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Timolyn Henry

From: James A. McGee [jmcgee@tampabay.rr.com]
Sent: Wednesday, December 15, 2004 1:34 PM
To: Filings@psc.state.fl.us
Subject: Peace River-Progress Energy Joint Status Report

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This electronic filing is made by:

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Docket - None

On behalf of **Progress Energy Florida and Peace River Electric Cooperative.**

Consisting of **2 pages.**

The attached document for filing is the parties' **Joint Status Report,** including a filing letter.

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JAMES A. MCGEE
ASSOCIATE GENERAL COUNSEL
PROGRESS ENERGY SERVICE COMPANY, LLC

December 15, 2004

VIA ELECTRONIC FILING

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

Re: Joint status report of Peace River Electric Cooperative
and Progress Energy Florida; Territorial agreement
customer transfers.

Dear Ms. Bayó:

Enclosed for filing on behalf of Peace River Electric Cooperative and Progress Energy Florida is the subject Joint Status Report.

Please acknowledge your receipt of the above filing as provided in the Commission's electronic filing procedures. Thank you for your assistance in this matter.

Very truly yours,

s/ James A. McGee

JAM/scc
Enclosures

**JOINT STATUS REPORT OF
PEACE RIVER ELECTRIC COOPERATIVE AND PROGRESS ENERGY FLORIDA**

Re: Territorial Agreement Customer Transfers

This status report is submitted pursuant to Commission Order No. PSC-94-1522-FOF-EU, issued December 12, 1994 in Docket No. 940376-EU, which approved the currently effective territorial agreement between Peace River and Progress Energy (then Florida Power Corporation). With respect to customer transfers, the order states:

The agreement does not specify an expected date for completing the customer transfers. We therefore, will require FPC and PRECO to submit customer transfer status reports every five years after issuance of our Order approving the agreement, until all transfers are complete.

At the time the territorial agreement was approved, there were 85 Peace River customer accounts and 87 Progress Energy customer accounts located in the other utility's service area who were subject to transfer under the agreement. To date, none of these customers have been transferred. There are two principal reasons for this.

First, Peace River and Progress Energy were not authorized by the Commission to transfer any of these customer accounts until a "change of use" occurs. In essence this means that service to the original 85 Peace River customers and the 87 Progress Energy customers was grandfathered, such that the accounts could only be transferred when they were placed in the name of someone else. These customers are located in rural areas that typically have a relatively lower customer turnover rate.

Second, the timing of transfers after a change of use has occurred is dependant on when the utility entitled to serve can economically extend its facilities to the customers in question. Unfortunately, the areas in which these two groups of customers are located have experience very little, if any, growth since the territorial agreement was approved. If growth had occurred, the resultant new customers, coupled with the original customer accounts that had experience a change of use, extending the utilities' facilities would have been more cost-effective. As the situation stands today, that is not the case.

Peace River and Progress Energy intend to transfer the customer accounts identified in the territorial agreement as soon a practicable after they become eligible for transfer and the utilities are able to economically extend their respective facilities.

December 15, 2004