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**Timolyn Henry**

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| **From:** | Binette, Matthew J. [Matthew.Binette@sablaw.com] |
| **Sent:** | Wednesday, August 03, 2005 4:32 PM |
| **To:** | Filings@psc.state.fl.us |
| **Subject:** | Prehearing Statement in Docket No. 050078-EI |
| **Attachments:** | WO_413484_5.DOC |

Please accept for e-filing the attached document.

a. The person making this filing is: James M. Bushee, Sutherland Asbill & Brennan LLP, 1275 Pennsylvania Avenue, N.W., Washington, DC 20004-2415, telephone 202-383-0100, fax 202-637-3593, e-mail james.bushee@sablaw.com.

b. The docket number is: 050078-EI, In re: Petition for rate increase by Progress Energy Florida, Inc.

c. This document is filed on behalf of White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate - White Springs.

d. There are a total of 35 pages in the attached document.

e. The document is the Prehearing Statement of White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate - White Springs in the above-captioned proceeding.

Thank you for your attention to this matter.

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**BEFORE THE**
**FLORIDA PUBLIC SERVICE COMMISSION**

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| In re: Petition for rate increase by Progress Energy Florida, Inc. | Docket No. 050078-EI<br>Filed: August 3, 2005 |

**PREHEARING STATEMENT OF**
**WHITE SPRINGS AGRICULTURAL CHEMICALS, INC.**

Pursuant to the Prehearing Officer's May 4, 2005 "Order Establishing Procedure" (Order No. PSC-05-0487-PCO-EI) ("May 4 Order"), White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs ("White Springs") hereby files its Prehearing Statement.

<u>**APPEARANCES**</u>

**James M. Bushee**, Sutherland Asbill & Brennan LLP, 1275 Pennsylvania Avenue, N.W., Washington, DC 20004-2415;

**Daniel E. Frank**, Sutherland Asbill & Brennan LLP, 1275 Pennsylvania Avenue, N.W., Washington, DC 20004-2415; and

**Andrew K. Soto**, Sutherland Asbill & Brennan LLP, 1275 Pennsylvania Avenue, N.W., Washington, DC 20004-2415.

**a.** <u>**All Known Witnesses**</u>

Mr. Maurice E. Brubaker, of Brubaker & Associates in St. Louis, Missouri, will testify regarding class cost of service, rate design and rate level issues. Mr. Michael Gorman, of Brubaker & Associates, will testify regarding capital structure, cost of capital and PEF revenue requirement issues. Mr. Alan R. Chalfant, of Brubaker & Associates, will testify regarding the unreasonableness of PEF's proposed ROE adder. Mr. Thomas J. Regan, Jr., President of PCS Phosphate Division, will testify regarding the adverse effect of PEF's rate proposals on customers such as White Springs.

**b.** <u>**All Known Exhibits**</u>

***Exhibits of Mr. Brubaker***
Exhibit No. MEB-1 (  ) – Comparative Study of Cost of Power to Industrial Customers
Exhibit No. MEB-2 (  ) – Average Quarterly Cost of Firm Power for Industrial Customers (Graph)
Exhibit No. MEB-3 (  ) – EEI Typical Bill Costs (Weighted Average) by Customer Class

Exhibit No. MEB-4 ( ) – Progress Energy Percentage of Energy from Oil and Natural Gas (Graph)
Exhibit No. MEB-5 ( ) – Progress Energy Cost per kW Using 12 CP and 25% Energy
Exhibit No. MEB-6 ( ) – Progress Energy Fuel and Purchased Power Costs by Resource Category
Exhibit No. MEB-7 ( ) – Progress Energy Load Characteristics and Monthly Peak Demand (1996-2004)
Exhibit No. MEB-8 ( ) – Projected Progress Energy Load Characteristics and Monthly Peak Demand (2005-2006)
Exhibit No. MEB-9 ( ) – Projected Progress Energy Revenue Requirement, Increases and Unit Costs (2006)
Exhibit No. MEB-10 ( ) – Projected Progress Energy Revenue Requirement, Increases and Unit Costs – Excluding Interruptible Demand (2006)
Exhibit No. MEB-11 ( ) – Revenue Requirement of a Combustion Turbine (EIA-2005)

***Exhibits of Mr. Gorman***
Exhibit No. MPG-1 ( ) – Progress Energy Billing Adjustments as a Percent of Total Electricity Sales
Exhibit No. MPG-2 ( ) – Capital Structure and Adjustments
Exhibit No. MPG-3 ( ) – Bond Ratings and Equity Ratios to Comparable Electric Utilities
Exhibit No. MPG-4 ( ) – Bond Ratings and Equity Ratios to Comparable Gas Utilities
Exhibit No. MPG-5 ( ) – Growth Rate Estimates of Comparable Electric and Gas Utilities
Exhibit No. MPG-6 ( ) – Constant Growth Discounted Cash Flow Model for Comparable Electric Utilities
Exhibit No. MPG-7 ( ) – Constant Growth Discounted Cash Flow Model for Comparable Gas Utilities
Exhibit No. MPG-8 ( ) – Historical Growth Rates of Comparable Electric & Gas Utilities
Exhibit No. MPG-9 ( ) – Market/Book Ratio of Electric Utilities
Exhibit No. MPG-10 ( ) – Equity Risk Premiums – Treasury Bonds (1986 – 2004)
Exhibit No. MPG-11 ( ) – Equity Risk Premiums – Utility Bonds (1986 – 2004)
Exhibit No. MPG-12 ( ) – Series "A" Utility Bond Yields
Exhibit No. MPG-13 ( ) – Comparable Utility Group Beta
Exhibit No. MPG-14 ( ) – CAPM Return Estimate – Electric Utilities
Exhibit No. MPG-15 ( ) – S&P Credit Rating Financial Ratios
Exhibit No. MPG-16 ( ) – Analysis of Dr. VanderWeide's DCF Model
Exhibit No. MPG-17 ( ) – Excess Depreciation Reserve Adjustments – Dec. 31, 2005
Exhibit No. MPG-18 ( ) – Net Salvage Expense Adjustment
Exhibit No. MPG-19 ( ) – Annual Revenue Requirements – Return, Depreciation and Income Taxes
Exhibit No. MPG-20 ( ) – Excess Decommissioning Reserve Fund

***Exhibits of Mr. Chalfant***
Exhibit No. AC-1 ( ) – Order of the Wisconsin Public Service Commission

c. **Statement of Basic Position**

Progress Energy Florida, Inc.'s ("PEF") rates are already among the highest in the southeastern United States. White Springs' witness Brubaker testifies that PEF's industrial rates are second-highest among the regional utilities that he surveyed. Indeed, PEF's interruptible industrial rates are higher than the firm rates charged by some other utilities, including its affiliate Progress Energy Carolinas. PEF's residential rates are fifth highest among the utilities surveyed. PEF's customers, and the State of Florida, deserve better.

The fact that PEF's existing rates compare unfavorably with most other regional utilities underscores the fact that its proposed $206 million annual revenue increase, as well as its proposed cost allocation and rate design changes, are unreasonable. White Springs' testimony demonstrates that PEF's revenues should be reduced, conservatively, by at least $56.8 million annually; other intervenor witnesses propose revenue reductions of as much as $360 million annually. White Springs' testimony further demonstrates that PEF's cost allocation and rate design proposals are unreasonable and punitive to industrial customers, and would combine with PEF's revenue increase to raise the base rates for large interruptible industrial customers by as much as 80%.

White Springs' testimony identifies the following key flaws in PEF's proposed revenue increase:

- **Return on equity.** PEF's proposed return on equity ("ROE") of 12.8% (including a 50 basis point adder) is excessive. White Springs' witness Gorman demonstrates that the appropriate ROE for PEF is no more than 9.8%; other intervenor witnesses propose a ROE of as low as 9.1%. Additionally, White Springs' witness Chalfant demonstrates that PEF's proposed 50 basis point "regulatory tip" should be rejected, particularly given that PEF has among the highest rates in the southeastern United States. Reducing PEF's proposed ROE to 9.8% would alone reduce PEF's claimed revenue deficiency by $113.9 million annually.

- **Capital structure.** PEF's proposed capital structure is unreasonable and would artificially inflate PEF's revenue requirement. White Springs' witness Gorman explains that PEF has made adjustments to its capital structure to impute over $850 million of common equity. Those adjustments, related to a 1996 outage of the Crystal River 3 nuclear unit and PEF's purchased power obligation debt equivalents, are not necessary for PEF to retain its credit rating and, in any event, represent equity that has not actually been invested. Elimination of those adjustments would decrease PEF's revenue requirement by $45.6 million annually.

- **Depreciation.** PEF has vastly overstated its depreciation expenses. PEF acknowledges that it has a surplus in its depreciation account of $754 million; other intervenors calculate that excess as high as $1.2 billion. White Springs' witness Gorman conservatively proposes to return $250 million of that surplus over five years. Additionally, PEF's claimed net salvage expense does not reflect its actual experience. White Springs' witness Gorman proposes to reduce that expense from

$43 million to $0 annually. Finally, Mr. Gorman demonstrates that because of the inherent value of PEF's generation sites PEF's claimed $9.6 million annually for fossil dismantlement costs should be reduced to $0. Those three adjustments to PEF's claimed depreciation expense would reduce PEF's claimed revenue requirement by $85.2 million annually.

- **Nuclear decommissioning expenses.** PEF's nuclear decommissioning trust fund is over collected by more than $100 million, even allowing for a 17.3% cost contingency factor. White Springs' witness Gorman conservatively proposes to refund $75 million of that over-collection to ratepayers over five years. That would reduce PEF's revenue requirement by $17.7 million annually.

By conservatively adjusting these four items alone, White Springs has demonstrated that PEF's proposed $206 million annual revenue increase should in fact be a $56.8 million annual decrease. Significantly, other intervenors have identified numerous other adjustments that justify an even larger decrease in PEF's revenue. As White Springs continues to analyze intervenor testimony and review discovery responses, it anticipates adopting many of those adjustments.

White Springs' testimony further demonstrates that PEF's proposed cost allocation and rate design proposals would unreasonably burden large industrial customers:

- **Cost allocation.** Mr. Brubaker explains that PEF's proposed 12 CP and 25% methodology inappropriately shifts costs to large, high load factor industrial customers. Mr. Brubaker recommends an average of winter and summer peaks methodology. Based on PEF's full revenue request, Mr. Brubaker's methodology would result in a 7.5% increase to the interruptible class, rather than the 22-25% increase proposed by PEF.

- **Interruptible rates.** Mr. Brubaker further demonstrates that PEF's proposal to eliminate the IS-1 and IST-1 rate schedules and transfer existing customers to the IS-2 and IST-2 schedules is unreasonable and would impose dramatic rate increases on affected customers. Similarly, PEF's proposal to substantially reduce the level of credits for interruptible demand on the standby rate schedule SS-2 is unsupported and unreasonable. PEF's proposals do not reflect the value of interruptible customers to the system.

- Mr. Regan explains that PEF's proposals would put White Springs at a competitive disadvantage compared to other locations.

## d. <u>Statement on Each Question of Fact at Issue</u>

## TEST YEAR AND FORECASTING

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

POSITION OF WHITE SPRINGS: Yes.

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

POSITION OF WHITE SPRINGS: Yes.

ISSUE 3: Are PEF's forecasts of billing determinants by rate class for the projected test year appropriate?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

**QUALITY OF SERVICE**

ISSUE 4: Is the quality and reliability of electric service provided by PEF adequate?

POSITION OF WHITE SPRINGS: No. White Springs has experienced repeated significant power outages.

ISSUE 5: Is PEF's customer complaint resolution process adequate?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 7: Are PEF's vegetation management and animal and pest control programs sufficient for the purpose of providing reasonable transmission and distribution service?

POSITION OF WHITE SPRINGS: No. White Springs has experienced significant power outages that appear to be related to deficient vegetation management and animal and pest control programs.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

**DEPRECIATION STUDY**

ISSUE 9: What should be the implementation date for PEF's depreciation rates and recovery/amortization schedules?

POSITION OF WHITE SPRINGS: January 1, 2006.

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:

(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.

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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.

POSITION OF WHITE SPRINGS: PEF has overstated a reasonable net salvage expense for Transmission and Distribution assets. This overstatement to net salvage expense has unreasonably overstated PEF's proposed depreciation rates.

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?

POSITION OF WHITE SPRINGS: PEF acknowledges a $754 million surplus in its depreciation reserves; other intervenors calculate that the surplus is as much as $1.2 billion. White Springs recommends that PEF be required to refund $250 million of those excess reserves to customers over the next 5 years.

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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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

POSITION OF WHITE SPRINGS: PEF's depreciation rates should be adjusted to reflect a net transmission and distribution net salvage cost of zero.

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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

**FOSSIL DISMANTLEMENT COST STUDY**

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

POSITION OF WHITE SPRINGS: No. PEF's proposed fossil dismantlement cost should be rejected, and PEF should continue to accrue zero fossil dismantle expense. PEF's current fossil plant sites have significant value in either the redevelopment of future generation or in sale of the land after station dismantlement. This resale/reuse gross salvage value exceeds the expected dismantlement cost.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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

POSITION OF WHITE SPRINGS: PEF's proposed fossil dismantlement cost should be rejected, and PEF should continue to accrue zero fossil dismantle expense. PEF's current fossil plant sites have significant value in either the redevelopment of future generation or in sale of the land after station dismantlement. This resale/reuse gross salvage value exceeds the expected dismantlement cost.

**NUCLEAR DECOMMISSIONING COST STUDY**

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

POSITION OF WHITE SPRINGS: Yes, PEF should refund its excess nuclear decommissioning reserves to customers.

What is the appropriate annual accrual amount for nuclear decommissioning?

POSITION OF WHITE SPRINGS: The appropriate annual accrual amount for nuclear decommissioning is $0. PEF's nuclear decommissioning trust are already over-funded by more than $100 million.

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

POSITION OF WHITE SPRINGS: Yes, but that contingency should be no greater than that used in PEF's decommissioning study.

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?

POSITION OF WHITE SPRINGS: No. PEF, and its ratepayers, have already paid for spent fuel storage through surcharges that were paid to the DOE for it to store spent fuel.

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

POSITION OF WHITE SPRINGS: No. The trust fund is substantially over-funded, and excess funds should be returned to PEF's ratepayers.

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

POSITION OF WHITE SPRINGS: January 1, 2006.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

**RATE BASE**

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time, but anticipates agreeing with the position of other intervenors.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time, but anticipates agreeing with the position of other intervenors.

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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 29: What adjustment should be made to test year plant in service related to Hines Unit 2?

POSITION OF WHITE SPRINGS: The rate of return should be reduced and the fossil dismantlement expense should not be included on test year revenue requirement.

ISSUE 30: Are the capital costs associated with the Hines Unit 3 generating unit appropriate?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

Should any adjustments be made to rate base as a result of the municipalization of the Winter park system?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 32: Should adjustments be made for the rate base effects of PEF's transactions with affiliated companies?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 33: Should the capitalized items currently approved for recovery through the Environmental Cost Recovery Clause be included in rate base?

POSITION OF WHITE SPRINGS: Yes.

ISSUE 34: How should the Commission's decision in PEF's storm damage docket be reflected in this case?

POSITION OF WHITE SPRINGS: Because PEF incurred unprecedented storm damage costs in 2004, the storm damage reserve should not be based on that experience. Instead, the storm damage accrual level should be based on more representative experience, and should not exceed $15 million per year.

ISSUE 35: What adjustments should be made to test year rate base to account for Mobile Meter Reading equipment?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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.

POSITION OF WHITE SPRINGS: White Springs continues to review intervenor testimony and discovery responses in formulating its position.

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

POSITION OF WHITE SPRINGS: Although White Springs does not contest the amounts recorded by PEF, it recommends that excess balances be refunded to ratepayers.

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.

POSITION OF WHITE SPRINGS: No. The actual balance exceeds the appropriate theoretical balance, and the excess should be refunded. White Springs recommends that PEF refund $250 million over five years.

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?

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

POSITION OF WHITE SPRINGS: The Commission should eliminate CWIP from PEF's rate base.

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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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

POSITION OF WHITE SPRINGS: Excess accumulated reserves in the amount of $75 million (the amount in PEF's non-tax qualified account) should be refunded to ratepayers.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 47: What adjustment, if any, should be made to recoverable job orders that PEF included in working capital?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 48: What is the appropriate cash balance that the Commission should include in working capital?

POSITION OF WHITE SPRINGS: White Springs continues to review intervenor testimony and discovery responses in formulating its position.

ISSUE 49: What adjustment, if any, should the Commission make to the accounts receivable from associated companies that PEF included in working capital?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

Is the method used by PEF for calculating the increase in unbilled revenues by rate class appropriate?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 53: What adjustment, if any, should be made to the unamortized rate case portion of PEF's proposed working capital?

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

POSITION OF WHITE SPRINGS: PEF's proposed $12-25 million in working capital associated with rate case expenses should be removed from rate base.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 55: Should an adjustment be made to prepaid pension expense?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 56: Should an adjustment be made to working capital to exclude prepaid interest?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 57: Should adjustments be made to working capital to exclude the vacation pay accrual asset?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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

POSITION OF WHITE SPRINGS: Yes. PEF's ratepayers should not bear non-utility advertising expenses.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

What adjustments, if any, should be made to PEF's fuel inventories?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 67: Has PEF properly estimated the amount of storm damage reserve that will be available for the projected test year?

POSITION OF WHITE SPRINGS: No. PEF experienced unprecedented storm damage costs in 2004, and that experience should not be used as a basis for PEF's storm damage reserve.

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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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.

POSITION OF WHITE SPRINGS: No. White Springs continues to analyze intervenor testimony and discovery responses to determine the appropriate working capital allowance.

ISSUE 70: What is the appropriate reserve goal for Account 228.1, Accumulated Provision for Property Insurance – Storm Damage?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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.

POSITION OF WHITE SPRINGS: No. White Springs continues to analyze intervenor testimony and discovery responses to determine the appropriate rate base level.

**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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 74: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 76: Has FAS 109 been appropriately reflected in the capital structure, such that it is revenue neutral?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 77: What is the appropriate cost rate for short-term debt for the projected test year?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 78: What is the appropriate cost rate for long-term debt for the projected test year?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: Yes, the Commission should set PEF's ROE at the low end of the range based on (1) the fact that its rates are among the highest in the southeastern United States and (2) PEF's failure to consider coal-fired generation. The Commission should reject PEF's proposed ROE adder for "superior performance."

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

POSITION OF WHITE SPRINGS: The appropriate ROE for PEF is not more than 9.8%.

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?

POSITION OF WHITE SPRINGS: The Commission should not base its determination of the proper ROE for PEF on the capital structure of the holding company.

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

POSITION OF WHITE SPRINGS: PEF's capital structure should be appropriate for a stand-alone utility.

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?

POSITION OF WHITE SPRINGS: No. It would be unreasonable to impute additional common equity into PEF's capital structure because (1) that would provide a return on equity investments that have not been made, and (2) imputed equity is not necessary to support PEF's bond rating.

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?

POSITION OF WHITE SPRINGS: No. It would be unreasonable to impute additional common equity into PEF's capital structure because (1) that would provide a return on equity investments that have not been made, and (2) imputed equity is not necessary to support PEF's bond rating.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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

POSITION OF WHITE SPRINGS: The appropriate capital structure for PEF is provided at White Springs' Ex. MPG-2.

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.

POSITION OF WHITE SPRINGS: White Springs recommends an overall cost of capital of 7.39%. The components, amounts and cost rates are provided in Ex. MPG-2 to Mr. Gorman's testimony.

**NET OPERATING INCOME**

ISSUE 88: Are PEF's estimated revenues for sales of electricity by rate class appropriate?

POSITION OF WHITE SPRINGS: No. Because PEF's cost allocation and rate design proposals are unreasonable, its estimated revenues by class are unreasonable. If the Commission were to approve the PEF cost allocation and rate design proposals, PEF has not accounted for elasticity of demand, and associated load losses, that would reduce industrial class revenue.

ISSUE 89: Are PEF's estimated other operating revenues appropriate?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: No. White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

ISSUE 97: What adjustments, if any, should be made to Generation O&M expenses?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 98: What adjustment should be made to test year O&M related to Hines Unit 2?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 99: Are the O&M costs associated with the Hines Unit 3 generating unit appropriate?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: PEF's costs for incentive compensation and employee bonuses are excessive. Moreover, ratepayers should not bear all of the costs of such plans. White Springs supports the Citizens of Florida proposed reduction.

ISSUE 104: Is the employee complement included in the projected test year accurate and reasonable? If no, what adjustments, if any, are necessary?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 105: Has PEF made the proper adjustment to remove the effect of vacancies on the labor complement?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 106: Should an adjustment be made to reduce costs related to temporary staff?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 107: Should an adjustment be made to employee relocation expense for the projected test year?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 108: Should an adjustment be made for new employees hired and the related moving expenses?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 109: Is the level of overhead cost allocations for the projected test year appropriate?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 110: Should an adjustment be made to Account 926, Employee Benefits, for the projected test year?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 111: Is PEF's projected test year accrual for medical/life reserve-active employees and retirees appropriate?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 112: Is PEF's requested level of Other Post Employment Benefits Expense for the projected test year appropriate?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

ISSUE 114: Has PEF made the appropriate adjustment to remove non-utility expenses?

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

POSITION OF WHITE SPRINGS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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

POSITION OF WHITE SPRINGS: PEF, as a regulated monopoly, should not be allowed to recover image-building or advertising expenses from its ratepayers.

ISSUE 123: Should an adjustment be made for economic development activities?

POSITION OF WHITE SPRINGS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

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

POSITION OF WHITE SPRINGS: Absent a compelling demonstration that such expenses benefit ratepayers, industry association dues should be borne solely by PEF's shareholders.

ISSUE 125: Has PEF budgeted to fund the NEI Utility Waste Management Group, and if so, should an adjustment be made to remove it?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 126: Should an adjustment be made to remove a portion of EEI dues?

POSITION OF WHITE SPRINGS: Absent a compelling demonstration that such expenses benefit ratepayers, industry association dues should be borne solely by PEF's shareholders.

ISSUE 127: Has PEF made the appropriate adjustments to remove charitable contributions?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 128: Should an adjustment be made to Account 912, Demonstrating and Selling Expenses for the projected test year?

Are sales expenses appropriately allocated to the retail jurisdiction? (Accts. 911-917)

POSITION OF WHITE SPRINGS: PEF, as a regulated monopoly, should not be allowed to recover Demonstrating and Selling expenses from its ratepayers.

ISSUE 129: Should an adjustment be made to Insurance Expense for the projected test year?

a. What is the appropriate amount of NEIL distribution to be included in the test year?
b. What amount of directors and officers liability insurance costs should be included in the test year?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 130: Is PEF's requested $50,000,000 annual accrual for storm damage for the projected test year appropriate?

POSITION OF WHITE SPRINGS: No. White Springs supports the Citizens of Florida position.

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?

POSITION OF WHITE SPRINGS: PEF's proposal to recover $3 million in rate case expenses from its customers is unreasonable. White Springs supports the Citizens of Florida position.

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?

POSITION OF WHITE SPRINGS: Capital costs currently recovered through the ECR Clause should be recovered through base rates.

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.

POSITION OF WHITE SPRINGS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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.

POSITION OF WHITE SPRINGS: PEF should be directed to make a compliance filing that establishes depreciation rates that reflect the following adjustments to PEF's filed new depreciation rates: 1) zero net salvage cost for T&D plant, and (2) amortize $250 million of excess reserves over 5 years.

ISSUE 138: Are any adjustments to the projected test year amortization of the net gain on sale of assets appropriate?

POSITION OF WHITE SPRINGS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

ISSUE 139: Should interest on tax deficiencies for the projected test year be included above-the-line?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

ISSUE 143: Are consolidating tax adjustments appropriate, and if so, what are the appropriate amounts for the projected test year for PEF?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

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.

POSITION OF WHITE SPRINGS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

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.

POSITION OF WHITE SPRINGS: No. White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

**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?

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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 148: What is PEF's annual operating revenue requirement for the projected 2006 test year?

POSITION OF WHITE SPRINGS: PEF's current revenues should be reduced by between $56.8 million and $360 million.

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.

POSITION OF WHITE SPRINGS: No. PEF's revenue should be decreased by at least $56.8 million.

**COST OF SERVICE AND RATE DESIGN**

ISSUE 150: Is PEF's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 151: What is the appropriate cost of service study to be used in designing PEF's rates?

POSITION OF WHITE SPRINGS: PEF's proposed 12 monthly coincident peaks with a 1/13$^{th}$ weighting of energy, and its alternative 12 CP with a 25% weighting of energy, are unreasonable. White Springs' witness Brubaker proposes a methodology that uses the average of the winter and summer peak demands for the purpose of allocating costs to customer classes.

ISSUE 152: How should any change in revenue requirements approved by the Commission be allocated among the customer classes?

POSITION OF WHITE SPRINGS: PEF's proposed 12 monthly coincident peaks with a 1/13$^{th}$ weighting of energy, and its alternative 12 CP with a 25% weighting of energy, are unreasonable. White Springs' witness Brubaker proposes a methodology that uses the average of the winter and summer peak demands for the purpose of allocating costs to customer classes.

ISSUE 153: What are the appropriate demand charges?

POSITION OF WHITE SPRINGS: The appropriate demand charges must be calculated after reducing PEF's revenue request appropriately and adopting appropriate cost allocation and rate design methodologies as explained by White Springs' witness Brubaker.

ISSUE 154: What are the appropriate energy charges?

POSITION OF WHITE SPRINGS: The appropriate energy charges must be calculated after reducing PEF's revenue request appropriately and adopting appropriate cost allocation and rate design methodologies as explained by White Springs' witness Brubaker.

ISSUE 155: What are the appropriate customer charges?

POSITION OF WHITE SPRINGS: The appropriate customer charges must be calculated after reducing PEF's revenue request appropriately and adopting appropriate cost allocation and rate design methodologies as explained by White Springs' witness Brubaker.

ISSUE 156: What are the appropriate service charges?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 157: What are the appropriate lighting rate schedule charges?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 158: What are the appropriate premium distribution service charges?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 159: What are the appropriate delivery voltage credits?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 160: What are the appropriate power factor charges and credits?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 161: What is the appropriate lump sum payment for time-of-use metering costs?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 163: What are the appropriate charges and credits under the Firm, Interruptible, and Curtailable Standby Service rate schedules?

POSITION OF WHITE SPRINGS: For SS-2, the current relationship of approximately 72% ($3.37/kW credit / $4.70/kW demand charge) should be applied to the calculated firm rate standby charges to determine the credit applicable to customers taking interruptible standby service.

ISSUE 164: What is the appropriate level for the interruptible credit for PEF's industrial customers?

POSITION OF WHITE SPRINGS: The evidence shows that the current level of interruptible credits should not be reduced.

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?

POSITION OF WHITE SPRINGS: No. PEF has not demonstrated that the IS-1 and IST-1 Rate Schedules should be eliminated, nor has it justified the disproportional rate impact that its proposal would have on affected industrial customers. PEF's proposal to eliminate these rate schedules and transfer customers to IS-2 and IST-2 would have an unreasonable adverse impact on existing IS-1 and IST-1 customers.

ISSUE 166: Should the Commission approve a Real Time Pricing rate schedule for PEF?

POSITION OF WHITE SPRINGS: Yes. The Commission should require PEF to implement rate schedules that are responsive to customer requirements.

ISSUE 167: Should the Commission approve PEF's proposal to make its Commercial/Industrial Service Rider pilot program permanent?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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 ten years?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue at this time.

ISSUE 170: What is the appropriate effective date for PEF's revised rates and charges?

POSITION OF WHITE SPRINGS: January 1, 2006.

ISSUE 171: Is PEF's allocation of costs among customer classes appropriate?

POSITION OF WHITE SPRINGS: No. The Commission should reject the PEF proposal and require PEF to adopt the winter and summer peak methodology proposed by White Springs.

ISSUE 172: Should a delivery level be added for primary level customers with minimal or no PEF-owned distribution equipment?

POSITION OF WHITE SPRINGS: Yes. PEF customers that require minimal or no PEF-owned distribution equipment should not pay for equipment that they do not and cannot use.

**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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs does not take a position on this issue 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?

POSITION OF WHITE SPRINGS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

ISSUE 176: What is the appropriate resource mix for both PEF's generation fleet and PEF's purchased power commitments?

POSITION OF WHITE SPRINGS: The Commission should find that PEF has not adequately considered coal-fired generation and should require PEF to substantially increase its level of coal-fired generation capacity.

ISSUE 177: Should any incentives be placed on PEF to improve generation plant fuel efficiency?

POSITION OF WHITE SPRINGS: Yes. The Commission should explicitly provide for PEF and other parties to submit specific proposals in PEF's next fuel clause proceeding.

ISSUE 178: Should PEF be required to bear any fuel price related risk?

POSITION OF WHITE SPRINGS: Yes. Currently, more than 50% of PEF's costs are recovered with little or no risk through separate adjustment clauses. Particularly given PEF's failure to timely consider coal-fired generation alternatives, PEF should bear some portion of the risk of rising fuel prices. The Commission should explicitly examine proposed risk-sharing mechanisms in PEF's next fuel claim proceeding.

ISSUE 179: Has Progress Energy realized the cost savings and efficiencies promised at the time of the merger?

POSITION OF WHITE SPRINGS: PEF has not demonstrated that the claimed cost savings and efficiencies promised at the time of the merger have been realized.

ISSUE 180: Are PEF's claimed legal expenses reasonable and appropriate?

POSITION OF WHITE SPRINGS: Particularly given that PEF has requested an unsupportable revenue increase, PEF should share its rate case expenses with its customers on a 50-50 basis, and all imprudently incurred expenses should be disallowed.

ISSUE 181: Are PEF's conservation programs and their administration reasonable and appropriate?

POSITION OF WHITE SPRINGS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

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

POSITION OF WHITE SPRINGS: White Springs adopts the position of Citizens.

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?

POSITION OF WHITE SPRINGS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

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

POSITION OF WHITE SPRINGS: White Springs continues to evaluate other intervenor testimony and discovery responses in formulating its position on this issue.

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

POSITION OF WHITE SPRINGS: PEF's retail customers should benefit from the margins from all wholesale sales made using retail rate-based assets, subject to any reasonable incentive mechanisms.

ISSUE 187: Should a delivery level be added for primary level customers with minimal or no PEF-owned distribution equipment?

POSITION OF WHITE SPRINGS: Yes. PEF customers that require minimal or no PEF-owned distribution equipment should not pay for equipment that they do not and cannot use.

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?

POSITION OF WHITE SPRINGS: Yes.

ISSUE 189: Should this docket be closed?

POSITION OF WHITE SPRINGS: No.

**e. Stipulated Issues**

White Springs is not aware of any stipulated issues at this time.

**f. Pending Motions**

White Springs is not aware of any pending motions upon which it seeks action.

**g. Pending Requests or Claims for Confidentiality**

White Springs is not aware of any pending requests or claims for confidentiality.

**h. Statement on Any Requirements That Cannot Be Complied With**

White Springs is not aware of any requirements with which it cannot comply.

i. **Objections to Witness's Qualification as An Expert**

White Springs is not aware of any such objections at this time.

Respectfully submitted,


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August 3, 2005

**Certificate of Service**

I hereby certify that a true and correct copy of the foregoing Prehearing Statement has been furnished by electronic mail and/or U.S. Mail this 3rd day of August, 2005, to all counsel of record as indicated below.

s/ James M. Bushee

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