

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

Petition for a Rate Increase	)	Docket No. 050078-EI
Progress Energy Florida, Inc.	)	
_____	)	
	)	Filed: August 3, 2005

**THE COMMERCIAL GROUP’S PREHEARING STATEMENT**

The Commercial Group (hereinafter “CG”), pursuant to Order No. PSC-05-0487-PCO-EI, files with the Florida Public Service Commission (hereinafter the “PSC” or the “Commission”), its Prehearing Statement in connection with Progress Energy Florida, Inc. (“PEF’s”) Petition for Rate Increase, and states:

**I. APPEARANCES**

**Alan R. Jenkins**, accepted as a Qualified Representative, McKenna Long & Aldridge LLP, 303 Peachtree Street, Suite 5300, Atlanta, Georgia 30308, and

**David Brown**, McKenna Long & Aldridge LLP, 303 Peachtree Street, Suite 5300, Atlanta, Georgia 30308.

**On Behalf of the Commercial Group.**

**II. CG WITNESSES**

<b>Witnesses</b>	<b>Subject Matter</b>
Michael T. O’Sheasy	Discusses how to develop a successful real time pricing program and how such a program could benefit PEF and its customers.
Mike Culver and Charlie Martin	Address the propriety of an ROE performance incentive based on the allegedly superior performance by PEF and the impact of the proposed rate increase on large commercial customers.

### III. EXHIBITS

<b>Exhibit</b>	<b>Description</b>	<b>Sponsoring Witness</b>
CM-1	Provides a portion (electric providers in the Southeast) of the Edison Electric Institute's ("EEI's") Typical Bills and Average Rates Report for electric providers (Summer 2004-Winter 2005)	Mike Culver and Charlie Martin
MTO-1	RTP price responses of various commercial customers	Michael T. O'Sheasy
<b>Attachment A</b>	Professional Experience	Michael T. O'Sheasy

In addition to the above pre-filed exhibits, CG reserves the right to utilize any exhibit introduced by any other party. CG additionally reserves the right to introduce any additional exhibit necessary for rebuttal, cross-examination or impeachment at the final hearing.

### IV. STATEMENT OF BASIC POSITION

Based on its experience with electric utility providers across the country, CG has found PEF's service to be adequate but not superior to that of other providers to the extent that PEF deserves an ROE incentive adder. One of the significant ways to evaluate the service provided by any provider is to compare its rates versus other providers. An independent analysis by the Edison Electric Institute and CG's own experience show that PEF's commercial rates are already relatively higher than many comparable utilities and should not be increased further. The quality of service PEF provides to members of CG also is not superior nor do PEF's rate schedule offerings fit well the load profiles of its large commercial customers. Accordingly, CG is sponsoring the testimony of Mike O'Sheasy who is proposing Real Time Pricing ("RTP") as a better fit for Commercial load that, if structured correctly, would benefit commercial and industrial customers, PEF, and non-RTP customers as well.

### V. ISSUES AND POSITIONS

#### TEST YEAR AND FORECASTING

**ISSUE 1:** Is PEF's projected test period of the twelve months ending December 31, 2006 appropriate?

**Yes**

**ISSUE 2:** Are PEF's forecasts of customer growth, KWH by revenue class, and system KW for the projected test year appropriate?

**No position at this time.**

**ISSUE 3:** Are PEF's forecasts of billing determinants by rate class for the projected test year appropriate?  
**No position at this time.**

#### **QUALITY OF SERVICE**

**ISSUE 4:** Is the quality and reliability of electric service provided by PEF adequate?  
**Higher cost. Generally comparable quality of service.**

**ISSUE 5:** Is PEF's customer complaint resolution process adequate?  
**No position at this time.**

**ISSUE 6:** Is PEF's pole inspection, repair, and replacement program sufficient for the purpose of providing reasonable transmission and distribution service?  
**No position at this time.**

**ISSUE 7:** Is PEF's vegetation management program sufficient for the purpose of providing reasonable transmission and distribution service?

Are PEF's vegetation management and animal and pest control programs sufficient for the purpose of providing reasonable transmission and distribution service? (White Springs' issue)  
**Agree with the FRF.**

**ISSUE 8:** Pursuant to the requirements of Order No. PSC-02-0655-AS-EI, did PEF achieve a 20 percent distribution reliability improvement for 2004 compared to its performance in 2000?  
**Agree with the FRF.**

#### **DEPRECIATION STUDY**

**ISSUE 9:** What should be the implementation date for PEF's depreciation rates and recovery/amortization schedules?  
**No position at this time.**

**ISSUE 10:** For each of the depreciation accounts shown in Progress Energy Florida's Exhibit No. RHB-7, Volume 1- 3, and summarized depreciation rates in Exhibit JP-4, pages 1-9:  
**No position at this time.**

(a) Has PEF employed an appropriate average service life, survivor curve, and/or reserve percentage in the calculation of the depreciation rate? If not, what is the appropriate factor(s), and what is the impact, if any,

on (i) the depreciation rate and (ii) PEF's depreciation reserve?  
Provide a position for each affected account.

**No position at this time.**

(b) Has PEF employed the appropriate net salvage factor in the calculation of the proposed depreciation rate? If not, what is the appropriate factor, and what is the impact, if any, on (i) the depreciation rate and (ii) the deprecation reserve? Provide a position statement for each affected account.

**No position at this time.**

**ISSUE 11:** Based on the relationship between current depreciation parameters as approved by the Commission in this case and PEF's book reserve, what is PEF's depreciation reserve posture? How should PEF's reserve position be treated for ratemaking purposes?

**No position at this time.**

**ISSUE 12:** Is PEF's \$250 million accrued debit to the bottom line reserve balance allocation appropriate based upon the approved settlement agreement in Order No. PSC-02-0655-AS-EI?

**No position at this time.**

**ISSUE 13:** Based on the decisions on foregoing issues, what are the appropriate depreciation rates and recovery/amortization schedules?

**No position at this time.**

**ISSUE 14:** Should the current amortization of investment tax credits and flow back of excess deferred income taxes be revised to reflect the approved depreciation rates and recovery schedules?

**No position at this time.**

#### **FOSSIL DISMANTLEMENT COST STUDY**

**ISSUE 15:** Should PEF's currently approved annual fossil dismantlement accrual be revised?

**No position at this time.**

**ISSUE 16:** Should any reserve allocations be made within the fossil dismantlement accounts?

**No position at this time.**

**ISSUE 17:** What is the appropriate annual accrual for PEF's fossil dismantlement?

**No position at this time.**

## NUCLEAR DECOMMISSIONING COST STUDY

**ISSUE 18:** Should the currently approved annual nuclear decommissioning accruals for PEF be revised?

**No position at this time.**

**ISSUE 18A:** What is the appropriate annual accrual amount for nuclear decommissioning?

**No position at this time.**

**ISSUE 19:** Should a contingency allowance be applied to the estimated cost of nuclear decommissioning and if so, what percentage contingency should be used?

**No position at this time.**

**ISSUE 20:** Should the total estimated cost of nuclear decommissioning include a provision for on-site storage of spent fuel beyond the termination of the operating license of Crystal River Unit 3?

**No position at this time.**

**ISSUE 21:** Is the Nuclear Decommissioning Trust Fund appropriately funded? If not, what adjustments, if any, should be made to the balance?

**No position at this time.**

**ISSUE 22:** What should be the effective date for adjusting PEF's annual accrual for nuclear decommissioning?

**No position at this time.**

**ISSUE 23:** What is the appropriate disposition of the accumulated balance of nuclear amortization?

**No position at this time.**

**ISSUE 24:** Is the annual accrual to the nuclear maintenance reserve reasonable?

**No position at this time.**

## RATE BASE

**ISSUE 25:** Are the projected balances of plant in service accurate and reasonable?

**No position at this time.**

**ISSUE 26:** Is the inclusion of and the amount of electric plant acquisition adjustment included in rate base appropriate?

**No position at this time.**

- ISSUE 27:** Should PEF's proposed change in capitalization policy be approved? If the answer is yes, has PEF adequately supported and proven the impact of the change on the 2006 test year?  
**No position at this time.**
- ISSUE 28:** Are any modifications to past PEF financial statements required as a result of the consideration of the proposed change in capitalization policy? If so, what are the effects, if any, on the 2006 test year?  
**No position at this time.**
- ISSUE 29:** What adjustment should be made to test year plant in service related to Hines Unit 2?  
**No position at this time.**
- ISSUE 30:** Are the capital costs associated with the Hines Unit 3 generating unit appropriate?  
**No position at this time.**
- ISSUE 31:** Are any adjustments to rate base necessary to reflect any impacts of the sale or disposition of the electric distribution system to the City of Winter Park?  
**No position at this time.**
- ISSUE 32:** Should adjustments be made for the rate base effects of PEF's transactions with affiliated companies?  
**No position at this time.**
- ISSUE 33:** Should the capitalized items currently approved for recovery through the Environmental Cost Recovery Clause be included in rate base?  
**No position at this time.**
- ISSUE 34:** How should the Commission's decision in PEF's storm damage docket be reflected in this case?  
**No position at this time.**
- ISSUE 35:** What adjustments should be made to test year rate base to account for Mobile Meter Reading equipment?  
**No position at this time.**

**ISSUE 36:** Is PEF's requested level of Plant in Service in the amount of \$8,363,233,000 (\$9,029,628,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

**No.**

**ISSUE 37:** Are the projected balances of accumulated depreciation accurate and reasonable?

**No position at this time.**

**ISSUE 38:** Is PEF's requested level of Accumulated Depreciation and Accumulated Amortization in the amount of \$4,051,946,000 (\$4,394,317,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.

**No position at this time.**

**ISSUE 39:** Is PEF's requested level of CWIP in the amount of \$82,105,000 (\$244,471,000 system) for the projected test year appropriate?

**No. Agree with the FRF.**

Is PEF appropriately accruing AFUDC on CWIP for the projected test year? (White Springs' issue)

**No. Agree with the FRF.**

**ISSUE 40:** Is PEF's requested level of Property Held for Future Use in the amount of \$6,054,000 (\$7,921,000 system) for the projected test year appropriate?

**No. Agree with the OPC.**

**ISSUE 41:** What adjustment, if any, should be made to the test year rate base concerning nuclear decommissioning?

**No position at this time.**

**ISSUE 42:** What adjustments, if any, should be made to the projected test year rate base to account for spent nuclear fuel storage?

**No position at this time.**

**ISSUE 43:** **WITHDRAWN ISSUE**

**ISSUE 44:** Has PEF reflected the appropriate accumulated provision for uncollectibles?

**No position at this time.**

**ISSUE 45:** **WITHDRAWN ISSUE**

**ISSUE 46:**    **WITHDRAWN ISSUE**

**ISSUE 47:**    What adjustment, if any, should be made to recoverable job orders that PEF included in working capital?  
**No position at this time.**

**ISSUE 48:**    What is the appropriate cash balance that the Commission should include in working capital?  
**No position at this time.**

**ISSUE 49:**    What adjustment, if any, should the Commission make to the accounts receivable from associated companies that PEF included in working capital?  
**No position at this time.**

**ISSUE 50:**    What amount of total unbilled revenue should be allocated to the jurisdictional retail customers for purposes of computing allowable working capital?  
**No position at this time.**

Is the method used by PEF for calculating the increase in unbilled revenues by rate class appropriate?  
**No position at this time.**

**ISSUE 51:**    What is the appropriate amount of derivative assets, if any, that the Commission should allow to be included in working capital?  
**No position at this time.**

What adjustments, if any, should be made to projected test year rate base to recognize implementation of Statement of Financial Accounting Standards Nos. (FAS) 133/137, Accounting for Derivative Instruments and Hedging Activities? WCA  
**No position at this time.**

**ISSUE 52:**    What is the appropriate amount of employees' receivables, if any, that the Commission should allow to be included in working capital?  
**No position at this time.**

**ISSUE 53:**    What adjustment, if any should be made to the unamortized rate case portion of PEF's proposed working capital?  
**No position at this time.**



Should unamortized rate case expense be included in working capital, and if so, what is the appropriate amount?

**No position at this time.**

**ISSUE 54:** What adjustment, if any, should be made to the prepaid advertising expense portion of PEF's proposed working capital?

**No position at this time.**

**ISSUE 55:** Should an adjustment be made to prepaid pension expense? (White Springs' issue)

**No position at this time.**

**ISSUE 56:** Should an adjustment be made to working capital to exclude prepaid interest? (White Springs' issue)

**No position at this time.**

**ISSUE 57:** Should adjustments be made to working capital to exclude the vacation pay accrual asset? (White Springs' issue)

**No position at this time.**

**ISSUE 58:** Should an adjustment be made to working capital for unfunded Other Post-retirement Employee Benefit (OPEB) liability? (White Springs' issue)

**No position at this time.**

**ISSUE 59:** Has PEF properly included in its working capital two turbines that PEF intends to install in Hines Unit 4?

**No position at this time.**

**ISSUE 60:** Should other accounts receivable be reduced to exclude loans to employees?

**No position at this time.**

**ISSUE 61:** Should an adjustment be made to working capital to exclude prepayments for non-utility advertising?

**No position at this time.**

**ISSUE 62:** Should working capital for the projected test year be adjusted for interest on tax deficiencies?

**No position at this time.**

**ISSUE 63:** Should an adjustment be made to Accrued Taxes Payable and Tax Collections Payable in working capital?

**No position at this time.**

- ISSUE 64:** Should the net overrecovery/underrecovery of fuel, capacity, conservation, and environmental cost recovery clause expenses for the test year be included in the calculation of working capital allowance for PEF?  
**No position at this time.**
- ISSUE 65:** Is PEF's level of Account 151, Fuel Stock, in the amount of \$126,077,000 (\$138,356,000 system) for the projected test year appropriate?  
**No position at this time.**
- What adjustments, if any, should be made to PEF's fuel inventories?  
**No position at this time.**
- ISSUE 66:** What adjustment, if any, should be made to test year working capital to account for costs related to the transfer of fuel procurement and transportation operations from Progress Fuels Corporation to PEF?  
**No position at this time.**
- ISSUE 66A:** Are any additional adjustments to working capital not covered under other issues appropriate?  
**No position at this time.**
- ISSUE 67:** Has PEF properly estimated the amount of storm damage reserve that will be available for the projected test year?  
**No position at this time.**
- ISSUE 68:** Has PEF accounted for its Asset Retirement Obligations in accordance with Rule 25-14.014, F.A.C., Accounting for Asset Retirement Obligations under SFAS 143, such that it is revenue neutral?  
**No position at this time.**
- ISSUE 69:** Is PEF's requested level of Working Capital Allowance in the amount of \$183,593,000 (\$220,083,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.  
**No.**
- ISSUE 70:** What is the appropriate reserve goal for Account 228.1, Accumulated Provision for Property Insurance – Storm Damage?  
**No position at this time.**

**ISSUE 71:** Are any adjustments to rate base necessary to reflect the impacts of the sales or disposition of assets resulting from the exercising of the purchase options in expired or expiring franchise agreements?  
**No position at this time.**

**ISSUE 72:** Is PEF's requested level of Rate Base in the amount of \$4,640,452,000 (\$5,277,387,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.  
**No. Agree with the FRF.**

## **COST OF CAPITAL**

**ISSUE 73:** Has PEF appropriately treated deferred income tax debit balances and deferred tax asset balances in its proposed capital structure? If not, what adjustments are needed?  
**No position at this time.**

**ISSUE 74:** What is the appropriate amount of accumulated deferred taxes to include in the capital structure?  
**No position at this time.**

**ISSUE 75:** What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?  
**No position at this time.**

**ISSUE 76:** Has FAS 109 been appropriately reflected in the capital structure, such that it is revenue neutral?  
**No position at this time.**

**ISSUE 77:** What is the appropriate cost rate for short-term debt for the projected test year?  
**No position at this time.**

**ISSUE 78:** What is the appropriate cost rate for long-term debt for the projected test year?  
**No position at this time.**

**ISSUE 79:** In setting PEF's return on equity (ROE) for use in establishing PEF's revenue requirements and authorized range, should the Commission make an adjustment to reflect PEF's performance?  
**No. Agree with the FRF.**

**ISSUE 79A:** **Commercial Group's suggested language:** In setting PEF's return on equity (ROE) for use in establishing PEF's revenue requirements and

authorized range, is PEF's performance superior to that of other similar electric utilities and if so, should the Commission make an adjustment to reflect PEF's performance?

**No. Agree with the FRF.**

**ISSUE 80:** What is the appropriate cost rate for common equity to use in establishing PEF's revenue requirement for the projected test year?

**No position at this time.**

**ISSUE 81:** When determining the appropriate capital structure for PEF for ratemaking purposes, to what extent, if any, should the Commission base its determination on the capital structure of holding company Progress Energy?

**No position at this time.**

**ISSUE 82:** Should adjustments be made for the capital structure effects of PEF's transactions with affiliated companies?

**No position at this time.**

**ISSUE 83:** Should the Commission approve PEF's request to impute additional common equity in its capital structure for ratemaking purposes to adjust for PEF's power purchase contracts?

Is PEF's proposal to impute common equity to balance off-balance sheet debt reasonable?

**No. Agree with the OPC.**

**ISSUE 84:** When determining the appropriate capital structure, should the Commission accept PEF's adjustment to reflect the impact of the 1996 settlement of Crystal River 3 outage issues?

**No. Agree with the FRF.**

**ISSUE 85:** When determining the appropriate capital structure, should the Commission accept PEF's proposal to exclude commercial paper associated with unrecovered fuel cost?

**No position at this time.**

**ISSUE 86:** What is the appropriate capital structure for PEF?

**No position at this time.**

**ISSUE 87:** What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure? This is a calculation based upon the decisions in preceding issues.  
**No position at this time.**

## **NET OPERATING INCOME**

**ISSUE 88:** Are PEF's estimated revenues for sales of electricity by rate class appropriate?  
**No position at this time.**

**ISSUE 89:** Are PEF's estimated other operating revenues appropriate?  
**No position at this time.**

**ISSUE 90:** Are any adjustments to net operating income necessary due to Winter Park's purchase of PEF's electric distribution system within Winter Park?  
**No position at this time.**

**ISSUE 91:** Has PEF made the appropriate adjustments to remove fuel revenues, expenses and revenue taxes recoverable through the Fuel Adjustment Clause?  
**No position at this time.**

**ISSUE 92:** Has PEF made the appropriate adjustments to remove the capacity cost revenues, expenses and revenue taxes recoverable through the Capacity Cost Recovery Clause?  
**No position at this time.**

**ISSUE 93:** Has PEF made the appropriate adjustments to remove environmental revenues, expenses and revenue taxes recoverable through the Environmental Cost Recovery Clause?  
**No position at this time.**

**ISSUE 94:** Has PEF made the appropriate adjustments to remove conservation revenues, expenses and taxes recoverable through the Conservation Cost Recovery Clause?  
**No position at this time.**

**ISSUE 95:** Has PEF properly removed Off-System Sales revenues, expenses and taxes other for wholesale sales and included retail for the projected test year?  
**No position at this time.**

- ISSUE 96:** Is PEF's requested level of Total Operating Revenues in the amount of \$1,482,222,000 (\$1,615,187,000 system) for the projected test year appropriate?  
**No position at this time.**
- ISSUE 97:** What adjustments, if any, should be made to Generation O&M expenses?  
**No position at this time.**
- ISSUE 98:** What adjustment should be made to test year O&M related to Hines Unit 2?  
**No position at this time.**
- ISSUE 99:** Are the O&M costs associated with the Hines Unit 3 generating unit appropriate?  
**No position at this time.**
- ISSUE 100:** What adjustment should be made to test year expenses to account for A&G expense related to the transfer of fuel procurement and transportation operations from Progress Fuels Corporation to a new consolidated organization?  
**No position at this time.**
- ISSUE 101:** Are PEF's recently implemented capitalization policies reasonable and appropriate? Did PEF accurately reflect the impact of the change in policy in its filing? What adjustments to operating income are necessary to reflect an appropriate capitalization policy?  
**No position at this time.**
- ISSUE 102:** Should an adjustment be made to PEF's requested level of security expense related to the increased threat of terrorist attacks since September 11, 2001?  
**No position at this time.**
- ISSUE 103:** Are the costs included in the projected test year for incentive compensation and employee bonuses reasonable and appropriate? Should all of the projected incentive compensation and bonus costs be funded by ratepayers?  
**No position at this time.**
- ISSUE 104:** Is the employee complement included in the projected test year accurate and reasonable? If no, what adjustments, if any, are necessary?  
**No position at this time.**

- ISSUE 104A:** Is the amount of payroll expense included in the projected test year reasonable and appropriate?  
**No position at this time.**
- ISSUE 105:** Has PEF made the proper adjustment to remove the effect of vacancies on the labor complement?  
**No position at this time.**
- ISSUE 106:** Should an adjustment be made to reduce costs related to temporary staff?  
**No position at this time.**
- ISSUE 107:** Should an adjustment be made to employee relocation expense for the projected test year?  
**No position at this time.**
- ISSUE 108:** Should an adjustment be made for new employees hired and the related moving expenses?  
**No position at this time.**
- ISSUE 109:** Is the level of overhead cost allocations for the projected test year appropriate?  
**No position at this time.**
- ISSUE 110:** Should an adjustment be made to Account 926, Employee Benefits, for the projected test year?  
**No position at this time.**
- ISSUE 111:** Is PEF's projected test year accrual for medical/life reserve-active employees and retirees appropriate?  
**No position at this time.**
- ISSUE 112:** Is PEF's requested level of Other Post Employment Benefits Expense for the projected test year appropriate?  
**No position at this time.**
- ISSUE 113:** Are the amounts included in the projected test year for costs allocated to PEF from affiliated companies reasonable and appropriate?  
**No position at this time.**
- ISSUE 114:** Has PEF made the appropriate adjustment to remove non-utility expenses?  
**No position at this time.**

Has PEF properly allocated expenses between regulated and non-regulated operations?

**No position at this time.**

**ISSUE 115:** Are all impacts of the Cost Management Initiative appropriately reflected in the projected test year?

**No position at this time.**

**ISSUE 116:** What adjustments, if any, should be made to Transmission O&M expenses?

**Agree with the FRF.**

**ISSUE 117:** What adjustment, if any, should be made to PEF's proposed level of vegetation management expense?

**Agree with the FRF.**

**ISSUE 118:** Should an adjustment be made to street and outdoor light maintenance expense?

**No position at this time.**

**ISSUE 119:** What adjustments, if any, should be made to Distribution O&M expenses?

**Agree with the FRF.**

**ISSUE 120:** What adjustment should be made to test year expenses to account for Mobile Meter Reading expense savings?

**No position at this time.**

**ISSUE 121:** Should an adjustment be made to Account 904, Uncollectible Accounts, for the projected test year and what is the appropriate factor to include in the revenue expansion factor?

**Agree with the FRF.**

**ISSUE 122:** Should an adjustment be made to remove image building or other advertising expenses?

**No position at this time.**

**ISSUE 123:** Should an adjustment be made for economic development activities? (930)

**No position at this time.**

**ISSUE 124:** Are industry association dues included in the projected test year and, if so, should an adjustment be made to remove them?

**No position at this time.**



**ISSUE 125:** Has PEF budgeted to fund the NEI Utility Waste Management Group, and if so, should an adjustment be made to remove it?  
**No position at this time.**

**ISSUE 126:** Should an adjustment be made to remove a portion of EEI dues?  
**No position at this time.**

**ISSUE 127:** Has PEF made the appropriate adjustments to remove charitable contributions?  
**No position at this time.**

**ISSUE 128:** Should an adjustment be made to Account 912, Demonstrating and Selling Expenses for the projected test year?  
**No position at this time.**

Are sales expenses appropriately allocated to the retail jurisdiction? (Accts. 911-917)  
**No position at this time.**

**ISSUE 129:** Should an adjustment be made to Insurance Expense for the projected test year? (926)  
**No position at this time.**

a. What is the appropriate amount of NEIL distribution to be included in the test year?

**No position at this time.**

b. What amount of directors and officers liability insurance costs should be included in the test year?

**No position at this time.**

**ISSUE 130:** Is PEF's requested \$50,000,000 annual accrual for storm damage for the projected test year appropriate?  
**No position at this time.**

**ISSUE 131:** Should an adjustment be made to Account 928, Regulatory Commission Expense, for rate case expense for the projected test year and what is the appropriate amortization period?  
**No position at this time.**

**ISSUE 132:** Should the costs currently recovered through the Environmental Cost Recovery Clause be recovered through base rates pursuant to Section 366.8255(5), Florida Statutes?  
**No position at this time.**

- ISSUE 133:** Is PEF's O&M Expense of \$612,136,000 (\$673,859,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.  
**No. Agree with the FRF.**
- ISSUE 134:** What adjustments, if any, should be made to PEF's projected test year net operating income to account for spent nuclear fuel O&M expenses?  
**No position at this time.**
- ISSUE 135:** What adjustments, if any, should be made to the projected test year expenses to recognize implementation of FAS 143, Accounting for Asset Retirement Obligations?  
**No position at this time.**
- ISSUE 136:** What adjustments, if any, should be made to the projected test year expenses to recognize implementation of FAS 133/137, Accounting for Derivative Instruments and Hedging Activities?  
**No position at this time.**
- ISSUE 137:** What adjustment, if any, should the Commission make to the test year Depreciation and Amortization Expense that PEF included in its filing? This is a calculation based upon the decisions in preceding issues.  
**No position at this time.**
- ISSUE 138:** Are any adjustments to the projected test year amortization of the net gain on sale of assets appropriate?  
**No position at this time.**
- ISSUE 139:** Should interest on tax deficiencies for the projected test year be included above-the-line?  
**No position at this time.**
- ISSUE 140:** Is PEF's Taxes Other Than Income of \$113,631,000 (\$122,653,000 system) for the projected test year appropriate?  
**No. Agree with the FRF.**
- ISSUE 141:** Should a Parent Debt Adjustment be made for the projected test year and if so, what is the appropriate amount of the adjustment?  
**No position at this time.**
- ISSUE 142:** Has PEF appropriately calculated the adjustment to taxable income to reflect the domestic manufacturer's tax deduction which was attributable to the American Jobs Creation Act?  
**No position at this time.**

**ISSUE 143:** Are consolidating tax adjustments appropriate, and if so, what are the appropriate amounts for the projected test year for PEF?  
**No position at this time.**

**ISSUE 144:** Is PEF's Income Tax Expense of \$210,164,000 (\$229,517,000 system) which includes current and deferred income taxes and interest reconciliation for the projected test year appropriate?  
**No position at this time.**

**ISSUE 145:** Is PEF's projected Total Operating Expenses of \$1,167,239,000 (\$1,270,623,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.  
**No position at this time.**

**ISSUE 146:** Is PEF's Net Operating Income of \$314,983,000 (\$344,564,000 system) for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.  
**No position at this time.**

## **REVENUE REQUIREMENTS**

**ISSUE 147:** What is the appropriate projected test year revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for PEF?  
**Agree with the FRF.**

- a. Has PEF appropriately included the impacts of the domestic manufacturer's tax deduction attributable to the 2004 American Jobs Creation Acts in the determination of the net operating income multiplier?  
**Agree with the FRF.**

**ISSUE 148:** What is PEF's annual operating revenue requirement for the projected 2006 test year?  
**No position at this time.**

**ISSUE 149:** Is PEF's proposed increase of \$206,000,000 for the projected test year appropriate? This is a calculation based upon the decisions in preceding issues.  
**No.**

## **COST OF SERVICE AND RATE DESIGN**

- ISSUE 150:** Is PEF's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?  
**No position at this time.**
- ISSUE 151:** What is the appropriate cost of service study to be used in designing PEF's rates?  
**No position at this time.**
- ISSUE 152:** How should any change in revenue requirements approved by the Commission be allocated among the customer classes?  
**No position at this time.**
- ISSUE 153:** What are the appropriate demand charges?  
**No position at this time.**
- ISSUE 154:** What are the appropriate energy charges?  
**No position at this time.**
- ISSUE 155:** What are the appropriate customer charges?  
**No position at this time.**
- ISSUE 156:** What are the appropriate service charges?  
**No position at this time.**
- ISSUE 157:** What are the appropriate lighting rate schedule charges?  
**No position at this time.**
- ISSUE 158:** What are the appropriate premium distribution service charges?  
**No position at this time.**
- ISSUE 159:** What are the appropriate delivery voltage credits?  
**No position at this time.**
- ISSUE 160:** What are the appropriate power factor charges and credits?  
**No position at this time.**
- ISSUE 161:** What is the appropriate lump sum payment for time-of-use metering costs?  
**No position at this time.**

- ISSUE 162:** What are the appropriate monthly fixed charge carrying rates to be applied to the installed cost of customer-requested distribution equipment, lighting service fixtures, and lighting service poles for which there are no tariffed charges?  
**No position at this time.**
- ISSUE 163:** What are the appropriate charges and credits under the Firm, Interruptible, and Curtailable Standby Service rate schedules?  
**No position at this time.**
- ISSUE 164:** What is the appropriate level for the interruptible credit for PEF's industrial customers?  
**No position at this time.**
- ISSUE 165:** Should the Commission approve PEF's proposal to eliminate its IS-1, IST-1, CS-1 and CST-1 rate schedules and transfer the current customers to otherwise applicable rate schedules?  
**No position at this time.**
- ISSUE 166:** Should the Commission approve a Real Time Pricing rate schedule for PEF? (Commercial Group's issue)  
**Yes.**
- ISSUE 167:** Should the Commission approve PEF's proposal to make its Commercial/Industrial Service Rider pilot program permanent?  
**No position at this time.**
- ISSUE 168:** Should the Commission approve PEF's proposal to eliminate the special provision in its Lighting Service rate schedule that allows customers to make an up-front lump sum payment for lighting facilities?  
**No position at this time.**
- ISSUE 169:** Should the Commission approve PEF's proposal to increase the minimum term of service under its Lighting Service rate schedule from six to 10 years?  
**No position at this time.**
- ISSUE 170:** What is the appropriate effective date for PEF's revised rates and charges?  
**1/1/06.**
- ISSUE 171:** Is PEF's allocation of costs among customer classes appropriate?  
**No position at this time.**

**ISSUE 172:** Should a delivery level be added for primary level customers with minimal or no PEF-owned distribution equipment?  
**No position at this time.**

#### **OTHER ISSUES**

**ISSUE 173:** Should the Commission approve PEF's request to move into base rates the security costs that result from heightened security requirements since September 11, 2001 from Capacity Cost Recovery Clause?  
**No position at this time.**

**ISSUE 174:** Should PEF continue to seek recovery of incremental security costs above the amount included in base rates through the Capacity Cost Recovery Clause? If so, what mechanism should be used to determine the incremental security costs?  
**No position at this time.**

**ISSUE 175:** Should PEF be allowed to recover incremental hedging costs in excess of its base rate amount through the Fuel and Purchased Power Cost Recovery Clause, and if so, should netting be required in the clause for these costs?  
**No position at this time.**

**ISSUE 176:** What is the appropriate resource mix for both PEF's generation fleet and PEF's purchased power commitments?  
**No position at this time.**

**ISSUE 177:** Should any incentives be placed on PEF to improve generation plant fuel efficiency?  
**No position at this time.**

**ISSUE 178:** Should PEF be required to bear any fuel price related risk?  
**No position at this time.**

**ISSUE 179:** Has Progress Energy realized the cost savings and efficiencies promised at the time of the merger?  
**No position at this time.**

**ISSUE 180:** Are PEF's claimed legal expenses reasonable and appropriate?  
**No position at this time.**

**ISSUE 181:** Are PEF's conservation programs and their administration reasonable and appropriate?  
**No position at this time.**

**ISSUE 182:** Has PEF adequately demonstrated that its compensation and benefit plans are reasonable?

**No position at this time.**

**ISSUE 183:** Are PEF's accounting systems appropriate and do they contain adequate controls to ensure that PEF's customers do not pay costs not properly allocated to jurisdictional service?

**No position at this time.**

**ISSUE 184:** Is PEF's allocation of costs among customer classes appropriate?

**No position at this time.**

**ISSUE 185:** What should the appropriate policy be regarding PEF's responsibility/ability to hedge fuel costs and to recover associated hedging costs?

**No position at this time.**

**ISSUE 186:** What is the appropriate allocation between PEF and its ratepayers for revenues from wholesale sales from regulated generation, transmission and distribution assets?

**No position at this time.**

**ISSUE 187:** This issue appears to be identical to Issue 172. **WITHDRAWN ISSUE.**

**ISSUE 188:** Should PEF be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records that will be required as a result of the Commission's findings in this rate case?

**Yes.**

**ISSUE 189:** Should this docket be closed?

**No position at this time.**

## **VI. STIPULATED ISSUES**

The Commercial Group is not aware of any stipulated issues at this time.

## **VII. PENDING MOTIONS**

The Commercial Group has no pending motions at this time.

## **VIII. PENDING REQUESTS FOR CONFIDENTIAL CLASSIFICATION**

None involving the Commercial Group at this time.

**IX. REQUIREMENTS OF THE PREHEARING ORDER THAT CANNOT BE MET**

None that the Commercial Group is aware of.

**X. OBJECTIONS TO WITNESSES' QUALIFICATIONS**

At this time, the Commercial Group has no objections to the qualifications of any witness to testify.

This 3rd day of August, 2005.

MCKENNA LONG & ALDRIDGE LLP

By: /S/ Alan R. Jenkins  
Alan R. Jenkins  
Qualified Representative of  
the Commercial Group

MCKENNA LONG & ALDRIDGE LLP  
303 Peachtree Street, Suite 5300  
Atlanta, Georgia 30308  
Telephone: (404) 527-4000  
Facsimile: (404) 527-4198



**CERTIFICATE OF SERVICE**

I, Tracy R. Murchison, hereby certify that I have served **The Commercial Group's Prehearing Statement** on behalf of the Commercial Group upon the following parties in Docket No. 050078 by email and/or by depositing a copy of same in the United States mail with sufficient postage, addressed as follows:

Florida Public Service Commission  
Wm. Cochran Keating, IV, Esq.  
Katherine Fleming, Esq.  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

AARP  
c/o Michael B. Twomey, Esq.  
P.O. Box 5256  
Tallahassee, FL 32314-5256

Florida Industrial Power Users Group  
John W. McWhirter  
McWhirter Reeves, Davidson,  
Kaufman & Arnold, P.A.  
400 North Tampa Street, Suite 2450  
Tampa, FL 33602

Timothy J. Perry  
McWhirter Reeves, Davidson,  
Kaufman & Arnold, P.A.  
117 South Gadsden Street  
Tallahassee, FL 32301

Harold A. McLean  
Joseph A. McGlothlin  
Patricia Christensen  
Office of the Public Counsel  
c/o The Florida Legislature  
111 West Madison Street, Room 812  
Tallahassee, FL 32399

Florida Retail Federation  
100 E. Jefferson St.  
Tallahassee, FL 32301

Scheffel Wright  
John LaVia  
Landers Law Firm  
Scheffel Wright/John LaVia  
P.O. Box 271  
Tallahassee, FL 32302

White Springs Agricultural  
Chemicals, Inc.  
P.O. Box 300  
White Springs, FL 32096

PCS Administration (USA), Inc.  
Karin S. Torain  
Suite 400  
Skokie Boulevard  
Northbrook, IL 60062

Progress Energy Florida, Inc.  
Mr. Paul Lewis, Jr.  
106 East College Ave., Suite 800  
Tallahassee, FL 32301-7740

Progress Energy Service Company, LLC  
James A. McGee/R. Alexander Glenn/  
P.O. Box 14042  
St. Petersburg, FL 33733

Richard A. Zambo, P.A.  
21336 S.E. Ocean Blvd., #309  
Stuart, FL 34996

Sutherland Asbill Law Firm (DC)  
James Bushee/Daniel Frank  
1275 Pennsylvania Ave., N.W.  
Washington, DC 20004-2415

Sutherland Asbill Law Firm (Tall)  
C. Everett Boyd, Jr.  
2282 Killearn Center Blvd.  
Tallahassee, FL 32309-3576

Carlton Fields Law Firm  
G. Sasso/J. Walls/J. Burnett/D. Triplett  
P.O. Box 3239  
Tampa, FL 33601-3239

Sugarmill Woods Civic  
Association, Inc.  
c/o George Borchers, Preseident  
108 Cypress Blvd. W.  
Homosassa, FL 34446

Buddy L. Hansen  
13 Wild Olive Court  
Homosassa, FL 34446

This 3rd day of August, 2005.

/S/ Tracy R. Murchison  
Tracy R. Murchison