BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Progress Energy Florida, Inc.

Docket No. 050078-EI

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DIRECT TESTIMONY OF

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DIRECT TESTIMONY OF
JAVIER PORTUONDO

I. Introduction and Summary.

Q. Please state your name and business address.

A. My name is Javier Portuondo. My business address is 100 Central Avenue, St. Petersburg, Florida 33701.

Q. By whom are you employed and in what capacity?

A. I am employed by Progress Energy Service Company, LLC, in the capacity of Director, Regulatory Services - Florida.

Q. What are the duties and responsibilities of your position?

A. As Director, Regulatory Services - Florida, I am responsible for all regulatory accounting and reporting activities of Progress Energy Florida ("PEF" or the "Company"). As it pertains to this proceeding, my responsibilities include the preparation of PEF's Minimum Filing Requirements submitted with its Petition and direct testimony on April 29, 2005, and the development of the adjustments to the Company's test year "per books" financial statements that produce the revenue requirements and revenue deficiency under current rates upon which its rate relief request is based.

Q. Please describe your educational background and professional experience.

A. I graduated from the University of South Florida in 1992 with a Bachelor's Degree in Business Administration, majoring in Accounting. I began my employment with Florida Power Corporation in 1985. During my 19 years with Florida Power Corporation and PEF, I have held various staff accounting positions within Financial Services in such areas as: General Accounting, Tax Accounting, Property Plant & Depreciation Accounting, and Regulatory Accounting. In 1996, I became Manager, Regulatory Services, and in 2003 I was named Director, Regulatory Services - Florida.

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is two-fold. First, I will address the development of PEF's Minimum Filing Requirements (MFRs) utilizing the "per books" financial data produced by the Company's 2005 and 2006 budget process described in Mr. Myers' testimony, including a discussion of the significant accounting changes since the Company's last base rate proceeding that have affected the financial data contained in the MFRs. Second, I will describe the various ratemaking adjustments made to the per books net operating income, rate base, and capital structure that are necessary for conformance with Commission-approved regulatory practices and policies, and to ensure that the test year results used to set rates in this proceeding properly reflect conditions that will exist while the new rates are in effect.

Q. Do you have any exhibits to your testimony?

A. Yes, I have prepared or supervised the preparation of the following exhibits which are attached to my direct testimony:

- Exhibit No. __ (JP-1), a list of Minimum Filing Requirements (MFRs) I sponsor or co-sponsor.
- Exhibit No. __ (JP-2), a summary table of the Company's 2006 test year results.
- Exhibit No. __ (JP-3), the revised methodology for allocating costs of Outage and Emergency ("O&E") activities between Operation and Maintenance ("O&M") and capital accounts.
- Exhibit No. __ (JP-4), a detailed calculation of the adjustment for depreciation expense.
- Exhibit No. __ (JP-5), an analysis of O&M expenses compared to the Commission O&M benchmark policy.
- Exhibit No. __ (JP-6), a schedule of post 9/11 security costs to be moved to base rates.
- Exhibit No. __ (JP-7), a schedule of the net cost savings from the Company's reorganization initiative.
- Exhibit No. __ (JP-8), a schedule of adjustments to annualize net test year benefits of the mobile meter reading program.
- Exhibit No. __ (JP-9), the Company's updated hurricane risk assessment study.
- Exhibit No. ___ (JP-10), a schedule of the types of costs charged to the Storm Damage Reserve.
- Exhibit No. __ (JP-11), reconciliation of test year capital and rate base.

These exhibits are true and accurate.

Q. Do you sponsor any schedules of the Company's Minimum Filing Requirements (MFRs)?

A. Yes, I will sponsor or co-sponsor the MFR schedules listed in Exhibit No. __ (JP-1). These schedules are true and accurate, subject to their being adjusted in this proceeding. In addition, I will co-sponsor the following studies: The depreciation study included as Exhibit No. ____ (RHB-6) to the testimony of Mr. Robert Bazemore, Jr.; the nuclear decommissioning cost study included as Exhibit No. ____ (DEY-2) to the testimony of Mr. Dale E. Young; and the fossil plant dismantlement cost study included as Exhibit No. ____ (EMW-2) to the testimony of Mr. E. Michael Williams.

Q. How have you organized your testimony?

A. My testimony will begin by discussing the development of the per books data that serve as the basis for the Company's MFRs. The remainder of my testimony will be organized by the three components of the revenue requirements calculation; net operating income, rate base, and cost of capital. I will present each of these components on a per books basis, as derived from the Company's 2005 and 2006 budget process, and then describe the adjustments made to the per books data to arrive at the fully adjusted component used to calculate the Company's test year revenue requirements.

Q. What are the time periods covered by the MFRs that you will address in your testimony?

A. As a general rule, the individual MFR schedules provide financial data and other information for three annual periods: The "test year" is a forecasted calendar year

2006 and is based on the results of PEF's 2006 budget process; the "prior year" is calendar year 2005 and is based on the results of PEF's 2005 budget process; and the "historic year" is calendar year 2004 and is based on actual data from the Company's books and records. Certain MFR schedules also encompass additional periods such as, for example, 25 years of historic weather data to support "normal" weather figures used in the test year.

Q. Mr. Portuondo, would you please summarize your testimony?

A. Yes. When properly jurisdictionalized and adjusted, the Company's 2006 test year produces net operating income of $314.9 million and a rate base of $4640.5 million. The return requirement using a weighted cost of capital of 9.50%, which includes a rate of return on common equity of 12.8%, is $440.9 million. This produces a net operating income deficiency of $125.9 million which results in a revenue deficiency of $205.6 million as reflected on MFR A-1. This is the base rate increase requested by PEF in this proceeding, the first such increase sought by the Company since 1993. During this period of over twelve years the Company has not only avoided any increase in its base rates, but with the rate settlement implemented in 2002, PEF's current base rates are at the lowest level since 1983.

II. <u>Development of MFRs</u>.

Q. Please describe how PEF's MFRs were developed.

A. The starting point in the development of the MFRs was PEF's budget process for 2005 and 2006, which produced the 2005 budget and the 2006 forecast. The data from these two forward-looking periods, coupled with actual data from 2004, provide the Company's per books financial data that serves as the foundation of the MFRs.

The forecasted data for 2005 and 2006 were prepared in accordance with the same procedures and processes described in the testimony of Mr. Myers that are used by the Company to prepare its budgets for normal business purposes. The only change made to accommodate this proceeding was the inclusion of more detail in the second year of the budget process. In those instances where budget data required conversion into formats prescribed by the MFRs, such as specific FERC sub-accounts, the conversion was performed using the same standard allocation formulas routinely used to convert comparable actual data for regulatory accounting and reporting.

Q. What additional steps were taken in developing the MFRs from the per books figures provided by the Company's budget process?

A. To complete the development of the MFRs, a number of adjustments were made to the per books data to ensure the suitability of its use for ratemaking purposes. The unadjusted test year per books data taken directly from the results of PEF's budget process represents the Company's actual expectations for the operation of its business in 2006 at the time the data was prepared. However, because the budget process was designed for business purposes, the per books data derived from the budget process does not include the various refinements needed for ratemaking purposes. For these purposes, adjustments are required to provide consistency with the Commission's regulatory practices and to ensure that the data properly reflects the conditions that will exist when the rates set in this proceeding are in effect, as well as to reflect information that was not available until after the budget process had been completed. The adjustments made for these purposes to the PEF's per books net operating income, rate base, and capital structure are described in the next sections of my testimony.

Q. Have there been any significant accounting changes since the Company's last base rate proceeding that affect test year results shown in the MFRs?

A. Yes, there have been three significant accounting changes that warrant discussion. These accounting changes are (1) the adoption of Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations", (2) the requirement to recognize a Minimum Pension Liability in accordance with SFAS No. 87, "Employer's Accounting for Pensions" and the use of deferral accounting to offset this requirement for ratemaking purposes, and (3) the implementation of a revised accounting procedure for allocating the costs of PEF's Outage and Emergency activities between capital and expense accounts.

Q. Please describe the accounting change under SFAS No. 143 regarding asset retirement obligations.

A. Effective January 1, 2003, PEF adopted SFAS No. 143, which establishes accounting and disclosure requirements for retirement obligations associated with long-lived assets. SFAS 143 requires that the present value of the cost to retire assets for which PEF has a legal retirement obligation be recorded as a liability, and that an equivalent amount be added to the cost of the asset and depreciated over the period prior to its retirement. The liability is then accreted over the same period by applying an interest method of allocation to the liability.

Prior to SFAS No. 143, PEF recorded asset retirement obligations ("AROs"), specifically decommissioning of irradiated nuclear plant, based on amounts collected in rates. To ensure that the implementation of SFAS 143 is consistent with this prior treatment for ratemaking and surveillance purposes and does not have an effect on rate base or cost of service, PEF has made adjustments to its ARO accounts in accordance with Rule 25-14.014 adopted by the Commission in 2003 for this purpose. In addition, SFAS 143 effectively prohibits entities from recording asset removal costs that do not meet its definition of an asset retirement obligation. Therefore, for external reporting purposes, certain accumulated removal costs are reclassified as regulatory liabilities, since the costs are collected in PEF's approved rates. Such removal costs include interim cost of removal, fossil dismantlement, and removal of non-irradiated nuclear plant.

Q. Please describe the accounting change under SFAS No. 87 regarding the recognition of a Minimum Pension Liability.

A. The significant down-turn in the financial markets over the last several years resulted in wide-spread reductions in the value of pension plan assets, including components of PEF's pension plan. The reduction in the value of plan assets is compounded by an increase in the present value of the Company's future obligation to provide pension benefits earned by current employees due to a decrease in the discount rate used in the present value calculation. The compound effect of these events, in turn, triggered a provision of SFAS No. 87 that heretofore had never applied to the Company and that imposed an accounting treatment for pension costs that, unlike the normal requirements of SFAS 87, runs contrary to sound ratemaking practices. Under this newly invoked provision, when the value of a company's pension plan assets at any point in time is less than the present value of the pension obligation for benefits earned at the point in time, the company's pension obligation must recognize an additional liability, in the form of a Minimum Pension Liability ("MPL"), which is primarily offset by a charge to Accumulated Other Comprehensive Income, a component of equity. This current recognition of potential future obligation is contrary to the normal provisions of SFAS 87 and this Commission's ratemaking practice of recognizing the cost of employee pension benefits only as they are actually earned by employees over their years of service. To reverse the adverse ratemaking effect of the MPL that would result from the recognition of future pension costs in the test year, the Company has followed deferral accounting practices under SFAS No. 71 and created an offsetting regulatory asset, as authorized by Commission Order No. PSC-04-1216-PAA-EI in Docket No. 040816-EI.

Q. Please explain the revised accounting procedure for allocating the costs of Outage and Emergency activities between expense and capital accounts.

A. The revised procedure is based on a "best practices" recommendation prepared by an independent accounting firm hired by the Company to study the practices used in accounting for the costs of activities that incur both O&M and capital charges. The recommendation suggested specific revisions to PEF's procedures used to allocate costs of Outage and Emergency ("O&E") activities between O&M and capital accounts. The revised procedure will better distinguish between replacement costs, which are capitalized, and repair costs, which are expensed to O&M, and is expected to result in a higher level of O&E costs charged to expense. The charges to O&E accounts do not include the costs associated with major or named storms, which are tracked in separate accounts in accordance with guidelines from prior Commission proceedings. The revised methodology, which is summarized in my Exhibit No. ___ (JP-3), was adopted by the Company and implemented effective January 1, 2005. The effect of the revised procedure was not reflected in PEF's 2005-2006 budget process, which began well before the procedure was adopted, and has therefore been included as one of the test year adjustments discussed later in my testimony.

III. Net Operating Income.

Q. Please describe the development of the Company's net operating income contained in the MFRs for the 2006 test year.

A. The test year per books NOI was derived from PEF's Corporate Plan for 2005 - 2006 developed by the Company's budget process. The following is a description of the key inputs to the budget process.

- System revenues from sales of electric energy, including the derivation of deferred fuel revenue and unbilled revenues, were developed within the Corporate Model. Other operating revenues were developed by the Financial Planning Department with assistance from the Rate Department on certain revenue items. These revenues were determined through an analysis of historic trends, revised for changes associated with future events anticipated at the time the budget process took place.
- Fuel and purchased power expense was developed through PROMOD cost simulations and the Corporate Model.

- Non-fuel Operation and Maintenance (O&M) expenses were developed through the rigorous top-down, bottom-up budget process described in detail in the testimony of Mr. Myers.
- Depreciation expense was calculated using PEF's Commission-approved rates in Order No. PSC-98-1723-PAA-EI, Docket No. 971570-EI. The depreciation rates were applied monthly to the average depreciable electric plant in service balances, adjusted for additions and planned retirements. Decommissioning expense was determined based on the accrual to the reserve approved by the Commission in Order No. PSC-02-0055-PAA-EI, Docket No. 001835-EI, which was included as a separate component of depreciation expense. Fossil plant dismantlement expense was determined based on the accrual to the reserve approved by the Commission in Order No. PSC-01-2386-PAA-EI, Docket No. 010031-EI, which was included as a separate component of depreciation expense. As I discuss later in my testimony, these depreciation, dismantlement, and decommissioning expenses were adjusted for purposes of this proceeding based on updated cost studies included as exhibits to the testimony of Mr. Bazemore, Mr. Williams, and Mr. Young, respectively.
- Amortization expense was derived from amortizing investment in electric plant dedicated to Commission-approved energy conservation programs and intangible plant related to computer software over a five-year period.
- The details of developing Taxes Other than Income, including the type, amount and rate of each tax is provided in MFR Schedule C-20.
- Current and deferred income taxes were calculated based on the Company's operating and construction forecasts and the statutory tax rates in effect for both the federal and state jurisdictions.

- The Allowance for Funds Used During Construction (AFUDC) was calculated using the Company's Commission-approved annual rate of 7.81% in Order No. PSC-93-1785-FOF-EI, Docket No.930853-EI.
- Gross Receipts Taxes and Regulatory Assessment Fees were calculated based on the rates established by statute and the Commission, respectively.

Q. What is the basis for the adjustments made to PEF's per books NOI?

A. As I explained earlier, the budget-based per books NOI for the test year represents the Company's business-oriented expectations for 2006. As such, the test year data requires certain adjustments to accomplish the ratemaking purpose it is intended to serve in this proceeding. Like test year data in general, a number of these ratemaking adjustments, as well as adjustments for changes since the close of the budget process, have been made to the data comprising the Company's per books NOI. Below, I will describe these adjustments, first, on the basis of those made in recognition of Commission ratemaking policies or requirements, including several policies for which no adjustment was needed, and then I will describe the NOI adjustments deemed necessary by PEF to ensure that the test year is representative of the conditions that will exist when the rates set in this proceeding are in effect. In most cases the adjustments will be presented in a list format with a brief discussion. Other adjustments that require more elaboration will be addressed in response to separate questions.

Q. Please describe the adjustments to PEF's per books NOI that have been made to satisfy Commission ratemaking policies or requirements.

A. The following is a brief description of these Commission-based ratemaking adjustments to NOI. Some of the adjustments also have an effect on test year rate base and, therefore, will be included in the listing for rate base adjustments later in my testimony.

Fossil plant dismantlement expense. In recognition of the expiration of the 2002 Stipulation and Settlement approved by the Commission to resolve PEF's last base rate proceeding, Docket No. 000824-EI (the "Stipulation"), and its suspension of fossil dismantlement accruals, the Company commissioned a new fossil plant dismantlement cost study to determine the appropriate accrual level going forward. The cost study was performed by Sargent & Lundy and includes the Company's present value accrual calculations. It has been provided as an exhibit to Mr. William's testimony. The annual fossil dismantlement accrual beginning in 2006 determined by the study is $11.2 million (system) and $9.6 million (retail).

Nuclear decommissioning expense. The Stipulation also suspended the nuclear decommissioning accrual and its expiration at the end of 2005 caused the Company to commission a new cost study in order to determine the appropriate accrual level going forward. The cost study was performed by TLG and is provided as an exhibit to Mr. Young's testimony, along with the Company's present value accrual calculations. The study results indicate that the current balance in the Funded Nuclear Decommission Reserve, coupled with Forecasted Fund Earnings, will be sufficient to fund the future cost of decommissioning and, therefore, there is no need for a going-forward annual accrual to the reserve.

Depreciation expense. Similar to the situation with fossil dismantlement and nuclear decommissioning described above, the expiration of the provision in the

Stipulation allowing PEF to reduce the depreciation expense by $62.5 million made it necessary to commission a new study to determine the appropriate level of depreciation expense going forward. The new depreciation study, which is included as an exhibit to Mr. Bazemore's testimony, was performed by AUS and shows the need for a depreciation expense of $311.0 million (system) and $290.6 million (retail) beginning in 2006. This resulted in an adjustment to decrease test year per books depreciation expense by $54.4 million (system) and $48.8 million (retail), versus the assumed budget reduction of $62.5 million (retail). A more detailed calculation of this adjustment is included in my Exhibit No. __ (JP-4).

Interest accrued on federal income tax deficiencies. Consistent with the Commission's decision in the Company's last fully adjudicated base rate proceeding, Order No. PSC-92-1197-FOF-EI, Docket No. 910890-EI, an adjustment was made to test year expense for the accrual of interest to be paid on federal income tax deficiencies. In that rate case, the Commission stated:

> "In addressing interest on tax deficiencies, there are two things that we must consider. The first consideration is whether or not the company has demonstrated that its aggressive tax strategy (which results in tax deficiencies and the ensuing interest) has benefited the ratepayer such that the interest should be considered a cost of service component for 1992 and 1993. If the interest is considered a cost of service component, the second consideration is whether or not the requested three-year amortization period is reasonable.
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> * * *
>
> "We believe that FPC's analysis was reasonable, and that the company has demonstrated that its tax strategies have benefited (sic) the ratepayers

through avoided cost-based external financing. This is consistent with our prior treatment of other utilities. Accordingly, we find that FPC's interest on tax deficiencies shall be appropriately included as a component of cost of service.

"That brings us to the question of amortization. We have decided to use a three year amortization period because that seems to be the midpoint of amortization periods that we have used for FPC."

Recoverable adjustment clause expenses. Expenses recoverable by PEF through its adjustment clauses (fuel and capacity cost recovery, energy conservation cost recovery, storm cost recovery clause (SCRC), and environmental cost recovery) have been removed from test year NOI. The removal of capital costs recovered though the adjustment clauses are addressed below in the portion of my testimony on adjustments to test year rate base.

With respect to environmental costs, the Company has not included any estimated costs to comply with new federal Clean Air Interstate Rule ("CAIR") issued by the U.S. Environmental Protection Agency on March 10, 2005. Given the uncertainty surrounding both the new regulations, which may or may not be challenged, and the current cost estimates for compliance, which are preliminary at best, the Company decided that costs of this type would be more appropriately recovered through the Environmental Clause than through base rates, despite the lack of Commission approval at this point. PEF intends to petition the Commission for clause cost recovery through a separate filing.

Franchise fee & gross receipts tax revenue and expense. The revenues and expenses have been eliminated from the income statement for ratemaking purposes consistent with Commission policies and orders. (See Order No. 11307, issued November 10, 1982 in Docket No. 820007-EU.)

Gain/Loss on sale of property. The gains or losses of utility property or property that was formerly utility property have been amortized above-the-line over a five-year period and considered part of determining net operating income consistent with Commission policies and orders. (See Order No. 11307, issued November 10, 1982 in Docket No. 820007-EU.)

Industry association and membership dues. Consistent with Commission policy, PEF has removed all EEI Media Communications Fund dues and one-third of EEI administrative dues, as well as all chamber of commerce dues.

Economic development expenses. An adjustment based on Commission Rule 25-6.0426, F.A.C., has been made for these expenses.

Sebring rider. Commission Order No. PSC-92-1468-FOF-EU, in Docket No. 920949-EU, which approved the Company's purchase of the Sebring Utilities Commission's electric system, provided that the amount of base purchase price in excess of the net book value and going concern value that is needed to retire the Sebring debt obligation will be collected only from customers located in Sebring's former service area in order that these costs will not be borne by PEF's general body of ratepayers. Therefore a ratemaking adjustment has been made to assure compliance with this provision of the Commission's order.

Rate case expenses. Based on long-standing Commission practice, the Company has amortized rate case expenses over a two-year period. MFR Schedule C-10 itemizes and details these expenses.

Q. **Are there other Commission ratemaking policies that the Company applied to its test year NOI and found that an adjustment was not required for compliance?**

A. Yes there are. After review, the Company determined that the Commission's ratemaking policies regarding fuel inventory levels and the benchmark for O&M expenses did not require an adjustment. Consideration of the policy on fuel inventory levels was rather straight-forward, since the Commission set out clear guidelines on this matter in Order No. 12645, in Docket No. 830001-EU. As the testimony of Mr. Dale Williams describes, the Company evaluated its test year coal and oil inventories against these guidelines for fuel inventory levels and found that the test year inventories satisfy the guidelines without the need for an adjustment.

Q. **Please describe the application of the Commission's O&M benchmark policy to PEF's test year O&M expenses.**

A. This Commission policy, often called the O&M benchmark test, is rather complex and number-intensive in the actual performance of the test. Before describing the data and numeric results that are presented in my Exhibit No. ___ (JP-5), I believe it would be helpful to address how the O&M benchmark test is structured generally and the objective of performing this exercise.

The benchmark test itself consists of two distinct but related parts. The first part is a comparison of PEF's test year O&M expenses, broken down into six functional areas, against O&M expenses from the 2002 test year in Company's last rate case, escalated over the intervening period by the CPI and, except for power plant O&M, customer growth. This allows those scrutinizing the Company's test year costs in this proceeding to see what the level of O&M expenses would have been within each functional area assuming that these expenses had experienced only the upward pressures of inflation, as measured by the CPI, and, except for power plant O&M, the rate of customer growth over the period since the Company's last base rate proceeding. This does not mean that the benchmark O&M expenses are somehow presumed to be what the Company's test year O&M should actually be. Rather, the benchmark provides the Commission with a useful analytical tool to identify and focus its attention on those specific areas of PEF's operation that have experienced proportionally higher O&M increases than other areas. The focus then shifts to the Company to justify the reasons that the CPI and customer growth are not representative of the upward cost pressures these areas have experienced. This is the second part of the benchmark test.

In this part of the test, PEF identifies individual expense items within the various functional areas that exceeded their own benchmark level for justifiable reasons, such as the need to perform new activities or increases in scope of existing activities compared to the last rate proceeding, or inflation rates greater than the benchmark escalators that have impacted a particular expense item. If the total of the benchmark variances for the individual expense items that have been justified in the second part of the test exceed the overall benchmark variance from the six functional areas determined in the first part of the test, then the Company has demonstrated that the overall variance is attributable to causes that the benchmark does not take into account, and has satisfied the Commission's O&M benchmark test.

Turning now to the results of the O&M benchmark test performed in this proceeding, the table in my Exhibit No. ___ (JP-5) shows that PEF's test year O&M exceeds the benchmark in the Production, Transmission, Distribution, and Administrative and General areas by $108.7 million, and that test year O&M for the

Customer Accounts, Customer Service, and Sales functional areas is below the benchmark by $25.6 million, for a net variance above the benchmark of $83.1 million. The Company's justification of the variance for individual cost components within each of the functional areas is provided in MFR Schedule C-41.

Q. Please describe the other ratemaking adjustments that you have made to PEF's per books NOI.

A. The following is a description of the NOI adjustments made in order for the test year to reflect conditions that will exist when the rates set in this proceeding are in effect, including adjustments for changes that have occurred after PEF's budget process was completed.

<u>Revised practice for charging Outage and Emergency activities</u>. The revised accounting procedure described earlier in my testimony was adopted to better distinguish between the costs of repair and replacement activities charged to Outage and Emergency ("O&E") accounts. Compared to the prior procedure reflected in the 2005-2006 budget process, the revised practice identifies a greater percentage of O&E charges as repair costs and a correspondingly lower percentage of replacement costs. The effect of this shift from capital to O&M charges is an adjustment to increase test year expense by approximately $34 million. The corresponding downward adjustment to test year rate base is addressed later in my testimony.

<u>Post-9/11 security costs</u>. In my testimony in the Docket No. 020001-EI, I made a commitment to the Commission on behalf of PEF that incremental security costs imposed on the Company in the wake of the 9/11 events and for which the Commission has allowed fuel clause recovery would be moved to base rates in

PEF's next rate case. The post 9-11 security costs included in the test year are based on the NRC rules and regulations that have been proffered for implementation as of December 31, 2005, and the regulations imposed under the Maritime Security Act of 2002. A schedule detailing these costs is contained in my Exhibit No. __ (JP-6). I would add that transferring these costs to base rates should in no away prejudice PEF from requesting clause recovery of incremental costs that the Company incurs as a result of new security requirements which may be imposed by federal or state laws or regulations that were not in effect at the time this case was initiated.

<u>The Company's reorganization initiative</u>. In keeping with the same ongoing effort to reduce costs through greater operating efficiencies that has allowed the Company to avoid increasing its base rate since 1993, PEF has undertaken a complete review of its organizational structure. This review focuses on all levels within the Company, from senior management down through the entire chain of command, in order to identify areas where further efficiencies could be achieved that will produce additional savings in the cost of operations. The initiative will be implemented throughout 2005 and into the beginning of 2006, including employee incentives for voluntary early retirement effective beginning in June of this year that will provide overall net wage and salary savings and mitigate the necessity of mandatory terminations for positions eliminated under the reorganization. The initial estimates of the cost savings, net of reorganization expenses, from this initiative were developed early this year and, therefore, were not available when the budget process for 2005 and 2006 was completed. As my Exhibit No. ___ (JP-7) shows in greater detail, net pre-tax cost savings of $19.5 million (system) and $17.6 million (retail) have been identified from the reorganization initiative for

2006 and are included as an adjustment to increase test year NOI. If any changes to these net cost savings, upward or downward, are identified as the initiative is implemented, the revision will be provided by supplemental filing.

PEF's mobile meter reading program. While not specifically a part of the reorganization initiative, PEF's mobile meter reading ("MMR") program's efficiency improvement and cost reduction objectives are the same. Under this program, the conventional electro-mechanical kilowatt-hour meters for all residential accounts, approximately 1.5 million, will be replaced with new solid state meters over an 18-month period beginning in April, 2005. The new meters will be equipped with radio transmitter modules capable of sending real-time metered data to a mobile receiver/collector unit in a vehicle traveling at 30 mph. A single meter reader equipped with one of these mobile units can read approximately 10,000 meters during an eight-hour shift, compared with an average of 400 meters per shift with manual reading. The MMR program was not included in PEF's budget process and it will not be fully implemented until part way through 2006. Therefore, the program's full O&M savings for a portion of the test year have been annualized over the entire test year for purposes of this pro forma NOI adjustment resulting in a reduction of test year expenses of approximately 13.9 million. A corresponding adjustment has also been made to the Company's test year rate base. The adjustment for the MMR Program includes a capital recovery schedule to amortize the net book value of the retired meters over a five-year period. My Exhibit No. ___ (JP-8) summarizes the adjustments made to reflect the MMR program's annualized net benefits in the test year.

The coal procurement consolidation project. The Company has recently begun implementation of another efficiency project to establish a single, centralized organization charged with the procurement and delivery of the coal requirements of its regulated production facilities, including PEF's Crystal River coal-fired plants. The new consolidated organization is intended to leverage fuel purchasing power, to optimize transportation contracts and assets, to improve coordination across functional groups, and to reduce costs while enhancing coal supply services to the Company's generating plants. Completion of the consolidation project is expected by the end of 2005. At that time the unit trains and related equipment presently owned or leased by Progress Fuels Corporation ("PFC") and used to supply the Crystal River site will be transferred to PEF. PFC's costs associated with this equipment is currently charged to PEF and recovered through its fuel clause, the majority of which will continue to be recovered in this manner after the transfer to PEF. However, approximately $1.8 million annually in related A&G expenses will no longer be eligible for fuel clause recovery after the transfer to PEF under existing Commission guidelines and have, therefore, been included as an adjustment to test year expense. In addition, a working capital adjustment related to this transfer from PFC to the Company will be addressed in the rate base section of my testimony below.

<u>The domestic manufacturers' income tax deduction</u>. This refers to the common name of a provision in the American Jobs Creation Act of 2004 that permits taxpayers to claim a federal income tax deduction for qualified income from domestic production activities, in PEF's case, the production of electric power. The deduction will be phased in effective with taxable years beginning in 2005 and will be fully effective with taxable years beginning in 2010. PEF has made a pro forma adjustment to reflect the estimated income tax benefit of this deduction in the test year. The estimate was determined in accordance with FAS

109-1, the recent guidance on tax accounting for the domestic manufacturers tax deduction issued by the Financial Accounting Standards Board ("FASB") on December 21, 2004. The adjustment reduces PEF's test year income tax expense by approximately $3.5 million (system).

Additional Transmission and Distribution ("T&D") expenditures. This adjustment to test year expense involves O&M expenses associated with the additional T&D activities described in the testimony of Company witnesses McDonald and DeSouza which were approved after completion of the 2005-2006 budget process. The corresponding capital costs associated with these T&D activities are included with the adjustments to rate base addressed later in my testimony.

Storm Damage Reserve accrual. Based on the results of an updated hurricane risk assessment study, PEF has increased the annual accrual to its Storm Damage Reserve to $50 million on a system basis, or $44 million more than the $6 million accrual approved by the Commission in Order No. PSC-94-0852-FOF-EI, Docket No. 940621-EI. The updated study, which is provided in my Exhibit No. ___ (JP-9), was commissioned by PEF in the wake of last year's hurricane season and was performed in accordance with Commission Order No. PSC-93-1522-FOF-EI.

Q. With respect to the Company's Storm Damage Reserve that will be funded by the increased accrual, has PEF addressed the types of costs that will be charged to the reserve in the event of future major storms?

A. Actually, the types of costs that are to be charged to the reserve were thoroughly addressed by the utilities and the Commission in the early to mid-1990s. PEF has confirmed to its satisfaction that these charges remain appropriate and, therefore, will continue adhering to this long-standing treatment of storm-related costs. A complete discussion of the background and continuing propriety of these charges to the reserve has been provided by the Company in Docket No. 041272-EI regarding PEF's petition to recover a portion of the costs it incurred for repair and restoration of service as a result of the 2004 hurricanes. The types of costs that will be charged to the Storm Damage Reserve are listed in my Exhibit No. ____ (JP-10).

IV. Rate Base.

Q. How was the Company's test year rate base contained in the MFRs developed?

A. As I described earlier, the development of PEF's rate base MFRs begins with the per books data derived from the 2005 - 2006 budget process, in combination with actual rate base investment though 2004 taken from the Company's books and records. Since the budget-based, per books rate base data represents information developed by the Company for its business purposes, certain adjustments to this data are required to develop test year data suitable for ratemaking purposes, as well as to update the rate base data for changes since completion of the budget process.

Q. Please describe PEF's adjustments to its per books rate base for the test year.

A. The following is a description of the Company's per books rate base adjustments. As I noted earlier, many of these adjustments are simply the corresponding entries to account for the rate base effect of adjustments to per books NOI described in that section of my testimony.

- Revised practice for charging Outage and Emergency activities. To recognize the corresponding effect of higher O&M charges for Outage and Emergency activities described in the adjustments to NOI, a reciprocal adjustment has been made to reduce capital charges to rate base for O&E activities under the Company's revised charging practice.

- Adjustments to the Accumulated Depreciation Reserve. It should be noted that the Company does have different practices for depreciation expense for its retail and wholesale jurisdictions. The Company keeps separate books and records for each jurisdiction and the Company's financial statements represent a blend of the 2 methods by applying the appropriate separation factors to each set of books. The Company's budget for 2005 and 2006 produces accumlated reserve for depreciation and depreciation expense on a blended basis. For the purpose of this proceeding however, we have prepared all the MFRs which present accumulated reserve for depreciation and depreciation expense using the retail jurisdiction depreciation method. These correspond to PEF's NOI adjustments to expense for fossil plant dismantlement, nuclear decommissioning, and depreciation based on the updated cost studies commissioned by PEF, which were discussed in the NOI section of my testimony.

- Recoverable adjustment clause costs. These adjustments also correspond to the NOI adjustments made to remove from the test year all costs that are recoverable through the adjustment clauses for fuel and capacity cost recovery, Energy Conservation Cost Recovery ("ECCR"), Storm Costs

Recovery Clause ("SCRC"), and Environmental Cost Recovery Clause ("ECRC"), which I described earlier.

- The Company's reorganization initiative. While the predominate effect of this initiative involves O&M expense, the corresponding rate base effect of capitalized labor costs has also been annualized through a test year adjustment.
- PEF's mobile meter reading program. The adjustment to annualize the net savings of the MMR program also includes a significant rate base component for the cost of the new solid state meters and mobile meter reading equipment, as well as a five-year amortization of the under depreciated balance, less salvage value, for the retired meters.
- Storm Damage Reserve. This adjustment is to the operating reserve in rate base working capital which is the counterpart to the NOI adjustment for the updated accrual.
- The coal procurement consolidation project. In addition to the shift of coal transportation-related A&G expense from fuel clause recovery to base rates described above, the consolidation project will result in title to the coal inventory in transit to the Crystal River plant site being held by PEF rather than PFC. As a result, the working capital requirements of this off-site inventory will also shift to base rates.
- Additional T&D expenditures. This adjustment corresponds to the NOI adjustment for the costs associated with the additional T&D activities described in the testimony of Company witnesses McDonald and DeSouza which were approved subsequent to the budget process.

- GridFlorida RTO deferred start-up costs. An adjustment has been made to remove these deferred costs from test year rate base, which have been reflected as a current-period expense for surveillance reporting purposes in prior years.
- Gain/Loss on sale of property. This adjustment corresponds to the NOI adjustment made for this purpose.
- Sebring rider. This adjustment corresponds to the NOI adjustment made for this purpose.

V. Capital Structure.

Q. Please describe the development of the Company's test year capital structure contained in the MFRs.

A. For the same reasons described above regarding NOI and rate base, several adjustments to PEF's per books capital structure are necessary for the test year to comply with the Commission's ratemaking policies. These include an adjustment to the equity component of PEF's capital structure to avoid an ongoing punitive effect of the costs the Company agreed to absorb in the settlement of an investigation into an unplanned outage at the Crystal River Unit 3 nuclear unit ("CR3"), an adjustment to the equity component of the Company's capital structure to recognize the treatment of its long-term purchase power agreements ("PPAs") by the agencies that rate the risk of PEF's debt securities, and an adjustment to directly assign commercial paper as the source of capital for funding the unrecovered fuel costs on PEF's balance sheet.

Q. Please explain the capital structure adjustment related to the CR3 outage settlement?

A. CR3 was placed into an extended cold shutdown in October 1996 to make modifications needed for NRC compliance purposes because of a remote safety contingency that had a probability of occurring less than once in 11.6 billion years. During the extended outage, the Commission initiated a prudence review concerning the outage. Shortly before the scheduled hearing in 1997, and after extensive prefiled testimony and discovery, the Company reached a settlement with the OPC and the other parties, which the Commission approved shortly thereafter by Order No. PSC-97-0840-S-EI in Docket No. 970261-EI. The settlement included a number of rate-related components and trade-offs, including the Company's agreement to absorb approximately $82 million in replacement fuel costs and $100 million in increased O&M expenses incurred as a result of the outage, which totaled approximately $109 million in after-tax losses.

Significantly, however, the settlement also authorized a ratemaking adjustment to the equity component of the Company's capital structure to ensure that the substantial adverse effect on its earnings in 1997 would not be compounded by an ongoing effect in future years. The extraordinary write-off of $109 million resulted in lower earnings per share in 1997 and reduced the Company's common equity balance. If no corresponding adjustment were made to the common equity balance in future years, the amount the Company could permissibly earn each subsequent year would have been severely reduced, thereby compounding the loss that it had agreed to absorb in 1997. To avoid such a long-lasting punitive effect, the settlement included and the Commission approved the

Company's right to make an offsetting adjustment to common equity when determining its earnings for regulatory purposes.

Q. Did the settlement or the Commission provide for a termination of this equity adjustment?

A. No, the settlement and the Commission's approval order provided an indefinite term for the adjustment. In fact, the Commission's order expressly stated that the stipulation was silent with respect to how long this adjustment will be made, and that "[t]he parties indicate it is contemplated within the (settlement) that this adjustment may continue beyond the four-year Amortization Period." During its Agenda Conference deliberations on this matter, the Company acknowledged and the Commission reflected in its order that the Commission would be entitled to review the issue in the Company's next rate case, whenever that might occur. Providing the Commission an opportunity for review, however, clearly does not mean that the adjustment would or should be terminated as an outcome of the next rate case, and the Company does not believe that it would be appropriate to do so as an outcome of this proceeding.

There might be a circumstance where termination of the adjustment would be a proper outcome if, for example, it appeared in the course of a rate case that the Company were able to achieve its desired capital structure without making this adjustment. But that is not the case here. To the contrary, even with the adjustment, PEF currently has a significantly lower percentage of equity in its capital structure than the other investor-owned utilities ("IOUs") in Florida. As a result, disallowing the adjustment would have the effect of unduly suppressing PEF's equity level in relation to its peer utilities. This would bring about exactly the result that the adjustment was developed to prevent, namely, penalizing the Company's future earnings because of its willingness to step up to the plate and absorb the immediate costs incurred during CR3's outage through compromise and settlement, despite the existence of the hotly disputed issues in that proceeding.

Q. What adjustment has been made to the Company's capital structure to recognize the rating agencies' treatment of PEF's obligations under its long-term PPAs?

A. As explained in the testimony of Mr. Sullivan, the Company must take into account the practice of rating agencies, particularly the dominant agency, Standard & Poor's, regarding the imputation of debt to a utility's capital structure based on the utility's off-balance sheet obligations under long-term purchased power agreements. The failure of a utility to offset this imputed debt with sufficient additional equity in its capital structure will inevitably result in a continued downward agency rating of future debt securities issued by the utility, for which the financial markets will require a higher return as compensation for the greater risk assigned by the rating agency to these securities. For a participant in a capital-intensive industry like PEF, the consequences of a higher cost of debt are significant and severe to both the utility and its customers. For this reason, PEF has made an adjustment to the equity component of its capital structure as a means to recognize this practical, real-world impact on the Company's debt/equity ratio for ratemaking purposes. The adjustment is shown in MFR Schedule D1A.

Q. Please describe the capital structure adjustment regarding the source of funds supporting PEF's unrecovered fuel cost balance.

A. Given the unique use of commercial paper to finance unrecovered fuel costs, it is prudent to account for these costs in PEF's capital structure through a direct assignment of commercial paper as the source of capital, rather than through a pro rata assignment of all sources of capital.

Q Why didn't you make a similar adjustment for the unrecovered balance resulting from PEF's other clauses?

A Given the nature of the expenses being recovered through the ECCR and ECRC, which include such cost as depreciation, return on investment, taxes, and O&M just to name a few, it would not be appropriate to direct assign the unrecovered balances from those adjustment clauses to commercial paper. These are the types of expenses that are more typically funded from all sources of capital.

Q. Please describe the capital structure adjustment for non-utility investment.

A. Consistent with past Commission practice, PEF's non-utility investment has been removed entirely from the equity component of its capital structure, rather than pro rata from all sources of capital.

Q. Are there any Commission ratemaking policies that the Company applied to its test year capital structure and found that an adjustment was not required for compliance?

A. Yes. PEF performed the Commission's ratemaking practice of reconciling test year capital structure with rate base. This reconciliation is summarized in Exhibit No. ___ (JP-11).

VI. Conclusion.

Q. Please summarize the calculation of PEF's test year revenue requirements based on the fully adjusted NOI, rate base, and capital structure set forth in the Company's MFRs and described in your testimony.

A. The fully adjusted test year shows that PEF requires retail revenues of $1.63 billion in order to cover operating expenses and produce a return of $440.9 million on a rate base of $4.64 billion at an average weighted cost of capital of 9.5 percent, including a rate of return on common equity of 12.8 percent. Mr. Slusser's testimony presents proposed rates and charges that will produce these revenue requirements from PEF's rates classes in proportion to the Company's costs to serve each of the classes.

Q. How do these revenue requirements compare with the test year revenues that would be produced under the Company's current rates?

A. Using the test year billing determinants provided in Mr. Slusser's testimony, PEF's current base rate would produce revenues of $1.43 billion. When compared to the Company's test year revenue requirements, current rates would result in a revenue deficiency of $205.6 million. This is the base rate increase requested by PEF's petition for rate relief and supported by the Company's witnesses and MFRs.

Q. Does this conclude your direct testimony?

A. Yes.

MINIMUM FILING REQUIREMENT SCHEDULES
Sponsored, All or In Part, by Javier J. Portuondo

Schedule #	Schedule Title
A-1	Full Revenue Requirements Increase Requested
A-2	Full Revenue Requirements Bill Comparison - Typical Monthly Bills
A-3	Summary of Tariffs
A-4	Interim Revenue Requirements Increase Requested
B-1	Adjusted Rate Base
B-2	Rate Base Adjustments
B-3	13 Month Average Balance Sheet - System Basis
B-4	Two Year Historical Balance Sheet
B-5	Detail of Changes in Rate Base
B-6	Jurisdictional Separation Factors - Rate Base
B-7	Plant Balances by Account and Sub-Account
B-8	Monthly Plant Balances Test Year - 13 Months
B-9	Depreciation Reserve Balances by Account and Sub-Account
B-10	Monthly Reserve Balances Test Year - 13 Months
B-11	Capital Additions and Retirements
B-12	Net Production Plant Additions
B-13	Construction Work in Progress
B-14	Earnings Test
B-15	Property Held for Future Use - 13 Month Average
B-16	Nuclear Fuel Balances
B-17	Working Capital - 13 Month Average
B-18	Fuel Inventory by Plant

MINIMUM FILING REQUIREMENT SCHEDULES

Sponsored, All or In Part, by Javier J. Portuondo

Schedule #	Schedule Title
B-19	Miscellaneous Deferred Debits
B-20	Other Deferred Credits
B-21	Accumulated Provision Accounts - 228.1, 228.2 and 228.4
B-22	Total Accumulated Deferred Income Taxes
B-23	Investment Tax Credits - Annual Analysis
B-24	Leasing Arrangements
B-25	Accounting Policy Changes Affecting Rate Base
C-1	Adjusted Jurisdictional Net Operating Income
C-2	Net Operating Income Adjustments
C-3	Jurisdictional Net Operating Income Adjustments
C-4	Jurisdictional Separation Factors - Net Operating Income
C-5	Operating Revenues Detail
C-6	Budgeted Versus Actual Operating Revenues and Expenses
C-7	Operation and Maintenance Expenses - Test Year
C-8	Detail of Changes in Expenses
C-9	Five Year Analysis - Change in Cost
C-10	Detail of Rate Case Expenses for Outside Consultants
C-11	Uncollectible Accounts
C-12	Administrative Expenses
C-13	Miscellaneous General Expenses
C-14	Advertising Expenses
C-15	Industry Association Dues
C-16	Outside Professional Services
C-17	Pension Cost

MINIMUM FILING REQUIREMENT SCHEDULES

Sponsored, All or In Part, by Javier J. Portuondo

Schedule #	Schedule Title
C-18	Lobbying Expenses, Other Political Expenses and Civic / Charitable Contributions
C-19	Amortization / Recovery Schedule - 12 Months
C-20	Taxes Other Than Income Taxes
C-21	Revenue Taxes
C-22	State and Federal Income Taxes
C-23	Interest in Tax Expense Calculation
C-24	Parent(s) Debt Information
C-25	Deferred Tax Adjustment
C-26	Income Tax Returns
C-27	Consolidated Tax Information
C-28	Miscellaneous Tax Information
C-29	Gains and Losses on Disposition of Plant and Property
C-30	Transactions with Affiliated Companies
C-31	Affiliated Company Relationships
C-32	Non-Utility Operations Utilizing Utility Assets
C-33	Performance Indices
C-34	Statistical Information
C-35	Payroll and Fringe Benefit Increases Compared to CPI
C-36	Non-Fuel Operation and Maintenance Expense Compared to CPI
C-37	O & M Benchmark Comparison by Function
C-38	O & M Adjustments by Function
C-39	Benchmark Year Recoverable O & M Expenses by Function
C-40	O & M Compound Multiplier Calculation
C-41	O & M Benchmark Variance by Function

MINIMUM FILING REQUIREMENT SCHEDULES

Sponsored, All or In Part, by Javier J. Portuondo

Schedule #	Schedule Title
C-42	Hedging Costs
C-43	Security Costs
C-44	Revenue Expansion Factor
D-1a	Cost of Capital - 13 Month Average
D-1b	Cost of Capital Adjustments
D-2	Cost of Capital - Five Year History
D-3	Short-Term Debt
D-4a	Long-Term Debt Outstanding
D-4b	Reacquired Bonds
D-5	Preferred Stock Outstanding
D-6	Customer Deposits
D-7	Commom Stock Data
D-8	Financing Plans - Stock and Bond Issues
D-9	Financial Indicators - Summary

FLORIDA PUBLIC SERVICE COMMISSION

Explanation: Provide the calculation of the requested full revenue requirements increase.

Company: PROGRESS ENERGY FLORIDA INC.

Docket No. 050078-EI

Type of Data Shown:

X Projected Test Year Ended 12/31/2006
__ Prior Year Ended 12/31/2005
__ Historical Test Year Ended 12/31/2004
Witness:

Line No.	(A) Description	(B) Source		(C) Amount ($000)
1	Jurisdictional Adjusted Rate Base	Schedule B-1		$ 4,640,452
2	Rate of Return on rate Base Requested	Schedule D-1a		x 9.50%
3	Jurisdictional Net Operating Income Requested	Line 1 x Line 2		$ 440,937
4	Jurisdictional Adjusted Net Operating Income	Schedule C-1		314.983
5	Net Operating Income Deficiency (Excess)	Line 3 - Line 4		$ 125,954
6	Earned Rate of Return	Line 4/ Line 1	6.79%	
7	Net Operating Income Multiplier	Schedule C-44		x 1.6320
8	Revenue Increase (Decrease) Requested	Line 5 x Line 7		$ 205,556
9				
10				
11				
12				
13				
14	Note: Totals may not add due to rounding.			
15				

Docket No. 050078-EI
Progress Energy Florida
Exhibit No. ___ (JP-2)
Page 1 of 1

Supporting Schedules: B-1, C-1, D-1a, C-44

Recap Schedules:

2006:

		Annual	13 Mo Avg	
O&M:				
A&G EXP-BENEFITS (926)	9260001	3,221,076		
A&G EXP-OPERATIONS (920-931)	9200000	806,991		
	9210000	200,597		
	9230000	25,811		
DISTRIBUTION EXP-MNT (590-598)	5930000	13,013,164		
	5940000	8,627,477		
DISTRIBUTION EXP-OPR (580-589)	5840000	1,300,727		
	5880000	6,967,118		
	5890000	105,691		
GENERAL LEDGER ACCOUNTS ONLY	4081101	1,503,331		
2006 Total Charge To Budget		35,771,986		
Total A&G O&M		4,254,474		**(A)**
Total Distribution O&M		30,014,179		**(B)**
Total Taxes other than Income		1,503,331		**(C)**
Total Expense Increase		35,771,984		
			17,260,172	
CAPITAL:				
Decrease Capital (Distribution)	%			
Primary 364	20%	(7,154,397)		
Primary 365	20%	(7,154,397)		
Primary 366	20%	(7,154,397)		
Primary 367	20%	(7,154,397)		
Primary 368	20%	(7,154,397)		
Total		(35,771,986)		
Balance			(53,260,173)	
Decrease Closings				
Primary 364		(7,154,397)		
Primary 365		(7,154,397)		
Primary 366		(7,154,397)		
Primary 367		(7,154,397)		
Primary 368		(7,154,397)		
Total		(35,771,986)		
Plant Balance				
Primary 364			(10,144,312)	
Primary 365			(10,144,312)	
Primary 366			(10,144,312)	
Primary 367			(10,144,312)	
Primary 368			(10,144,312)	
Total			(50,721,560)	**(E)**
Decrease CWIP				
Balance			(2,538,613)	**(G)**
Decrease Deprec Expense	Rate			
Primary 364	0.042	(436,366)		
Primary 365	0.047	(488,315)		
Primary 366	0.022	(228,573)		
Primary 367	0.029	(301,300)		
Primary 368	0.049	(509,094)		
Total		(1,963,648)		**(D)**
Decrease Accum Reserve				
Primary 364			(377,967)	
Primary 365			(401,142)	
Primary 366			(285,268)	
Primary 367			(317,713)	
Primary 368			(410,412)	
Total			(1,792,502)	**(F)**

2006 SUMMARY: *(000's) Dr/(Cr)*

	Reclass from Cap to O&M	Decrease Deprec	Total
Deprec (D)		(1,964)	(1,964)
O&M (A + B)	34,269		34,269
Taxes Other Than Income (C)	1,503		1,503
Taxes	(13,799)	758	(13,041)
NOI	21,973	(1,206)	20,767
Plant (E)	(50,722)		(50,722)
Accum Reserve (F)		1,793	1,793
CWIP (G)	(2,539)		(2,539)
Short-term Debt	20,545	(692)	19,853
Equity	32,716	(1,101)	31,615
Balance Sheet	-	-	-

			New	Old	New Rates	Old Rates	Variance
1			Book Depreciation Rate	Book Depreciation Rate	Total Depreciation Accrued	Total Depreciation Accrued	Total Depreciation Accrued
2		**Steam Production**					
3		Anclote Plant					
4	311	Structures & Improvements	3.2400%	3.1000%	1,258,775	1,204,384	54,392
5	312	Boiler Plant Equipment	3.3400%	4.9000%	3,617,361	5,306,906	(1,689,546)
6	314	Turbogenerator Units	2.3100%	3.9000%	2,256,174	3,809,124	(1,552,951)
7	315	Accessory Electric Equipment	1.9900%	4.4000%	520,801	1,151,520	(630,719)
8	316.1	Miscellaneous Equipment	2.2100%	5.7000%	128,346	331,027	(202,681)
9	316.2	Miscellaneous Equipment - 5 Year Amort	20.0000%	20.0000%			
10	316.3	Miscellaneous Equipment - 7 Year Amort	14.3000%	14.3000%	27,821	27,821	(0)
11		Total Anclote Plant			7,809,277	11,830,782	(4,021,505)
12							
13		Bartow Plant					
14	311	Structures & Improvements	2.4700%	4.1000%	498,244	833,589	(335,345)
15	312	Boiler Plant Equipment	2.9100%	6.9000%	1,761,231	4,346,161	(2,584,930)
16	314	Turbogenerator Units	0.9600%	6.5000%	176,338	1,709,322	(1,532,984)
17	315	Accessory Electric Equipment	1.2200%	6.5000%	69,778	392,275	(322,497)
18	316.1	Miscellaneous Equipment	3.2000%	7.0000%	107,627	227,329	(119,702)
19	316.2	Miscellaneous Equipment - 5 Year Amort	20.0000%	20.0000%	36,262	36,262	(0)
20	316.3	Miscellaneous Equipment - 7 Year Amort	14.3000%	14.3000%	14,539	14,539	(0)
21		Total Bartow Plant			2,664,020	7,559,478	(4,895,458)
22							
23		Crystal River 1 & 2 Plant					
24	311	Structures & Improvements	2.5700%	4.2000%	1,914,292	3,134,068	(1,219,776)
25	312	Boiler Plant Equipment	4.0300%	5.3000%	6,699,930	8,873,538	(2,173,608)
26	314	Turbogenerator Units	3.0600%	5.3000%	3,717,371	6,623,073	(2,905,703)
27	315	Accessory Electric Equipment	2.8800%	4.9000%	988,445	1,693,486	(705,041)
28	316.1	Miscellaneous Equipment	3.1900%	6.3000%	182,132	374,100	(191,967)
29	316.2	Miscellaneous Equipment - 5 Year Amort	20.0000%	20.0000%	29,931	29,931	(0)
30	316.3	Miscellaneous Equipment - 7 Year Amort	14.3000%	14.3000%	14,303	14,303	(0)
31		Total Crystal River 1 & 2 Plant			13,546,403	20,742,498	(7,196,095)
32							
33		Crystal River 4 & 5 Plant					
34	311	Structures & Improvements	3.3900%	3.0000%	5,055,123	4,473,560	581,563
35	312	Boiler Plant Equipment	2.8300%	3.5000%	13,192,541	16,315,864	(3,123,323)
36	314	Turbogenerator Units	2.1400%	5.0000%	4,119,465	9,624,918	(5,505,453)
37	315	Accessory Electric Equipment	2.7800%	3.7000%	2,255,649	3,002,122	(746,474)
38	316.1	Miscellaneous Equipment	3.2700%	5.1000%	375,576	585,761	(210,185)
39	316.2	Miscellaneous Equipment - 5 Year Amort	20.0000%	20.0000%	494	494	
40	316.3	Miscellaneous Equipment - 7 Year Amort	14.3000%	14.3000%	87,982	87,982	(0)
41		Total Crystal River 4 & 5 Plant			25,086,831	34,090,702	(9,003,871)

			New	Old	New Rates	Old Rates	Variance
1			Book Depreciation Rate	Book Depreciation Rate	Total Depreciation Accrued	Total Depreciation Accrued	Total Depreciation Accrued
42							
43		Suwannee River Plant					
44	311	Structures & Improvements	1.4500%	4.2300%	64,963	189,513	(124,550)
45	312	Boiler Plant Equipment	2.9600%	11.5500%	188,394	188,394	
46	314	Turbogenerator Units	1.1300%	4.0800%	26,943	26,943	
47	315	Accessory Electric Equipment	0.9800%	2.8200%	4,285	4,285	
48	316.1	Miscellaneous Equipment	1.7100%	9.0000%			
49	316.2	Miscellaneous Equipment - 5 Year Amort	20.0000%	20.0000%	-		
50	316.3	Miscellaneous Equipment - 7 Year Amort	0.0000%	0.0000%	-		
51		Total Suwannee River Plant			284,585	409,136	(124,550)
52							
53		Bartow - Anclote Pipeline					
54	311-315	Pipeline Equipment	3.9500%	3.6000%	711,989	648,901	63,088
55	316.2	Miscellaneous Equipment - 5 Year Amort	0.0000%	0.0000%			
56	316.3	Miscellaneous Equipment - 7 Year Amort	14.3000%	14.3000%	1,248	1,248	(0)
57		TotalBartow - Anclote Pipeline			713,237	650,150	63,088
58							
59		Crystal River 1&2 Coalpile	0.5400%	0.0000%			
60		Crystal River 4&4 Coalpile	0.5500%	0.0000%			
61							
62		Fossil Steam System Blanket					
63							
64	316.2	System Assets 316.2 (5 year)	20.0000%	20.0000%			
65	316.3	System Assets 316.3 (7 year)	14.3000%	14.3000%	50,452	50,452	(0)
66							
67		**Dismantlement - Fossil Steam**					
68		FPC Anclote Struct & Improv 311					
69		FPC Bartow-Anclote Pipeline Equip 311-315					-
70		FPC Bartow Struct & Improv 311					
71		FPC CR1&2 Struct & Improv 311					-
72		FPC CR4&5 Struct & Improv 311					-
73		FPC Suwannee Struct & Improv 311					
74		FPC Avon Struct & Improv 311					
75		FPC Higgins Struct & Improv 311					
76		FPC Turner Struct & Improv 311					
77		Total Dismantlement					
78							
79		Total Steam Plant			50,154,806	75,333,197	(25,178,392)
80							
81							
82		**Nuclear Production**					
83		Crystal River 3					
84	321	Structures & Improvements	1.7800%	3.6000%	3,689,295	7,721,469	(4,032,174)
85	322	Reactor Plant Equipment	2.2400%	4.9000%	5,419,886	13,405,947	(7,986,061)

			New	Old	New Rates	Old Rates	Variance
1			Book Depreciation Rate	Book Depreciation Rate	Total Depreciation Accrued	Total Depreciation Accrued	Total Depreciation Accrued
86	323	Turbogenerator Units	6.0300%	5.4000%	5,438,271	4,870,093	568,178
87	324	Accessory Electric Equipment	1.2800%	5.1000%	2,292,092	9,157,317	(6,865,224)
88		FPC CR3 Misc 325.0	5.5400%	4.1000%	2,055,000	1,520,849	534,152
89		FPC CR3 Misc 325.1	5.5400%	4.1000%			
90	325	Miscellaneous Equipment			2,055,000	1,520,849	534,152
91	325.2	Miscellaneous Equipment - 5 Year Amort	20.0000%	20.0000%	546,019	546,019	(0)
92	325.3	Miscellaneous Equipment - 7 Year Amort	14.3000%	14.3000%	639.132	639.132	(0)
93		Total Crystal River 3			20.079.696	37,860,826	(17.781.130)
94							
95		Tallahassee - Crystal River 3					
96	321	Structures & Improvements	2.8100%	3.6000%	128,993	165,258	(36,265)
97	322	Reactor Plant Equipment	3.3600%	4.9000%	67,412	98,308	(30,897)
98	323	Turbogenerator Units	6.4000%	5.4000%	98,913	83,458	15,455
99	324	Accessory Electric Equipment	2.6800%	5.1000%	17,299	32,920	(15,621)
100	325.1	Miscellaneous Equipment	7.0800%	4.1000%	14,214	8.231	5,983
101		Total Tallahassee - Crystal River 3			326,831	388,176	(61.345)
102							
103		Nuclear Decommissioning - Retail					
104		Nuclear Decommissioning - Whsle Unfunded					
105		Nuclear Decommissioning - Whsle			217,140	217,140	
106		NUCLEAR DECOMMISSIONING			217,140	217,140	
107							
108		Total Nuclear Production			20,623,667	38,466,143	(17,842,475)
109							
110		***Other Production***					
111		Bayboro Peaking					
112	341-346.1	Structures & Improvements	3.5800%	3.0000%	859,702	720,421	139,281
113	346.2	Miscellaneous Equipment - 5 Year Amort	20.0000%	20.0000%			-
114	346.3	Miscellaneous Equipment - 7 Year Amort	14.3000%	14.3000%	1,650	1,650	(0)
115		Total Bayboro Peaking			861,352	722,071	139,281
116							
117		Avon Park Peaking					
118	341-346.1	Structures & Improvements	3.3000%	5.5000%	309,462	515,770	(206,308)
119	346.2	Miscellaneous Equipment - 5 Year Amort	20.0000%	20.0000%			-
120	346.3	Miscellaneous Equipment - 7 Year Amort	14.3000%	14.3000%	3,497	3,497	(0)
121		Total Avon Park Peaking			312,959	519,267	(206,308)
122							
123		DeBary Peaking (New)					
124		FPC Debary Struct & Improv 341-346.1 (new)	3.8400%	3.6000%	3,758,714	3,523,794	234,920
125		FPC Debary Misc 346.2 (new)	0.0000%	0.0000%			
126	346.3	FPC Debary Misc 346.3 (new)	14.3000%	14.3000%	3,044	3,044	(0)
127		Total DeBary Peaking (New)			3,761,757	3,526,838	234,920
128							
129		DeBary Peaking (Old)					

			New	Old	New Rates	Old Rates	Variance
1			Book Depreciation Rate	Book Depreciation Rate	Total Depreciation Accrued	Total Depreciation Accrued	Total Depreciation Accrued
130	341-346.1	FPC Debary Struct & Improv (old) 341-346.1	3.1200%	4.3000%	1,724,265	2,376,391	(652,126)
131	346.2	FPC Debary Misc (old) 346.2	20.0000%	20.0000%			
132	346.3	FPC Debary Misc (old) 346.3	14.3000%	14.3000%	1,042	1,042	(0)
133					1,725,307	2,377,433	(652,126)
134							
135		Higgins Peaking					
136	341-346.1	Structures & Improvements	2.8200%	6.3000%			
137	346.2	Miscellaneous Equipment - 5 Year Amort	20.0000%	20.0000%			
138	346.3	Miscellaneous Equipment - 7 Year Amort	14.3000%	14.3000%	1,898	1,898	(0)
139		Total Higgins Peaking			1,898	1,898	(0)
140							
141		Bartow Peaking					
142	341-346.1	Structures & Improvements	2.9400%	5.7000%	713,283	1,382,895	(669,612)
143	346.2	Miscellaneous Equipment - 5 Year Amort	20.0000%	20.0000%			
144	346.3	Miscellaneous Equipment - 7 Year Amort	0.0000%	0.0000%			
145		Total Bartow Peaking			713,283	1,382,895	(669,612)
146							
147		Intercession City Peaking (Old)					
148	341-346.1	Structures & Improvements	3.1700%	3.7000%	1,161,933	1,356,199	(194,266)
149	346.2	Miscellaneous Equipment - 5 Year Amort	0.0000%	0.0000%			
150	346.3	Miscellaneous Equipment - 7 Year Amort	14.3000%	14.3000%	186	186	(0)
151		Total Intercession City Peaking (Old)			1,162,119	1,356,385	(194,266)
152							
153		Rio Pinar Peaking					
154	341-346.1	Structures & Improvements	3.8800%	6.3000%			
155	346.2	Miscellaneous Equipment - 5 Year Amort	0.0000%	0.0000%	-		
156	346.3	Miscellaneous Equipment - 7 Year Amort	0.0000%	0.0000%			
157		Total Rio Pinar Peaking					
158							
159		Suwannee River Peaking					
160	341-346.1	Structures & Improvements	2.7900%	4.6000%	850,556	1,402,350	(551,794)
161	346.2	Miscellaneous Equipment - 5 Year Amort	0.0000%	0.0000%	-		
162	346.3	Miscellaneous Equipment - 7 Year Amort	0.0000%	0.0000%			
163		Total Suwannee River Peaking			850,556	1,402,350	(551,794)
164							
165		Turner Peaking					
166	341-346.1	Structures & Improvements	3.1700%	4.8000%	731,242	1,107,243	(376,001)
167	346.2	Miscellaneous Equipment - 5 Year Amort	0.0000%	0.0000%	-		
168	346.3	Miscellaneous Equipment - 7 Year Amort	14.3000%	14.3000%	2,290	2,290	(0)
169		Total Turner Peaking			733,532	1,109,533	(376,001)
170							
171		Intercession City Peaking (New)					
172	341-346.1	Structures & Improvements	3.9100%	3.5000%	4,065,249	3,638,970	426,279
173	346.2	Miscellaneous Equipment - 5 Year Amort	20.0000%	20.0000%			

			New	Old	New Rates	Old Rates	Variance
1			Book Depreciation Rate	Book Depreciation Rate	Total Depreciation Accrued	Total Depreciation Accrued	Total Depreciation Accrued
174	346.3	Miscellaneous Equipment - 7 Year Amort	14.3000%	14.3000%	774	774	(0)
175		Total Intercession City Peaking (New)			4,066,023	3,639,744	426,279
176							
177		University of Florida					
178		FPC Univ. of Fla. Struct & Improv 341-346.1	5.2000%	5.8000%	2,217,615	2,473,493	(255,879)
179		FPC Univ. of Fla. Struct & Improv 341-346.1-(118)	5.2000%	5.8000%	131,624	146,812	(15,187)
180	341-346.1	Structures & Improvements			2,349,239	2,620,305	(271,066)
181	346.2	Miscellaneous Equipment - 5 Year Amort	20.0000%	20.0000%			
182	346.3	Miscellaneous Equipment - 7 Year Amort	14.3000%	14.3000%	2,972	2,972	(0)
183		Total University of Florida			2,352,211	2,623,277	(271,066)
184							
185		Gas Conversion Sites					
186	341-346.1	Structures & Improvements	20.0000%	20.0000%			
187	346.2	Miscellaneous Equipment - 5 Year Amort	0.0000%	0.0000%			
188	346.3	Miscellaneous Equipment - 7 Year Amort	0.0000%	0.0000%			
189		Total Gas Conversion Sites					
190							
191		Intercession City - Siemens					
192	341-346.1	Structures & Improvements	4.4300%	4.4000%	1,036,717	1,029,696	7,021
193	346.2	Miscellaneous Equipment - 5 Year Amort	0.0000%	0.0000%			
194	346.3	Miscellaneous Equipment - 7 Year Amort	0.0000%	0.0000%			
195		Total Intercession City - Siemens			1,036,717	1,029,696	7,021
196							
197		Tiger Bay					
198	341-346.1	Structures & Improvements	3.5200%	6.0000%	2,883,546	4,915,135	(2,031,589)
199	346.2	Miscellaneous Equipment - 5 Year Amort	20.0000%	20.0000%			
200	346.3	Miscellaneous Equipment - 7 Year Amort	0.0000%	0.0000%			
201		Total Tiger Bay			2,883,546	4,915,135	(2,031,589)
202							
203		Hines #1					
204	341-346.1	Structures & Improvements	2.9700%	5.5000%	8,580,152	16,029,347	(7,449,195)
205	346.2	Miscellaneous Equipment - 5 Year Amort	20.0000%	20.0000%	-		
206	346.3	Miscellaneous Equipment - 7 Year Amort	14.3000%	14.3000%	2,237	2,237	(0)
207		Total Hines #1			8,582,389	16,031,584	(7,449,195)
208							
209		Hines #2					
210	341-346.1	Structures & Improvements	3.7100%	3.7000%	8,917,202	8,893,332	23,870
211	346.2	Miscellaneous Equipment - 5 Year Amort	0.0000%	0.0000%			
212	346.3	Miscellaneous Equipment - 7 Year Amort	0.0000%	0.0000%			-
213		Total Hines #2			8,917,202	8,893,332	23,870
214							
215		Hines #3					
216	341-346.1	Structures & Improvements	3.8200%	3.7000%	10,103,352	9,787,515	315,837
217	346.2	Miscellaneous Equipment - 5 Year Amort	0.0000%	0.0000%			

			New	Old	New Rates	Old Rates	Variance
1			Book Depreciation Rate	Book Depreciation Rate	Total Depreciation Accrued	Total Depreciation Accrued	Total Depreciation Accrued
218	346.3	Miscellaneous Equipment - 7 Year Amort	0.0000%	0.0000%			-
219		Total Hines #3			10,103,352	9,787,515	315,837
220							
221		Intercession City - P12-P14					
222	341-346.1	Structures & Improvements	4.5700%	3.7000%	3,870,795	3,133,904	736,891
223	346.2	Miscellaneous Equipment - 5 Year Amort	0.0000%	0.0000%			
224	346.3	Miscellaneous Equipment - 7 Year Amort	0.0000%	0.0000%			
225		Total Intercession City - P12-P14			3,870,795	3,133,904	736,891
226							
227	346.2	System Assets 346.2 (5 year)	20.0000%	20.0000%	42,924	42,924	(0)
228	346.3	System Assets 346.3 (7 year)	14.3000%	14.3000%	7,689	7,689	(0)
229							
230		**Dismantlement - Other Production**					
231		FPC Avon Park Strc & Improv 341-346.1					
232		FPC Bartow Struct & Improv 341-346.1					
233		FPC Bayboro Struct & Improv 341-346.1					
234		FPC Debary Struct & Improv 341-346.1 (new)					
235		FPC Debary Struct & Improv (old) 341-346.1					
236		FPC Higgins Struct & Improv 341-346.1					
237		FPC Hines 341-346.1					
238		FPC Hines #2					
239		FPC Inter. City 341-346.1 (P12-14)					
240		FPC Inter. City Struct & Improv 341-346.1 (new)					
241		FPC Inter. City Struct & Improv 341-346.1 (old)					
242		FPC Inter City 341-346.1					
243		FPC Rio Pinar Struct & Improv 341-346.1					
244		FPC Turner Struct & Improv 341-346.1					
245		FPC Univ. of Fla. Struct & Improv 341-346.1					
246		FPC Port St Joe Struct & Improv 341					
247		FPC Suwannee Struct & Improv 341-346.1					
248		FPC Tiger Bay Struct & Improv 341-346.1					
249		Total Dismantlement					
250		Other Production Total			51,985,610	62,503,469	(10,517,859)
251							
252		**Transmission Plant**					
253	350.1	Transmission Easements	1.2100%	2.2000%	567,352	1,031,548	(464,197)
254		FPC Transmission Struct & Improv 352.0	1.8700%	2.1000%	344,070	386,494	(42,424)
255		FPC Transmission System	2.0300%	2.1000%	85,754	88,711	(2,957)
256	352	Structures & Improvements			429,823	475,205	(45,381)
257		FPC Transmission Station Equipment 353.0	1.7800%	2.2000%	7,587,524	9,384,464	(1,796,940)
258		FPC Transmission Energy Control Center 353.1	0.0000%	0.0000%			
259	353.1	Station Equipment (Excl ECC)			7,587,524	9,384,464	(1,796,940)
260	353.2	Energy Control Center	1.7800%	10.9000%			
261	354	Towers & Fixtures	1.7200%	2.4000%	1,188,097	1,657,820	(469,722)

			New	Old	New Rates	Old Rates	Variance
1			Book Depreciation Rate	Book Depreciation Rate	Total Depreciation Accrued	Total Depreciation Accrued	Total Depreciation Accrued
262	355	Poles & Fixtures	2.7300%	4.0000%	8,175,796	11,872,463	(3,696,667)
263	356	Overhead Conductors & Devices	2.2600%	3.3000%	5,676,102	8,165,164	(2,489,061)
264	357	Underground Conduit	1.2800%	1.8000%	92,054	130,724	(38,670)
265	358	Underground Conductor & Devices	1.1300%	1.7000%	107,831	162,223	(54,393)
266	359	Roads & Trails	0.7600%	1.8000%	14,616	34,617	(20,001)
267		Total Transmission Plant			23,839,196	32,914,228	(9,075,032)
268							
269		**Distribution Plant**					
270	360.1	Transmission Easements	1.1900%	2.2000%	6,622	12,242	(5,620)
271	361	Structures & Improvements	1.8600%	2.1000%	408,128	459,237	(51,109)
272	362	Station Equipment	2.5700%	2.3000%	9,629,398	8,656,195	973,203
273	364	Poles, Towers & Fixtures	8.2900%	4.2000%	40,861,978	20,627,558	20,234,420
274	365	Overhead Conductors & Devices	3.3400%	4.7000%	16,851,227	23,699,033	(6,847,806)
275	366	Underground Conduit	1.7800%	2.2000%	3,213,109	3,977,282	(764,173)
276	367	Underground Conductor & Devices	3.5600%	2.9000%	16,647,753	13,556,700	3,091,054
277	368	Line Transformers	3.8000%	4.9000%	16,317,266	21,044,679	(4,727,413)
278	369.1	Overhead Services	5.4500%	4.4000%	4,352,975	3,524,004	828,972
279	369.2	Underground Services	3.4800%	3.3000%	13,923,537	13,190,764	732,773
280		FPC Distribution Meters 370.0	4.5700%	3.8000%	5,894,954	4,898,049	996,905
281		Reserve Adjustment					
282	370	Meter Equipment			5,894,954	4,898,049	996,905
283	371	Installation on Customer Premises	3.9300%	6.0000%	173,687	270,267	(96,580)
284	372	Leased Equipment on Customer Premises	0.0000%	0.0000%			
285	373	Street Light & Signal Systems	5.8000%	8.0000%	16,089,962	22,263,524	(6,173,563)
286		Distribution System	0.0000%	0.0000%			
287	391.3	Office Furniture & Equipment	0.0000%	0.0000%			
288		Total Distribution Plant			144,370,596	136,179,534	8,191,062
289							
290		***General Plant***					
291		FPC Solutions - Struct & Improv 390.0	3.4800%	3.7000%	3,142,074	3,318,110	(176,036)
292		Reserve Adjustment	0.0000%	0.0000%			
293	390	Structures & Improvements			3,142,074	3,318,110	(176,036)
294	391	Office Furniture & Equipment	0.0000%	0.0000%			
295		FPC Solutions - Office Furniture 391.1	14.3000%	14.3000%	1,392,130	1,392,130	(0)
296		FPC Corporate - Office Furn & Equip 391.1	14.3000%	14.3000%	(415,536)	(415,536)	
297	391.1	Office Furniture			976,594	976,594	(0)
298	391.2	Office Equipment	14.3000%	14.3000%	186	186	
299		FPC Solutions - Computers 391.3	20.0000%	20.0000%	170,681	170,681	(0)
300		FPC Distribution General Plant Computer Equip 391	20.0000%	20.0000%	21	21	(0)
301		FPC Corporate - Office Furn & Equip 391.3	14.3000%	40.0000%	116,755	140,744	(23,989)
302	391.3	Computer Equipment			287,457	311,446	(23,989)
303		FPC Corporate - Office Furn & Equip 391.5	14.3000%	14.3000%			
304		FPC Transmission Gen Plant Duplicatiing Equip 39·	20.0000%	14.3000%	215,276	185,599	29,677
305	391.5	Duplicating & Mailing Equipment			215,276	185,599	29,677

			New	Old	New Rates	Old Rates	Variance
1			Book Depreciation Rate	Book Depreciation Rate	Total Depreciation Accrued	Total Depreciation Accrued	Total Depreciation Accrued
306	393	Stores Equipment (Embedded)	14.3000%	14.3000%			
307	393.1	Motorized Handling Equipment	14.3000%	8.4391%	421,082	248,500	172,582
308	393.2	Storage Equipment	14.3000%	14.3000%	22,981	22,981	(0)
309	393.3	Portable Handling Equipment	14.3000%	14.3000%			-
310	394	Tools, Shop & Garage Equipment	14.3000%	14.3000%	79,390	79,390	(0)
311	394.1	Stationary Tools & Work Equiopment	14.3000%	7.6252%			-
312	394.2	Portable Tools	14.3000%	14.3000%	516,705	516,705	(0)
313	395	Laboratory Equipment	0.0000%	0.0000%			
314		FPC Distribution Gen. Plant Laboratory Eq. 395.20	0.0000%	14.3000%			
315		Reserve Adjustment					
316	395.2	Portable Laboratory Equipment					
317		FPC Solutions Power Oper Equip 396.0	5.8100%	5.8000%	209,001	208,641	360
318		FPC Corporate - Power Oper Equip 396.0	5.8100%	5.8000%	155,998	155,729	268
319	396	Power Operated Equipment			364,998	364,370	628
320	397.1	Communication Equipment	2.1500%	2.1456%	24,389	24,339	50
321		FPC Corporate - Commun Equip - New 397.0	14.3000%	14.3000%	3,820,313	3,820,313	(0)
322		FPC Transmission Gen Plant Commun Equip. (new	14.3000%	0.0000%	(1,590,954)	(1,590,954)	
323		Reserve Adjustment					
324	397	Communication Equipment			2,229,359	2,229,359	(0)
325	397.1	Communication Equipment - Embedded - 8 yr	12.0600%	14.3000%			-
326		FPC Solutions Commun Equip (Old) 397.1	14.3000%	14.3000%	2,355,045	2,355,045	(0)
327	397.1	Communication Equipment - Embedded 14 yr	7.1400%	7.1400%			-
328	397.1	Communication Equipment - Embedded - 47 yr			2,355,045	2,355,045	(0)
329		FPC Solutions - Misc Equip 398.2	14.3000%	14.3000%			-
330		FPC Solutions - Premier Power	0.0000%	0.0000%	(3,987)	(3,987)	-
331		FPC Corporate - Misc Equip 398.2	14.3000%	14.3000%	368,108	368,108	(0)
332		Reserve Adjustment					
333	398.2	Miscellaneous Equipment			364,121	364.121	(0)
334		Total General Plant			10,999,657	10,996,746	2,912
335							
336		**Transportation Equipment**					
337	392.1	Passenger Cars	8.7000%	8.7000%	87,277	87,277	
338	392.2	Light Trucks	8.7000%	8.7000%	1,562,876	1,562,876	
339	392.3	Heavy Trucks	4.8000%	4.8000%	693,703	693,703	-
340	392.4	Special Trucks	5.0000%	5.0000%	4,132,717	4,132,717	(0)
341	392.5	Trailers	1.7000%	1.7000%	128,983	128,983	(0)
342	392.7	Flight Equipment	5.0000%	5.0000%			-
343		Total Transportation Equipment			6,605,556	6,605,556	(0)
344							
345		**Intangible Plant**					
346		FPC Franchise costs Apopka 302.0	3.3330%	3.3300%	86,000	86,000	
347		FPC Franchise costs Casselberry 302.0	3.3330%	3.3300%			
348		FPC Franchise costs Longwood 302.0	3.3330%	3.3300%			
349	302	Franchise Cost			86,000	86,000	-
350		FPC Steam-Intangible Plant/System 303.0	20.0000%	20.0000%	9,189,675	9,189,675	(0)
351		FPC Corporate - Misc Intangible 303.0	20.0000%	20.0000%			-
352		FPC Distribution Intangible Plant 303.0	20.0000%	20.0000%			-

			New	Old	New Rates	Old Rates	Variance
1			Book Depreciation Rate	Book Depreciation Rate	Total Depreciation Accrued	Total Depreciation Accrued	Total Depreciation Accrued
353	303	Intangible Plant			9,189,675	9,189,675	(0)
354	303.1	Intangible Plant	20.0000%	10.0000%			-
355		Total Intangible Plant			9,275,675	9,275,675	
356							
357		**Energy Conservation Equipment**					
358	186.2	Switches	20.0000%	20.0000%	354,214	354,214	
359	370.1	Distribution Equipment	20.0000%	20.0000%			-
360	398.1	General Equipment	20.0000%	20.0000%	82,047	82,047	(0)
361		Total Energy Conservation Equipment			436,261	436,261	(0)
362							
363							
364		**Non-Depreciable Plant**					
365		Steam Production Land					
366		Nuclear Production Land					
367		*Other Production Land*					
368		Transmission Plant Land					
369		Distribution Plant Land					
370		General Plant Land					
371		Total Non-Depreciable Plant					
372							
373		TOTAL DEPRECIABLE RESERVE BALANCE			318,291,024	372,710,808	(54,419,784)
374							
375							
376							

377 Note: 2005 beginning balances do not tie to actual 2004 ending balances because 2005 amounts are based on budgets completed in 2004 and based on October actual data.
378 Differences are attributable to variances between actual and projected capital expenditures, plant closings, retirements, etc. in November and December of 2004.
379
380
381 Note:
382 * If data shown represents a historical calendar year, the related annual status report may be substituted for this schedule

PROGRESS ENERGY FLORIDA
BASE OPERATION & MAINTENANCE EXPENSES
2006 BENCHMARK COMPARISON
(000's)

Line No.	(A)	(B) 2002 Allowed Benchmark	(C) Compound Multiplier	(D) 2006 Benchmark (B) x (C)	(E)* 2006 Budget O&M	(F) Adjustments to 2006 Budget O&M	(G) 2006 Fully Adjusted Test Year System O&M	(H) 2006 Benchmark Variance Over / Under
1	Production - Fossil & Other	$73,544	1.0736	$78,957	$82,547	($346)	$82,201	$3,244
2	Production - Nuclear	71,691	1.0736	76,967	81,688	(1,432)	80,256	3,289
3	Other Power Supply	41,399	1.0736	44,447	46,362	(330)	46,032	1,587
4								
5	Total Production	186,634		200,371	210,597	(2,108)	208,489	8,120
6								
7								
8								
9	Transmission	31,473	1.1665	36,713	27,647	9,107	36,754	40
10	Distribution	81,914	1.1665	95,552	80,874	45,192	126,066	30,513
11	Customer Accounts	51,393	1.1665	59,950	50,837	(13,877)	36,960	(22,990)
12	Customer Service	3,795	1.1665	4,427	4,389	(94)	4,295	(132)
13	Sales	5,261	1.1665	6,136	3,674	(29)	3,645	(2,491)
14	Administrative & General	149,307	1.1665	174,167	211,751	32,436	244,187	70,020
15	Other		1.0000	0			0	0
16								
17	Total Base Operation & Maintenance	$509,777		$577,316	$589,769	$70,627	$660,396	$83,080
18								
19								
20	**Detail of Major Adjustments**							
21								
22	Charging Practice	$34,269						
23	Re-organization	(19,432)						
24	Storm Reserve	44,000						
25	Mobile Meter Reading (MMR)	(13,877)						
26	Transmission Reliability Enhancements	10,000						
27	Distribution Reliability Enhancements	18,700						
28	Promotional Advertising	(4,205)						
29	Corporate Aircraft	(1,067)						
30	Consolidation of PFC Purch into PEF	1,819						
31	Misc. Other Adjustment	420						
32	TOTAL	$70,627						

* Budget for 2006 excluding ECRC, ECCR, recoverable fuel and capacity

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SCHEDULE C-43

Security Costs

FLORIDA PUBLIC SERVICE COMMISSION

Company: PROGRESS ENERGY FLORIDA INC.

Docket No. 050078-EI

Explanation: Provide a schedule of security expenses and security plant by primary account and totals for the test year and the preceding three years. Show the security expenses recovered through base rates separate from security expenses recovered through the fuel/capacity clauses. Show the plant balances supporting base rates separate from the plant balances supporting the fuel/capacity clauses.

Type of data shown:

XX Projected Test Ye 12/31/2006
XX Prior Year Ended 12/31/2005
XX Historical Test Ye 12/31/2004
Witness: Portuondo / Mike Williams / Dale Young

Line No.	Account No.	Account Title	2003 Base Rates	2003 Clauses	2004 Base Rates	2004 Clauses	2005 Base Rates	2005 Clauses	2006 Base Rates	2006 Clauses
1										
2		**EXPENSES:**								
3	408	Taxes Other	74		115		123		121	
4	506	Fossil Misc Steam Power Expense	160	482	632	5,449	-	1,650	1,381	
5	520	Nuclear Steam Expense	421		440		542		500	
6	524	Nuclear Misc Power Expense	6,833	1,015	8,271	2,575	7,933	676	8,779	
7	529	Nuclear Maint of Structures	-		-		7		7	
8	530	Nuclear Maint of Reactive Plant Equip	13		-		-		-	
9	549	CT Misc Power Expense	-		-	401	-		19	
10	920	A&G Salaries and Wages	446		603		763		780	
11	921	A&G Office Supplies	242		256		252		248	
12	923	A&G Outside Services	225		157		224		223	
13	924	A&G Property Insurance	-		2		1		-	
14	926	A&G Employee Pensions & Benefits	211		342		415		450	
15	931	A&G Rents	37		43		33		35	
16	935	A&G Maintenance	25		19		12		12	
17		Total Security Expense	$8,687	$1,497	$10,880	$8,425	$10,305	$2,326	$12,555	$0
18										
19		**SECURITY PLANT NBV:**								
20	311	Steam Production	3		3		3		2	
21	341	Other Production	1,059		1,073		984		895	
22	321	Nuclear	11,926		11,291		10632		9972	
23	353	Transmission	1,618		1,701		1652		1604	
24	362	Distribution	3,653		4,535		4434		4333	
25	390	General Plant	1,002		1,233		1228		1167	
26		Total Security Investment	$19,261	$0	$19,836	$0	$18,933	$0	$17,973	$0

Note: All new post 9-11 security rules, order, or laws enacted after 5/1/2005 will be reflected through the clause following Commission approval

Supporting Schedules:

Recap Schedules:

Estimated Re-organization Impact
2006 Savings

	O&M SAVINGS		
	Eliminations	Retirements	Total Savings
Nuclear	$191,184	$86,101	$277,285
Steam	2,174,263	(9,688)	2,164,575
SPD / ECC	169,826	(3,918)	165,908
Other Power Supply	163,851	-	163,851
Transmission	859,233	34,169	893,402
Distribution	3,445,122	77,407	3,522,529
Customer Service	94,392		94,392
A&G	9,755,584	2,394,327	12,149,911
Taxes Other	-	73,890	73,890
Total	$16,853,455	$2,652,288	$19,505,743

	CAPITAL SAVINGS		
	Eliminations	Retirements	Savings
Nuclear	$0	$49,418	$49,418
Steam	388,817	69,376	458,193
SPD / ECC	158,245	28,058	186,303
Other Power Supply	88,160	-	88,160
Transmission	1,795,799	142,049	1,937,848
Distribution	3,124,261	321.799	3,446,060
Customer Service	-	-	-
A&G	628,732	122,483	751,215
Taxes Other	-	-	-
Total	$6,184,014	$733,183	$6,917,197

	TOTAL SAVINGS			FTE Changes		
	Eliminations	Retirements	Savings	Retire	Re-hire	Elim
Nuclear	$191,184	$135,519	$326,703	55	28	3
Steam	2,563,080	59,688	2,622,768	67	33	59
SPD / ECC	328,071	24,140	352,211	35	18	5
Other Power Supply	252,011		252,011			2
Transmission	2,655,032	176,218	2,831,250	51	25	23
Distribution	6,569,383	399,206	6,968,589	134	67	(52)
Customer Service	94,392	-	94,392	-		4
A&G	10,384,316	2,516,810	12,901,126	80	40	59
Taxes Other	-	73,890	73,890			
Total	$23,037,469	$3,385,471	$26,422,940	421	211	103

* SYSTEM PLANNING DEPARTMENT (SPD) , ENERGY CONTROL CENTER (ECC)

Progress Energy Florida
Mobile Meter Reading (MMR)
(000's)

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METERS:	Rate:	2005 Total	13 Mo Avg	2006 Total	13 Mo Avg
Addition of New Meters:					
Plant					
Disconnect/reconnect collar		1,246			
Meter installation		6,491		6,489	
Meter mounted AMR equipment		15,599		15,599	
New meters		15.599		15,599	
Vehicle mounted AMR equipment		270		270	
Total Capital Additions		39,205		37,957	
Total Plant Balance			15,079		61,103
Accum Reserve	Rate:				
Disconnect/reconnect collar	0.0380	20		47	
Meter installation	0.0380	103		401	
Meter mounted AMR equipment	0.0380	247		963	
New meters	0.0380	247		963	
Vehicle mounted AMR equipment	0.0500	6		22	
Total Deprec Expense		622		2,397	
Total Accum Reserve Balance			175		1,702
Retirement of Old Meters:					
Plant					
Retirement		(39,298)		(43,664)	
Total Plant Balance			(15,115)		(64,489)
Accum Reserve					
Decrease Deprec Exp due to Retirements		(622)		(2,530)	
13 month average			(175)		(1,752)
Retirements		(39,298)		(43,664)	
13 month average			(15,115)		(64,489)
Salvage		556		618	
13 month average			214		913
Total Impact on Accum Reserve Balance			(15,076)		(65,328)
Amortize Reserve Balance (Annualized)					
Balance				(46,864)	
Amortization (5 years-annualized)				9,373	
Total Effect of Replacing Meters on Rate Base:					
Plant					
Capital Additions			15,079		61,103
Retirements			(15,115)		(64,489)
Subtotal			(36)		(3,386)
Accum Reserve					
Capital Additions			175		1,702
Retirements			(15,076)		(65,328)
Subtotal			(14,901)		(63,626)
Total			14,865		60,240
Depreciation Expense:					
Current Meter Deprec Expense		(622)		(2,530)	
New Meter Deprec Expense		622		2,397	
Difference		(0)		(134)	

TOTAL 2005

Dr/(Cr)	Revenue & O&M	Plant Retire	Salvage on Plant Retire	Amort Reserve (Annual)	Deprec Decrs due to Plant Retire	Plant Purch	Deprec Exp on Plant Purch	Total
Revenue	(927)							(927)
Deprec					(622)		622	(0)
O&M	(3,206)							(3,206)
Taxes	1,594	-			240	-	(240)	1,594
NOI	(2,539)	-			(382)	-	382	(2,539)
Plant		(39,298)				39,205		(93)
Accum Reserve		39,298	556		622		(622)	39,854
Short-term Debt	2,539		(556)	-	(240)	(39,205)	240	(37,222)
Equity	(2,539)	-		-	(382)	-	382	(2,539)
Balance Sheet	-	-	-	-	-	-	-	-

TOTAL 2006

Dr/(Cr)	Revenue & O&M (Annual)	Plant Retire	Salvage on Plant Retire	Amort Reserve (Annual)	Deprec Decrs due to Plant Retire	Plant Purch	Deprec Exp on Plant Purch	Total
Revenue	(3,171)							(3,171)
Deprec				9,373	(2,530)		2,397	9,239
O&M	(13,877)							(13,877)
Taxes	6,576	-	-	(3,616)	976	-	(924)	3,012
NOI	(10,472)	-	-	5,757	(1,554)	-	1,472	(4,797)
Plant		(82,962)				77,162		(5,800)
Accum Reserve		82,962	(1,174)	(9,373)	2,530		(2,397)	72,550
Short-term Debt	10,472		1,174	3,616	(976)	(77,162)	924	(61,952)
Equity	(10,472)	-		5,757	(1,554)	-	1,472	(4,797)
Balance Sheet	-	-	-	-	-	-	-	0

Progress Energy

DOCKET NO. 050078
PROGRESS ENERGY FLORIDA
EXHIBIT NO. ___ (JP-9)
HURRICANE RISK PROFILE
23 PAGES

Transmission and Distribution Assets

Rapid Update to Progress Energy Florida Hurricane Risk Profile Memorandum of 2000

February 2005

ABS Consulting

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Figures

DISCLAIMER

THE RECIPIENT OF THIS CONFIDENTIAL "RISK PROFILE MEMORANDUM" RECOGNIZES THE INHERENT RISKS THAT ARE ATTENDANT WITH THE RISK ANALYSIS WHICH IS THE SUBJECT OF THIS MEMORANDUM. IN PERFORMING ITS PROFESSIONAL SERVICES, ABSG CONSULTING (ABS CONSULTING) HAS PERFORMED IN A WORKMANLIKE MANNER CONSISTENT WITH INDUSTRY STANDARDS.

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Risk Profile

The following is a summary description of a confidential, rapid update to the 2000 Hurricane Risk Profile Memorandum (Reference 1) performed for Florida Power Corporation by ABS Consulting/EQE. This document is based on preliminary data and is intended to be used solely, by Progress Energy Florida (PEF), for estimation of potential future storm losses and probabilities.

OWNER	Progress Energy Florida	
ASSETS	Transmission and Distribution (T & D) System consisting of: Transmission towers, and conductors; Distribution poles, transformers, conductors, lighting and other miscellaneous assets	
LOCATION	All T & D assets located within State of Florida	
ASSET VALUE		
LOSS PERIL		
LOSS EXPOSURE	One year	Five year
1% AGGREGATE DAMAGE EXCEEDANCE VALUE	$175 million	>$400 million
Storm Fund Annual Accrual	Expected Fund Balance at 5 years	Probability of Insolvency within 5 years
$50 million	$180 million	11.9%

1. Hurricane Loss Analysis

Progress Energy Florida (PEF) transmission and distribution (T & D) systems are exposed to and in the past have sustained damage from hurricanes. The exposure of these assets to hurricane damage is described and potential losses are quantified in this memorandum. Loss analyses were performed by ABS Consulting, using an advanced computer model simulation program USWIND ™developed by EQECAT, an ABS Group Company. All results which are presented here have been calculated using USWIND, and the PEF provided T & D asset portfolio data.

The hurricane exposure is analyzed from probabilistic approach, which considers the full range of potential storm characteristics and corresponding losses. Probabilistic analyses identify the probability of damage exceeding a specific dollar amount. Damage is defined as the cost associated with repair and/or replacement of T & D assets necessary to promptly restore service in a post hurricane environment. This cost is typically larger than the costs associated with scheduled repair and replacement

The computer model was developed based upon the 2000 Florida Power Corporation study model developed by ABS Consulting/EQE. This model of transmission and distribution asset was scaled to provide a rapid and approximate assessment of PEF's current assets and exposures. Distribution data that is geo-coded in the 2000 model on a sub zip basis was scaled up (or down) on a comparative 2004 versus 2000, county by county basis. Transmission values that were geo-coded on a structure by structure basis in the 2000 model were scaled up (or down) based on the aggregate system wide change in transmission asset values. The characterization of current asset values does not reflect actual changes on a sub zip code level of PEF assets and exposure concentrations. In addition, changes in transmission asset values, additions or changes to transmission assets and resultant concentrations are not reflected on a structure by structure basis. Comparisons of the 2004 and 2000 PEF T&D asset data are provided in the Tables 1-1 and 1-2 below.

Table 1-1

Distribution Asset Comparison: 2004 versus 2000

COUNTY	2004 Asset Data	2000 Report Values	Change %
Pinellas	$630,416,504	$666,700,000	-5%
Orange	$756,253,973	$422,200,000	79%
Seminole	$312,685,480	$198,400,000	58%
Polk	$238,107,753	$161,700,000	47%
Pasco	$256,243,497	$155,400,000	65%
Marion	$213,083,823	$126,800,000	68%
Lake	$193,718,178	$114,400,000	69%
Volusia	$166,446,740	$112,600,000	48%
Citrus	$173,485,543	$106,100,000	64%
Highlands	$139,719,557	$102,300,000	37%
Osceola	$90,616,707	$64,300,000	41%
Sumter	$31,438,705	$44,500,000	-29%
Hernando	$40,508,143	$32,100,000	26%
Franklin	$49,085,656	$24,600,000	100%
All others	$223,378,922	$198,900,000	12%
TOTALS	$3,515,189,181	$2,531,066,600	39%

Table 1-2

Transmission Asset Comparison: 2004 versus 2000

	2004 Asset Data	2000 Report Values	Change %
TOTALS	$1,218,707,250	$1,101,100,000	11%

Transmission and Distribution Asset Vulnerabilities

Hurricane vulnerabilities of transmission and distribution assets were benchmarked to PEF loss data from the recent 2004 hurricanes Charlie, Frances, Ivan and Jeanne. This current loss history is believed to be most reflective of the current PEF storm restoration practices. Certain characteristics of the 2004 storm season loss event are unusual; Hurricanes Frances and Jeanne were very similar in landfall, track and intensity. In addition, all four storm made landfall outside of PEF service territory and tracked through areas of PEF service with mostly low asset concentrations. The effects of a prior storm on the damage and loss experienced by a subsequent storm, due to tree and debris reduction, experience gained by storm restoration crews and other factors exhibited in the 2004 season, may be significant. Due to the rapid nature of this loss update study, detailed analyses of these loss experiences and contributing factors that might affect the predictions of future loss events have not been undertaken.

Loss Estimation Methodology

The basic components of the hurricane risk analysis are similar to the 2000 study and include:

- **Assets at risk:** define and locate to provide values and concentrations
- **Hurricane hazard**: apply probabilistic storm model for the region
- **Asset vulnerabilities:** severity (wind speed) versus damage
- **Portfolio Analysis:** probabilistic analysis -damage/ loss

Aggregate Damage Exceedance for One, Three, and Five Years

Aggregate damage exceedance calculations are developed by keeping a running total of damage from ***all possible events*** in a given time period. At the end of each time period, the aggregate damage for all events is then determined by probabilistically summing the damage distribution from each event, taking into account the event frequency. The process considers the probability of having zero events, one event, two events, etc. during the time period.

A series of probabilistic analyses were performed, using the vulnerability curves derived for PEF assets and the computer program USWIND^{TM}. A summary of the analysis is presented in Table 1-3, which shows the aggregate damage (i.e. deductible is "0") exceedance probability for three time periods: one, three and five years for damage layers between zero and over one billion dollars.

For each damage layer shown, the probability of damage exceeding a specified value is shown. For example, the probability of damage exceeding $100 million in one year is 2.9%, while it is 12.5% and 25.6% for a three and five year period. The analysis calculates the probability of damage from all storms and aggregates the total, resulting in increasing exceedance probabilities for the three and five year periods when compared to the one year value.

Table 1-3 provides the aggregate damage exceedance probabilities for the PEF T & D assets analyzed for a series of layers. Each layer has a layer amount of $25 million, except for the final layer which represents all damage over $425 million. The value in the first column, labeled Damage Layer, is the attachment point for each layer, with the exception of the last layer, for which the attachment point is $425 million.

The second column of the table, labeled 1 year Exceedance Probability, provides the 1-year modeled probability of penetrating each layer, i.e. the probability that the total damage from all events in a 1 year period will exceed the attachment point of the layer.

The third column of the table, labeled 3 year Exceedance Probability, provides the 3-year modeled probability of penetrating each layer, i.e. the probability that the total damage from all events in a 3 year period will exceed the attachment point of the layer.

The fourth column of the table, labeled 5 year Exceedance Probability, provides the 5-year modeled probability of penetrating each layer, i.e. the probability that the total damage from all events in a 5 year period will exceed the attachment point of the layer.

Table 1-3

PROGRESS ENERGY FLORIDA T & D ASSETS
AGGREGATE DAMAGE EXCEEDANCE PROBABILITIES

Damage Layer	1 Year	3 Year	5 Year
($millions)	Exceedance Probability	Exceedance Probability	Exceedance Probability
0 (≥.001)	44.9%	83.3%	94.9%
25	18.5%	49.3%	70.5%
50	9.3%	31.1%	51.7%
75	4.9%	19.4%	36.5%
100	2.9%	12.5%	25.6%
125	1.9%	8.4%	18.1%
150	1.4%	5.9%	13.0%
175	1.0%	4.3%	9.6%
200	0.8%	3.2%	7.2%
225	0.6%	2.5%	5.5%
250	0.5%	1.9%	4.3%
275	0.4%	1.5%	3.4%
300	0.3%	1.2%	2.6%
325	0.2%	0.9%	2.1%
350	0.2%	0.7%	1.7%
375	0.1%	0.6%	1.3%
400	0.1%	0.5%	1.1%
All Else	0.3%	1.18%	2.6%

2. Solvency Analysis Summary

A probabilistic analysis of losses from hurricanes was performed for Progress Energy Florida (PEF) to determine their potential impact on the Storm Reserve. The analysis included Transmission and Distribution (T & D) damage as well as estimates of insurance deductibles paid on non-T & D assets.

Analysis

The Storm Reserve Solvency Analysis consisted of performing 1,000 iterations of hurricane loss simulations within the PEF service territory, each covering a 5-year period, to determine the effect of the charges for damage on the PEF Storm Reserve. Monte Carlo simulations were used to generate damage samples for the analysis. The analysis provides an estimate of the Storm Reserve assets in each year of the simulation, accounting for the annual accrual, expenses, and damage using a dynamic financial model.

Annual accruals from $40 million to $110 million were analyzed.

Assumptions

The analysis performed included the following assumptions

- All computations were performed on an after tax basis.
- All results are shown in constant 2004 dollars.
- Negative Storm Reserve Balances are assumed to be financed with an unlimited line of credit costing 4% after tax.
- Negative losses are recovered in rates over a 5 year period.
- The Storm Reserve will be utilized to recover property insurance policy deductibles.
- Property insurance policy deductibles are charged against the Storm Reserve. A $10million charge for deductibles is added to the simulated T&D losses in any simulated season where T&D losses exceed $100 million.

The analysis results for each of the trials analyzed are shown in Table 2-1 below. These results show for each Annual Accrual amount, the mean (expected) Storm Reserve Fund Balance as well as the probability that the Storm Fund Balance will be negative in any one or more of the five years of the simulated time horizon.

Table 2-1

**PROGRESS ENERGY FLORIDA T & D
STORM RESERVE FUND ACCRUALS AND
PROBABILITY OF STORM FUND INSOLVENCY**

Annual Accrual	Expected Storm Fund Balance at end of 5 years	Probability of Insolvency within 5 years
($ millions)	($ millions)	%
$40	$131	19.1%
$45	$153	16.8%
$50	$180	11.9%
$55	$207	10.4%
$60	$229	7.6%
$65	$256	7.0%
$70	$277	6.2%
$75	$303	5.8%
$80	$328	4.9%
$85	$350	3.0%
$90	$377	2.2%
$95	$400	1.4%
$100	$427	0.9%
$110	$477	0.4%

Figures 2-1 through 2-8 below show the results of the Storm Reserve Fund solvency analyses for annual accruals from $40 million to $110 million. These results show the mean (expected) Storm Reserve Fund Balance as well as the 5th and 95th percentiles. All 1,000 Monte Carlo simulations assume an initial Storm Reserve Balance of zero.

For example, given a $50million Annual Storm Reserve Accrual, Figure 2-2 illustrates the expected performance of the Storm Reserve. The Storm Reserve has a mean (expected) Balance of $180 at the end of the five year period. The 5th percentile and 95th percentile 5 year ending Storm Balances are $49 million and $250million respectively. The Storm Fund has an 11.9% chance of insolvency in one or more years of the five year simulation. The likelihood of insolvency is greatest during the early years when the Storm Fund balance is low. This can be seen in years 1 and 2 where the 5th percentile and values are negative.

The first year of each simulation begins with a zero Fund Balance. In the example above, the first year's annual accrual will bring the balance to $50 million. Table 1-3, shows that the likelihood of storm damage exceeding $50 million in a single year is 9.3%. If there is no damage in year one, the storm fund will receive another $50 million accrual to bring the second years balance to $100million. The likelihood of storm damage exceeding $100 million in a single year is 2.9%.

The accrual of $50 million is greater than the Expected Annual Damage from storms of $15.2 million. Therefore with each passing year, the Storm Reserve ending balance has an increasing likelihood of accumulating a surplus above the Expected Annual Damage. With increasing accruals in each year, the Storm Reserve has a greater chance of growing faster than storm damage can deplete the Fund.

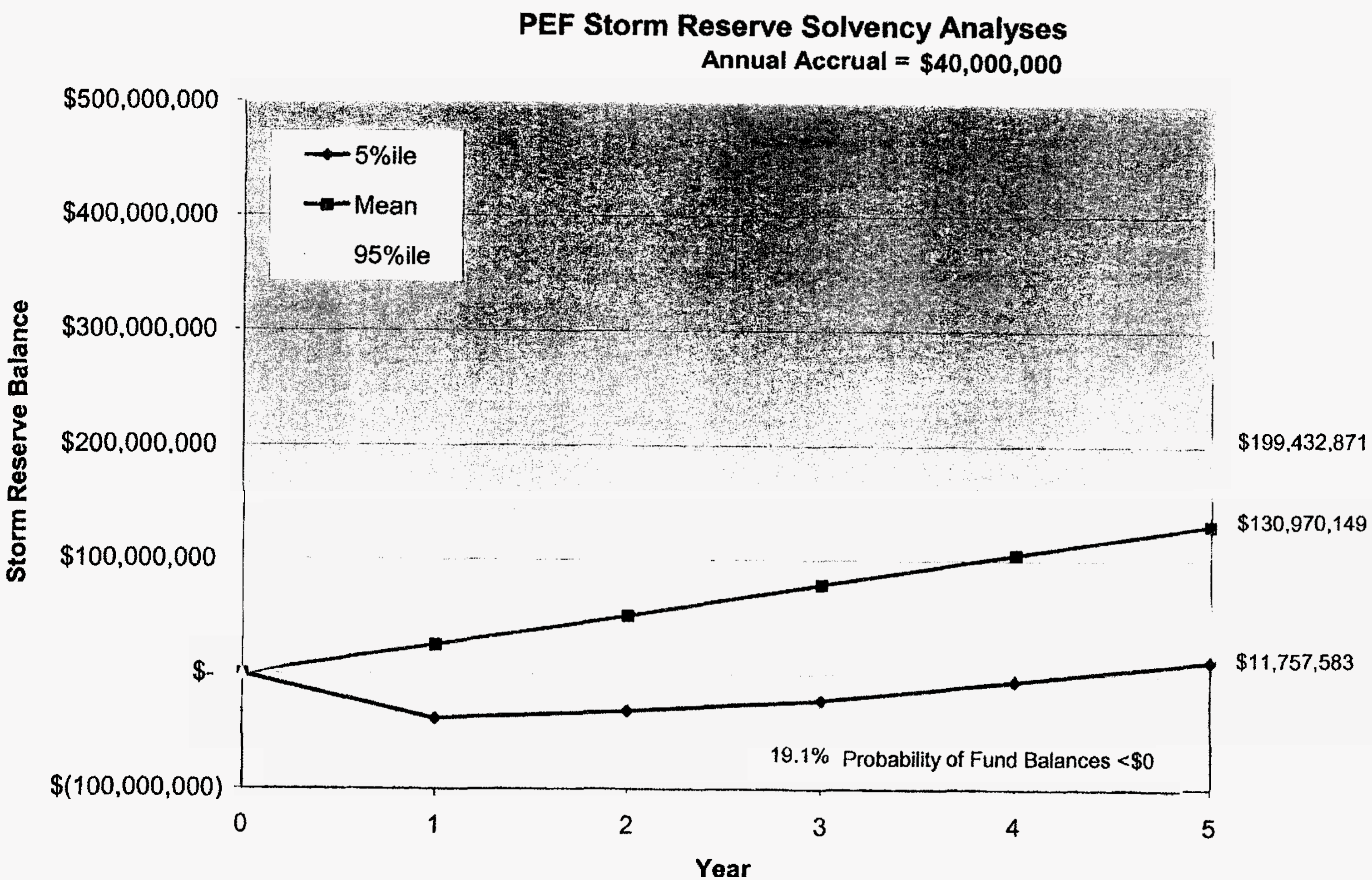

Figure 2-1: Storm Solvency Analysis Results $40 million Annual Accrual

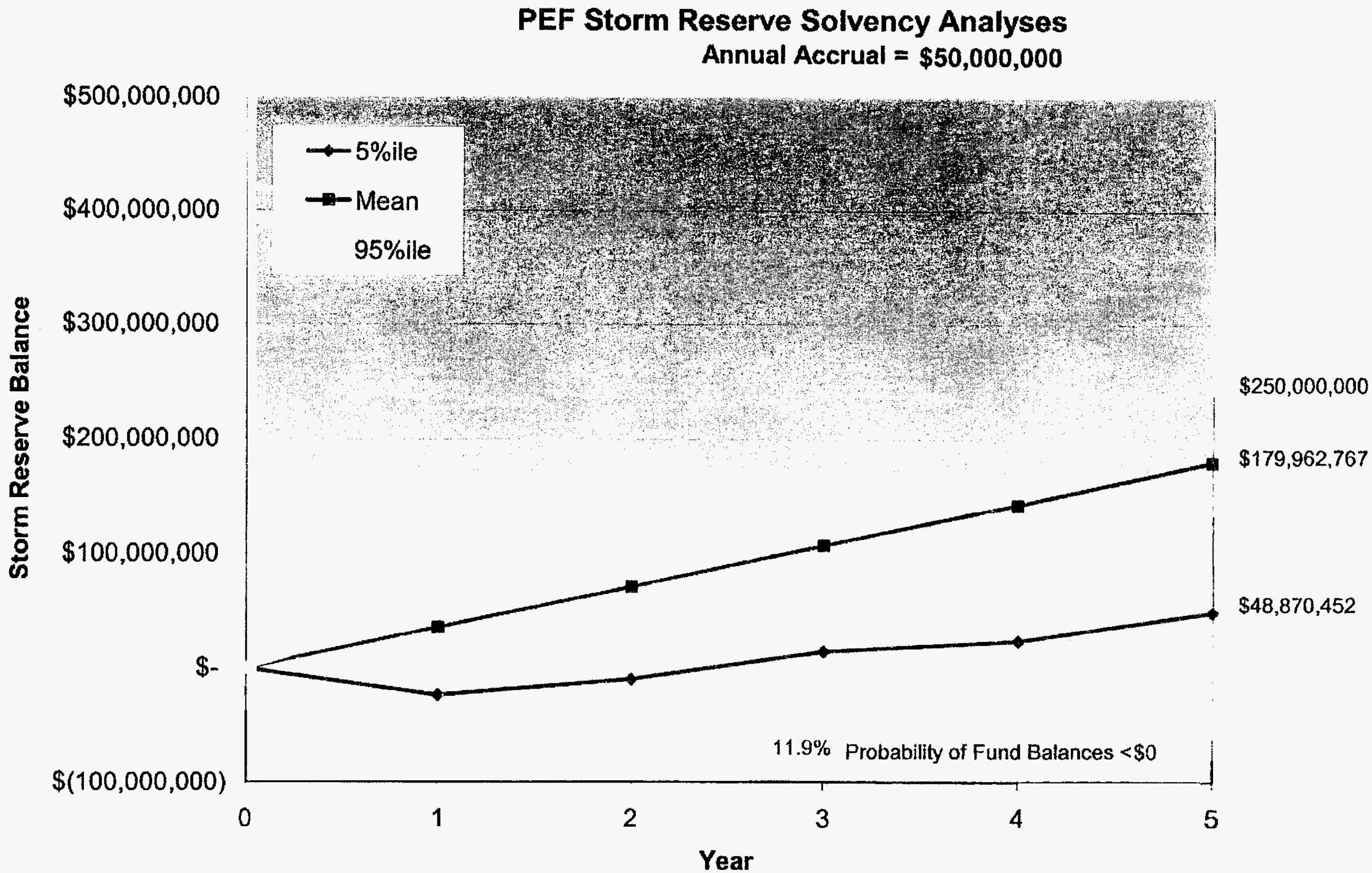

Figure 2-2: Storm Solvency Analysis Results $50 million Annual Accrual

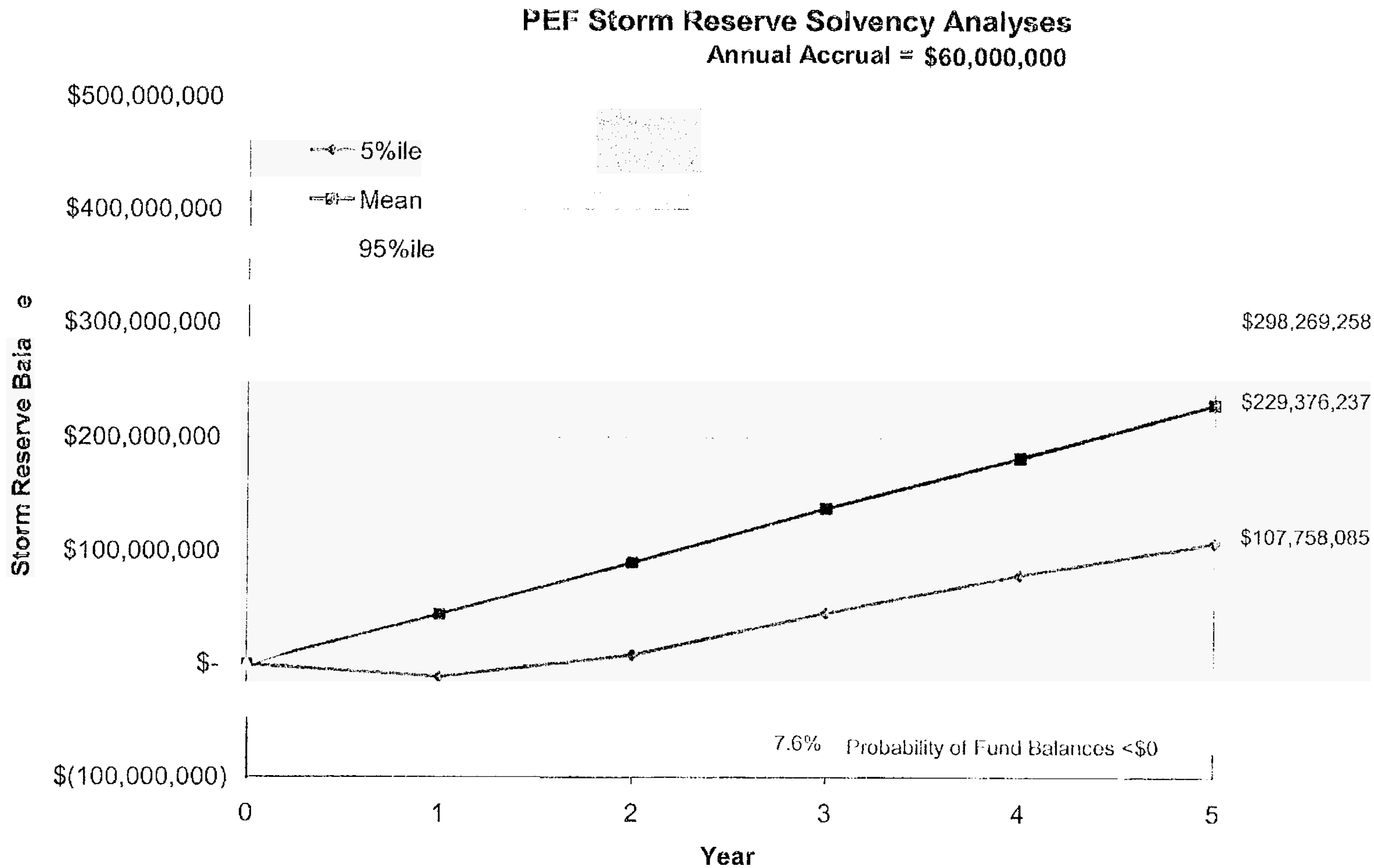

Figure 2-3: Storm Solvency Analysis Results $60 million Annual Accrual

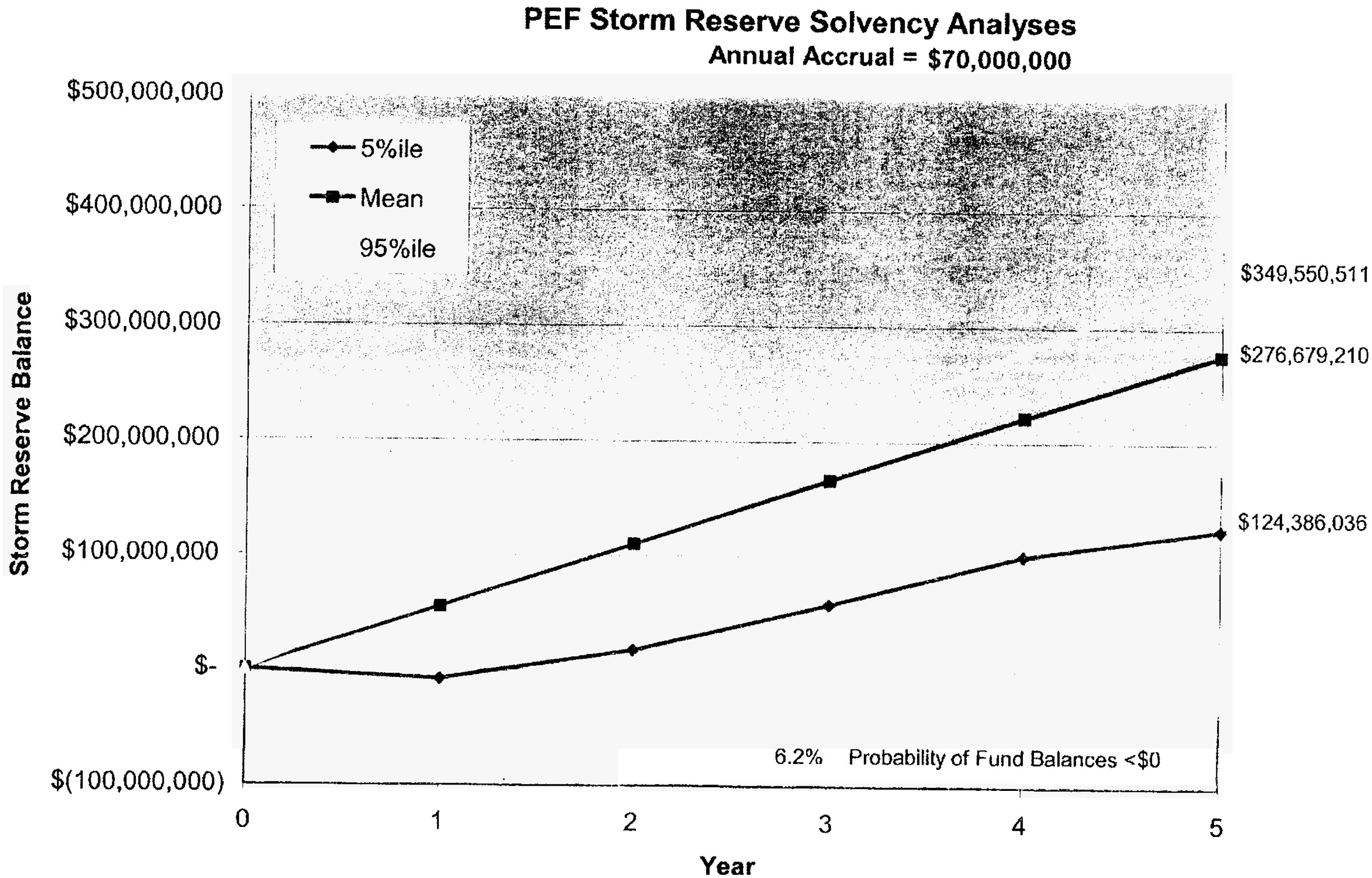

Figure 2-4: Storm Solvency Analysis Results $70 million Annual Accrual

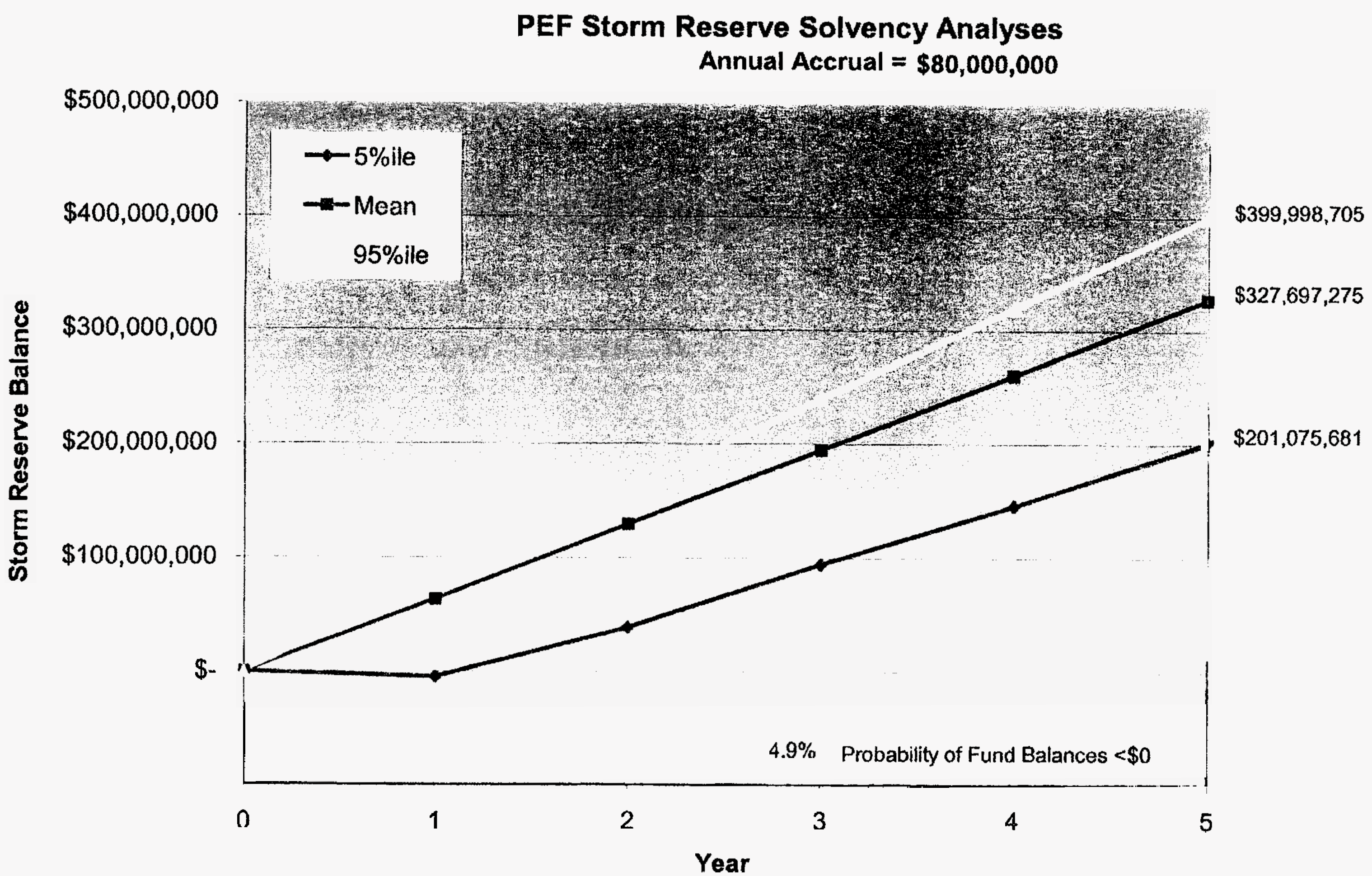

Figure 2-5: Storm Solvency Analysis Results $80 million Annual Accrual

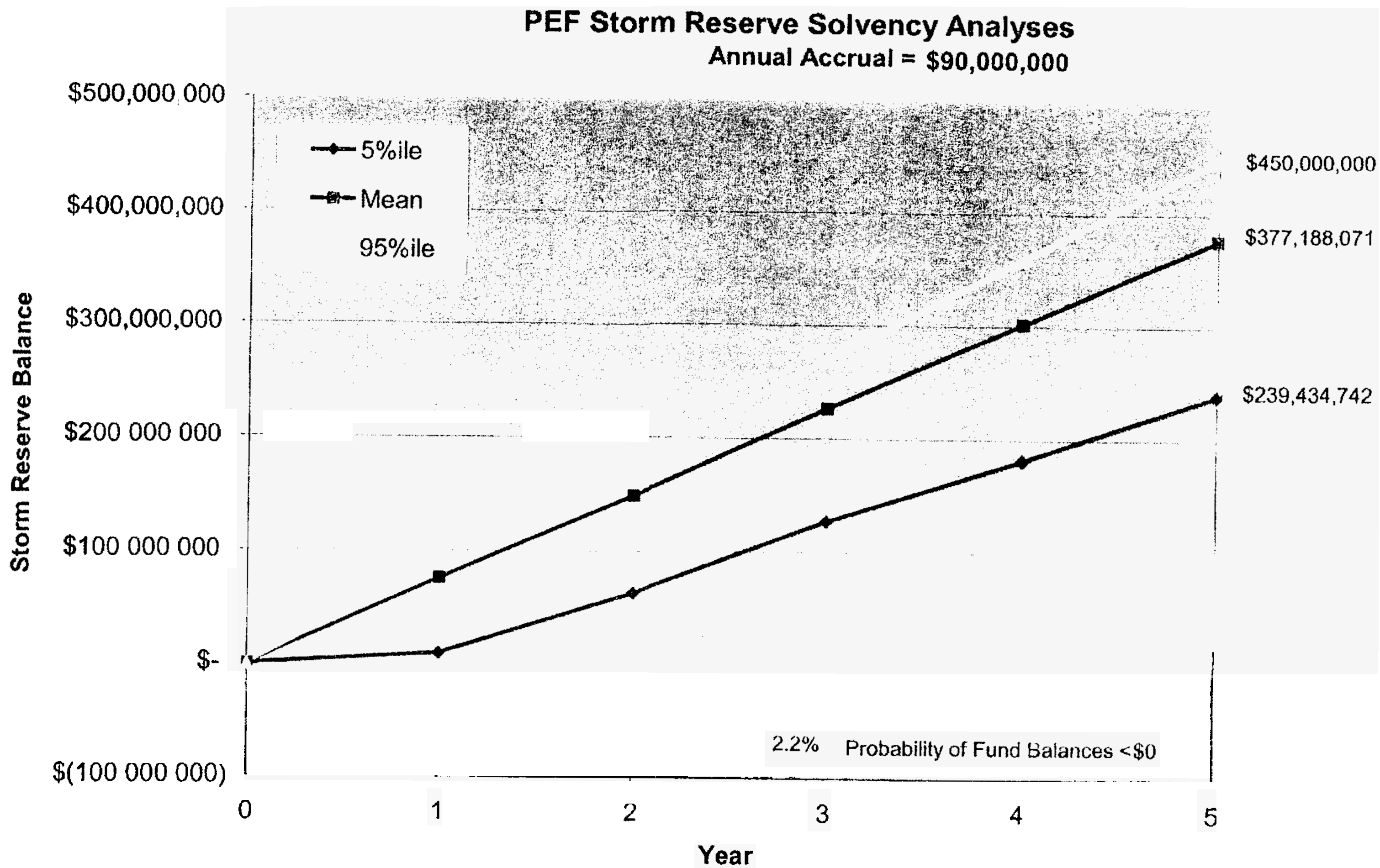

Figure 2-6: Storm Solvency Analysis Results $90 million Annual Accrual

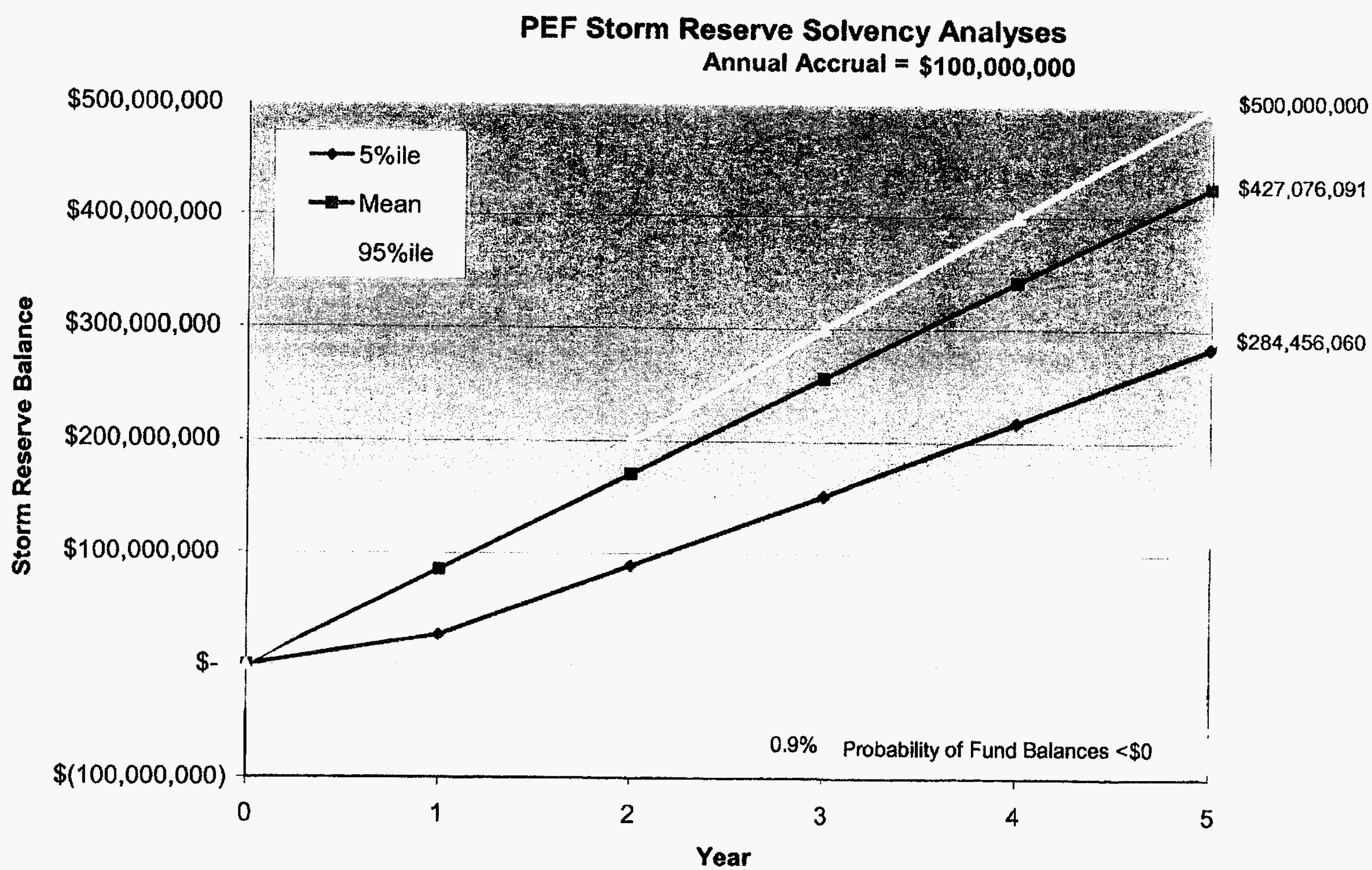

Figure 2-7: Storm Solvency Analysis Results $100 m lli on Annual Accrual

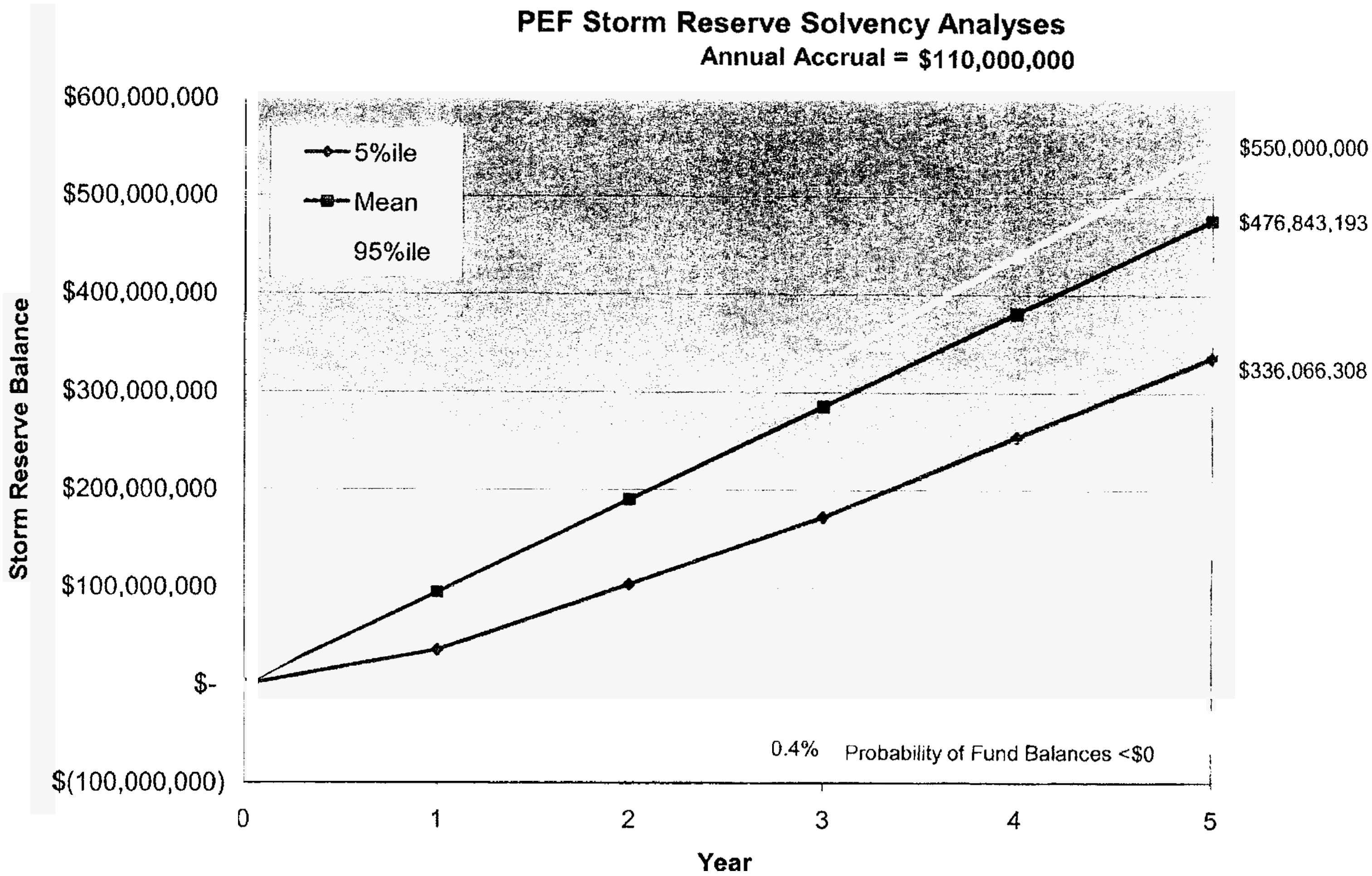

Figure 2-8: Storm Solvency Analysis Results $110 million Annual Accrual

3. References

1. "Florida Power Corporation, Transmission and Distribution Assets, Hurricane Risk Profile Memorandum", EQE International, May 2000.

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Recoverable Costs from Storm Damage Reserve

TYPES OF STORM RELATED EXPENSES TO BE CHARGED TO THE RESERVE

The Company proposes to continue to use a replacement cost approach for determining the appropriate amounts to be charged to the storm damage reserve. This approach is consistent with both the Company's prior coverage under traditional insurance for T&D lines as well as its current insurance coverage for other facilities. The damage to facilities currently covered through a self insurance program should be treated comparably. The replacement cost method represents by far the simplest approach and will transition well with any changes made in the Company's current insurance program for all facilities. The replacement cost approach assumes that the total cost of restoration and related activities will be charged against the storm damage reserve.

Actual repair activities and those activities directly associated with storm damage and restoration activities would be charged to the reserve. Allocated costs would not be charged to the reserve. Direct costs would typically be 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 supporting roles such as customer service, engineering, storeroom and transportation personnel.

The Company's storm damage reserve is an "operating reserve" as defined by Commission rule 25-6.0143 and as such would only be charged with the Operations and Maintenance (O&M) expense associated with storm damage. Capital costs, including cost of removal, would be charged to the appropriate Electric Plant in Service or Accumulated Provision for Depreciation accounts. Capital costs and cost of removal would be determined based on a "fair and reasonable" standard assuming normal operating conditions. The Company uses a standard cost approach for labor and material components of retirement units for the determination of normal operating conditions. Any costs in excess of the standard cost components are considered extraordinary or emergency in nature and would be considered O&M and therefore charged to the reserve. This assures that the Company's rate base investment is not artificially overstated for the purpose of future ratemaking activity.

LIST OF TYPES OF STORM RELATED EXPENSES TO BE CHARGED TO THE STORM DAMAGE RESERVE

The following is a list of examples of the types of costs the Company proposes to charge to the storm damage reserve.

Actual Repair Activities:

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; and employee benefits.

Materials and Supplies – all materials and supplies (M&S) utilized for the temporary or permanent repair or replacement of facilities. This would include a standard loading factor to cover the administration of M&S inventories.

Cost of preparing, operating and staffing temporary staging facilities for materials and supplies distribution.

Outside Services – including reimbursement costs to other utilities and payments to subcontractors dedicated to restoration activities.

Transportation costs – including operating costs, fuel expense and repairs and maintenance of Company fleet and/or rented vehicles.

Costs Directly Associated with Storm Damage and Restoration Activities:

Damage assessment costs – including surveys, helicopter line patrol, and operation of assessment and control facilities.

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.

Costs associated with injuries and damages to personnel and/or their property as a direct result of restoration activities.

Costs directly associated with storm damage and restoration activities (continued):

Costs of temporary housing for restoration crews and support personnel and their related subsistence costs.

Storm preparation – including information costs and training for Company employees.

Fuel and related costs for back-up generators.

Costs of customer service personnel, phone center personnel and other division personnel dedicated to customer service needs, and locating and prioritizing areas of damage.

Special advertising and media costs associated with customer information, public education and/or safety.

Special employee assistance – including cost of cash advances, housing and/or subsistence for employees and families to expedite their return to work.

Identifiable bad debt write-offs due to storm damage.

Any other appropriate costs directly related to storm damage and restoration activities.

Line No.	Reconciliation of Capital Structure to Rate Base	
1	System Per Books (B-3)	$5,466
2	Adjustments to System Per Books:	
3	Remove ARO	353
4	Remove ECCR	8
5	Remove ECRC	(19)
6	Remove Fuel	(45)
7	Remove SCRC	(139)
8	Remove NUP	(8)
9	Remove Above Market Affiliate Transfer	(23)
10	Remove Job Orders	27
11	Remove Sebring	(10)
12	Remove Nucl Decom Trust Unreal Gains	83
13	Remove A/D Nuc Decom-Funded	62
14	Remove Other Special Funds (128)	(477)
15	Adjusted System per Books	$5,277
16	Jurisdictional Wholesale	$475
17	Jurisdictional Per Books	$4,803
18	Jurisdictional Company/FPSC Adjustments:	
19	Company Adjustment - Distrib Enhancement Projects	$9
20	Company Adjustment - Transm Enhancement Projects	5
21	Company Adjustment - Charging Practices	(51)
22	Company Adjustment - Fossil Dismantlement	(5)
23	Company Adjustment - Mobile Meter Reading	56
24	Company Adjustment - Organization Realignment	(47)
25	Company Adjustment - Progress Fuels Corp	26
26	Company Adjustment - Rate Case	2
27	Company Adjustment - Storm Reserve	(21)
28	CWIP - AFUDC	(135)
29	Nuc. Decom. Unfunded - Wholesale	2
30	RTO Start-up Costs	(4)
31	Section 1341 Income Tax Adj	1
32	Total Adjustments	($162)
33	Jurisdictional Adjusted Rate Base	$4,640