and legal principles.

PEF incorporates by reference the foregoing general responses and its Clarifications filed with the Commission on November 24, 2004 into each of its specific answers set forth below as though pleaded therein.

INTERROGATORIES

1. Please provide a description of the various categories for expenses that Progress Energy expects to recover through special storm recovery for 2004.

Answer:

The answer to this question can be found on pages 10-12, lines 22-11 of Javier Portuondo's direct testimony in this Docket as filed on November 24, 2004. That portion of Mr. Portuondo's testimony is included directly below:

As approved by the Commission in Docket 930867-EI, the Company includes all actual repair activities and those activities directly associated with storm damage and restoration activities. Indirect costs, such as service company allocations, are not charged to the reserve. Direct costs typically are payroll, transportation, materials and supplies, and other services necessary to locate and repair or replace damaged property. Payroll includes labor charges for those employees involved in actual repair activities as well as those in support roles such as customer service, engineering, storeroom, and transportation personnel. The following is a list of examples of the type of costs the Company charges to the storm damage reserve: (1) Labor costs – including overtime or premium pay for employees dedicated to repair activities such as line crews, storeroom, engineering, and transportation personnel, payroll loading for associated taxes, administrative costs, and employee benefits; (2) Materials and supplies – all materials and supplies (M&S) used for the temporary or permanent repair or replacement of facilities, including a standard loading factor to cover the administration of M&S inventories and the cost of preparing, operating, and staffing temporary staging facilities for materials and supplies distribution; (3) Outside Services – including reimbursement costs to other utilities and payment to subcontractors dedicated to restoration activities; (4) Transportation costs – including operating costs, fuel expense, and repair and maintenance of Company fleet and/or rented vehicles; (5) Damage assessment costs – including surveys, helicopter line patrols, and operation of assessment and control facilities; (6) Costs associated with the rental and/or operation and maintenance of any equipment used in direct support of restoration activities such as communication equipment, office equipment, computer equipment, etc.; (7) Costs associated with injuries and damages to personnel and/or their property as a direct result of restoration activities; (8) Costs of temporary housing for restoration crews and support personnel and their related subsistence costs; (9) Storm preparation costs – including information costs and training for Company employees; (10) Fuel and related costs for back-up generators; (11) Costs of customer service personnel, phone center personnel, and other division

personnel dedicated to customer service needs and locating and prioritizing areas of damage; (12) Special advertising and media costs associated with customer information, public education and/or safety; (13) Special employee assistance – including cost of cash advances, housing and/or subsistence for employees and families to expedite their return to work; (14) Identifiable bad debt write-offs due to storm damage; and (15) any other appropriate cost directly related to storm damage and restoration activities.

2. Please provide a description of the process used by Progress Energy to develop the storm recovery amounts requested in the docket.

Answer:

The answer to this question can be found on pages 4-6, lines 10-12 of Mark Wimberly's direct testimony in this Docket as filed on November 24, 2004. That portion of Mr. Wimberly's testimony is included directly below:

PEF utilizes a dynamic process that allows PEF to identify, monitor, estimate, and track storm-related expenses. Once a storm has cleared and restoration efforts begin, PEF performs damage assessments on its generation, transmission, and distribution systems. Initial damage assessments are performed in each impacted Region, which includes a detailed analysis of approximately 5% of the Distribution system and 100% of the Transmission system. These initial assessments are used to help management optimize resource allocation decisions. Once the initial damage assessment is completed, a final assessment of the remaining line miles is done for each impacted area to ensure that all needed repairs to impacted equipment and devices are identified.

The external and native contract labor crews data is input into a tracking file by the system storm center Crew Mobilization team. The template file data includes the name of each contractor, an assigned crew ID number, the crew home location, and the number of crew personnel, and their estimated arrival and release dates. An average blended hourly labor and equipment rate is determined for each storm for the contract crews and is multiplied by the hours worked each day times the number of contract personnel utilized during storm restoration and cleanup. Estimated travel costs to and from PEF are also included.

PEF also sends template files to key contacts who manage critical storm restoration support functions such as the Customer Service Center, Staging and Logistics, Corporate Communications, Security, Safety, Purchasing, IT&T/Telecom, Fleet and Facilities, for example. The key contacts input data in the template files, which include the number of internal and external labor support personnel, an average hourly pay rate, the number of days and hours per day performing restoration activities, and other storm-related costs such as food, fuel, vehicle rentals, and materials.

As to internal PEF resources, the Company retains all available PEF personnel able to perform storm restoration activity in the regional operations centers and generation facilities impacted by the hurricane. Based on information received from plant accounting and operations, PEF calculates the costs of internal resources deployed for storm restoration by using average labor and material unit costs applied to the number of hours and an average material unit cost applied to needed in the restoration process based on storm damage assessments. This process results in the identification of internal resource costs, which are then added to external resource costs and the support function

costs to arrive at total estimated storm restoration cost. These are the costs shown on Exhibit ___ (MVW-1) to my testimony.

These estimates are based on the number of internal and external resources, materials and consumables committed to or contracted for the restoration process. At the time we develop these estimates, we do not yet have all invoices and receipts for services and materials used in the storm restoration and recovery effort, but we have a high degree of confidence that the estimates will closely track the costs we are incurring.

Because PEF actually incurred these storm costs during the third and fourth quarters of 2004, the Company had to book these expenses fully during those quarters under Generally Accepted Accounting Principles ("GAAP"). In conjunction with reviewing PEF's quarterly expense statements, the accounting firm of Deloitte & Touche analyzed PEF's methodology for estimating and tracking storm costs. Deloitte did not note any exceptions to PEF's quarterly accounting statements.

3. In the calculation of special storm recovery expenses, please discuss your handling of the normal budgeted expenses for 2004 operations that are part of base rates.

Answer:

Normal budgeted expenses for 2004 operations are not part of the calculation of storm costs. As explained in the answer to Interrogatory Number 1 and in the direct testimony of Javier Portuondo filed on November 24, 2004, at pages 10-12, lines 22-11, the calculation of storm costs for which the company seeks recovery is as follows:

As approved by the Commission in Docket 930867-EI, the Company includes all actual repair activities and those activities directly associated with storm damage and restoration activities. Indirect costs, such as service company allocations, are not charged to the reserve. Direct costs typically are payroll, transportation, materials and supplies, and other services necessary to locate and repair or replace damaged property. Payroll includes labor charges for those employees involved in actual repair activities as well as those in support roles such as customer service, engineering, storeroom, and transportation personnel. The following is a list of examples of the type of costs the Company charges to the storm damage reserve: (1) Labor costs – including overtime or premium pay for employees dedicated to repair activities such as line crews, storeroom, engineering, and transportation personnel, payroll loading for associated taxes, administrative costs, and employee benefits; (2) Materials and supplies – all materials and supplies (M&S) used for the temporary or permanent repair or replacement of facilities, including a standard loading factor to cover the administration of M&S inventories and the cost of preparing, operating, and staffing temporary staging facilities for materials and supplies distribution; (3) Outside Services – including reimbursement costs to other utilities and payment to subcontractors dedicated to restoration activities; (4) Transportation costs – including operating costs, fuel expense, and repair and maintenance of Company fleet and/or rented vehicles; (5) Damage assessment costs – including surveys, helicopter line patrols, and operation of assessment and control facilities; (6) Costs associated with the rental and/or operation and maintenance of any equipment used in direct support of restoration activities such as communication equipment, office equipment, computer equipment, etc.; (7) Costs associated with injuries and damages to personnel and/or their property as a direct result of restoration activities; (8) Costs of temporary housing for restoration crews and support personnel and their related subsistence costs; (9) Storm preparation costs – including information costs and training for Company employees; (10) Fuel and related costs for back-up generators; (11) Costs of customer service personnel, phone center personnel, and other division personnel dedicated to customer service needs and locating and prioritizing areas of damage; (12) Special advertising and media costs associated with customer information, public education and/or safety; (13) Special employee assistance – including cost of cash advances, housing and/or subsistence for employees and families to expedite their return to work; (14) Identifiable bad debt write-offs due to storm damage; and (15) any other appropriate cost directly related to storm damage and restoration activities.

4. Are the storm expenses identified for special recovery by the company, only those expenses that have been incurred by the company that exceed normal operational budgets? If so please, explain.

Answer:

No, the storm expenses identified for special recovery by the company are not only those expenses that have been incurred by the company that exceed normal operational budgets. The company does not budget for storm recovery expenses.

5. Please provide a list of all work orders and projects exceeding \$20,000 that are incomplete as of November 1, 2004, that the company intends to recover through special storm recovery.

Answer:

The following storm related repair projects will not be completed by December 30, 2004, are expected to exceed \$20,000 each, and special storm recovery is being sought:

Distribution: lightning arrestor replacement, cross-arm replacement, insulator replacement, secondary/service repair, street light repair, straightening leaning poles.

Transmission: line section repair, substation equipment repair/replacement.

We intend to complete the majority of these projects during the first half of 2005.

6. Please provide a monthly breakdown of all expenditures of capital and expenses stated separately that have been charged to the 2004 storm account to date and the monthly forecast of future capital and expenses that the company expects to apply to storm recovery.

Answer:

Account Class	Project Number - Description		Aug	Sep	Oct	YTD - OCT
CR	20045564 - PEF 60440 CHARLEY CAPITAL PROJ	Accruals	\$37,500,000	\$-	\$400	\$37,500,400
CR	20045693 - 60440 FRANCES CAPITAL PROJECT	Accruals	-	9,222,000	178,000	9,400,000
CR	20046038 - 60440 IVAN CAPITAL PROJ	Accruals	-	100,000	-	100,000
CR	20046313 - 60440 JEANNE CAPITAL PROJ	Accruals	-	7,400,000	-	7,400,000
CR	TOTAL CAPITAL ACCRUED COSTS	Sub-Total - Capital Accruals	\$37,500,000	\$16,722,000	\$178,400	\$54,400,400
JB	20045183 - PEF CHARLEY MAJOR STORM	Accruals	\$61,530,776	\$(22,309,926)	\$(36,512,940)	\$2,707,910
JB	20045534 - PEF MAJOR STORM FRANCES	Accruals	-	83,036,350	(24,992,794)	58,043,556
JB	20045850 - PEF MAJOR STORM IVAN	Accruals	-	4,450,000	(4,450,000)	-
JB	20046082 - 60440 PEF MAJOR STORM JEANNE	Accruals	-	75,941,000	(24,210,442)	51,730,558
JB	20046566 - PEF MAJOR STORM FINAL SWEEPS	Accruals	-	-	-	-
JB	TOTAL JOB ORDER (O&M) ACCRUED COSTS	Sub-Total - Job Order Accruals	\$61,530,776	\$141,117,424	\$(90,166,176)	\$112,482,024
JB	20045183 - PEF CHARLEY MAJOR STORM	Actuals	\$29,289,295	\$39,990,525	\$23,568,852	\$92,848,672
JB	20045534 - PEF MAJOR STORM FRANCES	Actuals	-	36,136,704	26,757,896	62,894,600
JB	20045850 - PEF MAJOR STORM IVAN	Actuals	-	1,149,720	4,604,169	5,753,889
JB	20046082 - 60440 PEF MAJOR STORM JEANNE	Actuals	-	2,858,956	25,248,485	28,107,441
JB	20046566 - PEF MAJOR STORM FINAL SWEEPS	Actuals	-	-	494,163	494,163
JB	TOTAL JOB ORDER ACTUAL COSTS	Sub-Total - Actual Costs	\$29,289,295	\$80,135,905	\$80,673,565	\$190,098,765
	Total	Total Charges	\$128,320,071	\$237,975,329	\$(9,314,211)	\$366,981,189
				Accrual Error	\$9,518,811	9,518,811
					<u>\$204,600</u>	<u>\$366,500,000</u>

NOTES

- October's accrual was miscalculated. All Storm costs and accruals should have totaled \$366.5 m. This has been corrected for November.
- An accrual occurs to recognize the company's expenses at the time they are incurred, regardless of when cash is paid out.
- Capital costs reflected above are just accrued amounts. Actual costs will not be moved to capital until property units are retired and the job order is cleared.
- Above data excludes Winter Park costs. These will be reimbursed by the city.

7. In terms of uncompleted projects, does the company intend to complete these projects within existing budgeting guidelines with existing personnel? If not, please describe the company's plans to complete such projects and the personnel it will use to complete them.

Answer:

We will not complete all normal construction projects during 2004 within budgeted guidelines. We have evaluated these projects and intend to complete the majority of them during the first half of 2005. We have brought in additional contractors in order to help accomplish this work and are continuing to seek incremental personnel.

8. Please provide a descriptive list of all storm related projects that the company does not expect to complete by December 30, 2004, and provide a list of all such projects that exceed \$20,000.

Answer:

The following storm related repair projects will not be completed by December 30, 2004 and are expected to exceed \$20,000 each:

Distribution: lightning arrestor replacement, transformer replacement, pole replacement, cross-arm replacement, insulator replacement, secondary/service repair, street light repair, straightening leaning poles.

Transmission: line section repair, substation equipment repair/replacement.

We intend to complete the majority of these projects during the first half of 2005.

9. Please discuss the potential for recovery of storm related damages through insurance claims.

Answer:

There is no property insurance coverage for T & D lines and structures beyond 1000 ft. of the PEF electric generating plants. The storm related damage to substations, electric generating plants and other covered facilities did not exceed the applicable deductibles.

10. Please state the amount of the company's storm recovery fund on an annual basis since January 1, 1990, to date and provide all annual additions and subtractions from that fund.

Answer:

PROGRESS ENERGY FLORIDA
SUMMARY OF STORM DAMAGE EXPERIENCE
(Charges Against Storm Damage Reserve)
For the Period of 1990 - 2004
(Dollars in Thousands)

Year	FERC 228.13 Storm Damage Reserve Beg Balance	FERC 924.20 Expense Accrual & Fund Earns	Storm Damage Incurred	Storm Damage Reserve End Balance	Description
1990	1,683	1,177	0	2,860	
1991	2,860	568	0	3,428	
1992	3,428	1,164	348	4,244	Pinellas Park Tornado - 10/92
1993	4,244	675	4,573	346	Storm of the Century - 3/93
1994	346	6,000	1	6,345	
1995	6,345	5,323	4,367	7,301	Hurricane Erin - 8/95 / Hurricane Opal 10/95
1996	7,301	6,000	7	13,294	Expenses from Erin/Opal
1997	13,294	6,000	1,159	18,135	Hurricane Josephine - 10/96
1998	18,135	6,000	0	24,135	
1999	24,135	6,000	4,506	25,629	Hurricane Floyd-9/99/ Hurricane Harvey-9/99/ Hurricane Irene-10
2000	25,629	6,000	2,102	29,527	Hurricane Gordan - 9/00
2001	29,527	6,000	5,896	29,631	Hurricane Gabrielle - 9/01
2002	29,631	6,000	-	35,631	
2003	35,631	6,000	715	40,916	Hurricane Henri - 9/03
2004	40,916	6,000		46,916	Balance Prior to Hurricane Charley, Frances, Ivan and Jeanne

11. Please state the impact and describe the expected impact that 2004 storm recovery will have on the 2004 end of year annual depreciation report.

Answer:

Currently, Progress Energy Florida is still assessing the storm's impact on the depreciation report but, we do not anticipate any impact to be significant.

AFFIDAVIT

STATE OF FLORIDA)

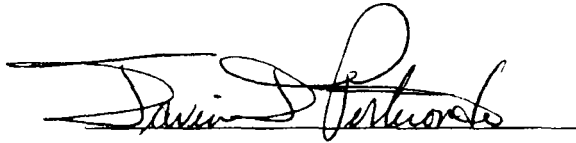
COUNTY OF PINELLAS_____)

I hereby certify that on this 6 day of DECEMBER, 2004, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Javier Portuondo, who is personally known to me, and he/she acknowledged before me that the answers to interrogatory numbers 1-11 from the Office of the Public Counsel in Docket No(s). 041272-EI were provided from the following individuals:

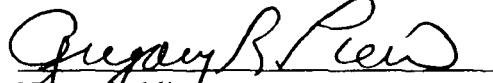
Interrogatory 1:	Mark Wimberly
Interrogatory 2:	Mark Wimberly
Interrogatory 3:	Javier Portuondo
Interrogatory 4:	Javier Portuondo
Interrogatory 5:	Mark Wimberly
Interrogatory 6:	Mark Wimberly
Interrogatory 7:	Mark Wimberly
Interrogatory 8:	Mark Wimberly
Interrogatory 9:	Javier Portuondo
Interrogatory 10:	Javier Portuondo
Interrogatory 11:	Javier Portuondo

and that the responses are true and correct based on his/her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 6 day of DECEMBER, 2004.



JAVIER PORTUONDO


Notary Public
State of Florida, at Large

My Commission Expires:

4-28-05

