

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

JUNE 21, 2005

RE: Docket No. 041272-EI - Petition for approval of storm cost recovery clause for recovery of extraordinary expenditures related to Hurricanes Charley, Frances, Jeanne, and Ivan, by Progress Energy Florida, Inc.

Issue 1: WITHDRAWN.

Issue 2: Has PEF quantified the appropriate amount of non-management employee labor payroll expense that should be charged to the storm reserve? If not, what adjustments should be made?

Recommendation: No. PEF's non-management employee labor expense, except for customer service employees which is discussed in Issue 8, should be adjusted to reflect only the incremental costs above its budgeted levels for the calendar year 2004. To prevent PEF from collecting twice for its employees' regular pay, the Commission should disallow \$5,140,639 of the amount PEF charged to the storm reserve.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures of majority commissioners: Lynn E. Degan, Paul K. Kelly, and J. Terry Dear.

Four horizontal lines for dissenting signatures.

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE: 05912 JUN 21 05

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Issue 3: Has PEF properly treated payroll expense associated with managerial employees when determining the costs that should be charged to the storm reserve? If not, what adjustments should be made?

Recommendation: No. PEF's managerial employees' labor expense, except for customer service employees which is discussed in Issue 8, should be adjusted to reflect only the incremental costs above its budgeted levels for the calendar year 2004. To prevent PEF from collecting twice for its managerial employees' regular pay, the Commission should disallow \$6,197,565 of the amount PEF charged to the storm reserve.

APPROVED

Issue 4: At what point in time should PEF stop charging costs related to the 2004 storm season to the storm damage reserve?

Recommendation: PEF should stop charging costs related to the 2004 storm season, including "sweeps" work, no later than July 1, 2005.

APPROVED

Issue 5: Has PEF charged to the storm reserve appropriate amounts relating to employee training for storm restoration work? If not, what adjustments should be made?

Recommendation: Yes. PEF has not charged any pre-season hurricane storm restoration employee training costs to the storm reserve, and no adjustments are necessary.

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Issue 6: Has PEF properly quantified the costs of tree trimming that should be charged to the storm reserve? If not, what adjustments should be made?

Recommendation: No. PEF should be allowed to charge only the incremental cost of tree trimming above its normal, budgeted levels for calendar year 2004. The Commission should disallow \$1.4 million of the amount PEF charged to the storm reserve.

APPROVED

Issue 7: Has PEF properly quantified the costs of company-owned fleet vehicles that should be charged to the storm reserve? If not, what adjustments should be made?

Recommendation: No. PEF should be allowed to charge only the incremental fuel costs associated with extra shifts. As a result, the Commission should disallow \$3,043,014 of the amount PEF charged to the storm reserve.

APPROVED

Issue 8: Has PEF properly determined the costs of call center activities that should be charged to the storm damage reserve? If not, what adjustments should be made?

Recommendation: No. The Commission should disallow \$625,852 of the amount PEF charged to the storm reserve which represents the regular pay for call center activities. Further, in the future, PEF should adjust call center activity expenses charged to the storm reserve by the incremental difference of call load experience during and immediately after hurricanes with the actual prior 3-year average call load during the same time period involved.

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Issue 9: Has PEF appropriately charged to the storm reserve any amounts related to advertising expense or public relations expense for the storms? If not, what adjustments should be made?

Recommendation: No. The Commission should disallow \$1,496,270 of the amount PEF charged to the storm reserve. The amount represents the advertising expense and public relations expense that is estimated to be included in base rate O&M expense. Further, in the future, PEF should exclude budgeted advertising and public relations expense from its storm damage reserve.

APPROVED

Issue 10: Has uncollectible expense been appropriately charged to the storm damage reserve? If not, what adjustments should be made?

Recommendation: Yes. Uncollectible expense has been appropriately charged to the storm damage reserve. No adjustments should be made.

APPROVED

Issue 11: Should PEF be required to offset its storm damage recovery claim by revenues it has received from other utilities for providing assistance in their storm restoration activities? If so, what amount should be offset?

Recommendation: No. The assistance provided by PEF employees to other utilities has no direct relationship with storm damage expenses that the Company incurred as a result of the 2004 hurricanes. No adjustment should be made to the storm reserve for any revenues received for assisting other utilities in their restoration efforts.

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Issue 12: Has PEF appropriately removed from the costs it seeks in its petition all costs that should be booked to the reserve for cost of removal expense as the cost of removing plant damaged during the storm? If not, what adjustments should be made?

Recommendation: No. PEF has removed an estimated \$47 million from the storm reserve and applied this amount to its plant-in-service accounts. Staff recommends that an additional \$8.4 million should be removed from the storm damage reserve based upon the ratio of cost of removal to cost of retirements. This amount should be booked to PEF's cost of removal reserve.

APPROVED

Issue 13: STIPULATION - CATEGORY ONE STIPULATION, NUMBER 2.

Issue 14: Taking into account any adjustments identified in the preceding issues, what is the appropriate amount of reasonable and prudently incurred storm-related costs to be charged against the storm damage reserve subject to true-up?

Recommendation: Based on staff's preceding and subsequent recommendations, the appropriate amount of reasonable and prudently incurred storm-related costs to be charged against the storm damage reserve subject to true-up is \$271,476,895 (\$285,108,136) ~~\$271,479,765 (\$285,111,150 system)~~.

APPROVED

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Issue 15: Does the stipulation of the parties that the Commission approved in Order No. PSC-02-0655-AS-EI affect the amount or timing of storm-related costs that PEF can collect from customers? If so, what is the impact?

Recommendation: No. As a result of the extraordinary 2004 hurricane season, PEF incurred incremental costs which were not budgeted for and accounted for in base rates. Staff believes that the incremental costs associated with the 2004 hurricanes should not be considered as a base rate item as such term is used in the Settlement. As such, recovery of these costs is neither expressly permitted nor expressly prohibited by the Settlement; these types of costs simply are not contemplated by the Settlement at all. Therefore, the Settlement, as approved in Order No. PSC-02-0655-AS-EI, should not affect the amount or timing of recovery of incremental, prudently incurred storm-related costs. Even if the Settlement were to be read as addressing these costs, staff believes that, in light of the extraordinary circumstances of the 2004 hurricane season and the extent of storm damages incurred by PEF, the Commission should exercise its authority in the public interest to permit recovery of these costs as set forth in staff's recommendations on the other issues.

APPROVED

Issue 16: In the event that the Commission determines the stipulation approved in Order No. PSC-02-0655-AS-EI does not affect the amount of costs that PEF can recover from ratepayers, should the responsibility for those costs be apportioned between PEF and retail ratepayers? If so, how should the costs be apportioned?

Recommendation: No. Staff recommends that PEF be allowed to recover all reasonable and prudently incurred storm damage costs identified and approved by the Commission.

APPROVED

Issue 17: What is the appropriate amount of storm-related costs to be recovered from the customers?

Recommendation: Based on staff's preceding and subsequent recommendations and the most recent commercial paper rate, the appropriate amount of storm-related costs to be recovered from the customers is \$231,839,389.

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Issue 18: If recovery is allowed, what is the appropriate accounting treatment for the unamortized balance of the storm-related costs subject to future recovery?

Recommendation: The appropriate accounting treatment for the unamortized balance of the storm-related costs subject to future recovery is to record the costs as a regulatory asset in a subaccount of Account 182.1, Extraordinary Property Losses.

APPROVED

Issue 19: What is the appropriate methodology to calculate the interest charged on the amount of storm-related costs permitted to be recovered from customers?

Recommendation: Staff recommends that PEF be allowed to charge interest at the applicable 30-day commercial paper rate on the unamortized balance of storm damage restoration costs permitted to be recovered from ratepayers. In addition, staff recommends that an adjustment be made in the calculation of interest to recognize the storm-related deferred taxes not included in the Company's upcoming rate case. This adjustment reduces the interest carrying charge on the unamortized balance of storm-related costs by approximately \$2 million.

APPROVED

Issue 20: What mechanism should be used to collect the amount of the storm-related costs authorized for recovery?

Recommendation: A temporary surcharge is the appropriate mechanism for recovery of approved costs. PEF should immediately file tariffs containing initial surcharge factors by rate class to be effective for cycle 1 meter readings for August 2005 and ending with the last cycle for December 2005. In conjunction with the adjustment clause filings for calendar year 2006, PEF should file revised factors to be in effect for the period January through December of 2006. In conjunction with the adjustment clause filings for calendar year 2007, PEF should file revised factors that will be in effect for the period January through July of 2007. The surcharge factors should be derived using updated kilowatt hour sales forecasts consistent with the three recovery periods, and should reflect the storm-related costs, including any interest, approved by the Commission for recovery. The two filings following the initial filing should incorporate a true-up of estimates of costs and sales to actual costs and sales. Any over- or under-recovery remaining at the end of the period should be refunded or recovered through the fuel adjustment clause. As is true in any case, the Commission maintains its authority to

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consider all matters relevant and germane to setting rates on a going-forward basis. If deemed appropriate, staff recommends that this could include a modification to the method for recovery of all or a portion of the storm restoration costs which may be approved in this docket, in a subsequent rate, securitization, or other appropriate proceeding.

APPROVED

Issue 21: STIPULATION - CATEGORY TWO STIPULATION, NUMBER 1.

Issue 22: What is the proper rate design to be used for PEF to recover storm-related costs?

Recommendation: Storm-related costs should be recovered from all rate classes on a per-kilowatt-hour basis. If the Commission decides that a per-kilowatt rate design is appropriate for those rate schedules that include a demand charge, then PEF should be required to submit demand charges that are differentiated based on metering voltage.

APPROVED

Issue 23: STIPULATION - CATEGORY ONE STIPULATION, NUMBER 4.

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Issue 24: STIPULATION - CATEGORY ONE STIPULATION, NUMBER 5.

Issue 25: STIPULATION - CATEGORY ONE STIPULATION, NUMBER 6.

Issue 26: What are the effects, if any, of the study that PEF (then Florida Power) submitted to the Commission in Docket No. 930867-EI on February 28, 1994 and Order No. PSC-94-0852-FOF-EI, issued in Docket Nos. 940621-EI and 930867-EI on July 13, 1994 on the manner in which PEF may account for storm-related costs in this proceeding?

Recommendation: The methodology proposed in PEF's Study does not represent the standard by which the Commission must determine which costs are appropriately charged to PEF's storm damage reserve. In Order No. PSC-94-0852-FOF-EI, the Commission did not expressly approve the methodology proposed in PEF's Study, and made no finding that the methodology was "reasonable" or "appropriate" or otherwise should be used as the continuing standard for charging costs to the storm damage reserve. Staff recommends that the Commission determine which costs are appropriately charged to PEF's storm damage reserve consistent with staff's recommendations in the other issues.

APPROVED

Issue 27: Should the docket be closed?

Recommendation: No. This docket should remain open to address the true-up of the actual storm restoration costs. The docket should be closed administratively once staff has verified that the true-up is complete.

APPROVED