FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

JUNE 21, 2005

RE: Docket No. 041393-EI - Petition for approval of two unit power sales agreements with Southern Company Services, Inc. for purposes of cost recovery through capacity and fuel cost recovery clauses, by Progress Energy Florida, Inc.

Issue 1: Did PEF adequately consider alternatives to the proposed UPS agreements?
Recommendation: Yes. PEF did not issue a Request for Proposals (RFP). However, this is not required by Rule 25-22.082, Florida Administrative Code, and PEF adequately tested the market for alternatives through other means. PEF reviewed coal options, but determined that its 2010 need cannot be met by new or existing coal generation. PEF tested the pricing of the gas-fired Franklin capacity by comparing the pricing to gas-fired bids in PEF's recent RFPs. The pricing appears to be comparable.

APPROVED

COMMISSIONERS ASSIGNED: Baez, Deason, Bradley

COMMISSIONERS' SIGNATURES

MAJORITY	DISSENTING
Rudolph Bradley	
[illegible]	
J. Terry Deason	

REMARKS/DISSENTING COMMENTS:

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Issue 2: Is PEF's cost-effectiveness analysis reasonable and supported by the evidence?
Recommendation: Yes. PEF used an accepted planning methodology to develop the expansion plans compared in its analysis, and its base-case mirrors its approved 2004 Ten-Year Site Plan. PEF's flawed initial analysis casts doubt on the specific short-term savings. However, significant savings will occur during the contract term because the contracts should defer combined cycle capacity. Given the more certain up-front benefits and additional non-price benefits, the agreements are worth the risk that an expansion plan that includes the agreements may have a negative \$5 to \$11 million net present value through 2055.

APPROVED

Issue 2A: Are the claimed savings associated with the agreements supported by the evidence?
Recommendation: Yes. PEF's error in its initial five-year NPV analysis casts doubt on the specific dollar savings from 2010 through 2015. However, it is reasonable to assume that the contracts will defer natural gas-fired combined cycle capacity, resulting in significant savings.

APPROVED

Issue 2B: Has PEF adequately identified and justified costs that will be borne by ratepayers?
Recommendation: Yes. PEF adequately identified and justified the potential costs of the agreements, including capacity, energy, O&M, and fuel transportation costs. It was reasonable for PEF to use Southern's tariff transmission rates in its analysis. As discussed in Issue 5, recovery of any transmission costs in excess of Southern's tariff rates, which were not provided in the record, should not be approved at this time.

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Issue 3: Are PEF's claimed "non-price" benefits of the UPS agreements supported by the evidence and reasonable?
Recommendation: Yes. The agreements provide several non-price benefits, including: 1) fuel diversity; 2) transmission access; 3) potential savings from economy energy purchases and sales; 4) increased reliability; and, 5) planning flexibility.

APPROVED

Issue 4: Who should bear the risk if PEF's claimed cost and "non-price" benefits are not realized, PEF's customers or its stockholders?
Recommendation: If the Commission approves Issue 7, recovery of capacity and energy costs associated with the agreements should be permitted subject to a finding of reasonableness and prudence of the actual expenses when recovery is requested. Transmission costs in excess of tariff rates and any extension of the Franklin agreement should be subject to further review.

APPROVED

Issue 5: Is there sufficient reliable transmission available to support the proposed agreements on the Southern system?
Recommendation: It is reasonable to assume that sufficient transmission will be available to accommodate the agreements. The agreements contain provisions which may mitigate any transmission costs in excess of Southern's tariff rates; however, total transmission costs will not be known until Southern completes its System Impact Study (SIS) and PEF reacts. Transmission costs above Southern's tariff rates should not be approved at this time because PEF did not provide evidence of these costs in the record. PEF should be required to file: 1) the results of the SIS study; 2) an estimate of costs in excess of Southern's tariff rate; and, 3) PEF's intended response, with the Commission.

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Issue 6: Has PEF demonstrated that the UPS agreements would postpone the need for other generation?
Recommendation: Yes. PEF provided evidence that the capacity is needed to maintain PEF's 20 percent reserve margin. It is reasonable to assume that the contracts will defer natural gas-fired combined cycle capacity, similar to the Franklin capacity.

APPROVED

Issue 7: Should the Commission approve the UPS agreements for cost recovery purposes?
Recommendation: Yes. PEF has adequately demonstrated that entering into the proposed agreements is a reasonable and prudent action at this time, with significant economic and non-price benefits over the life of the agreements. Given the more certain up-front benefits, the agreements are worth the risk that an expansion plan that includes the agreements may have a negative $5 to $11 million NPV through 2055. Delaying approval may place the agreements, in particular the transmission access and coal capacity, at risk. PEF should be required to file: 1) the results of the SIS; 2) an estimate of costs in excess of Southern's tariff rate; and, 3) PEF's intended response.

APPROVED

Issue 8: Should this docket be closed?
Recommendation: The docket should be closed after the time for filing an appeal has run.

APPROVED