

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 17, 2007

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Slemkewicz, Bulecza-Banks, Draper, Kyle, Lester, Maurey, Sickel, Springer) *JS* *CROB* *EJD* *BS* *PAW*
Office of the General Counsel (Brown) *PI* *WBM* *TS* *MD* *TBA*
NCB *SMC.* *ALM*

RE: Docket No. 070290-EI – Petition to increase base rates to recover full revenue requirements of Hines Unit 2 and Unit 4 power plants pursuant to Order PSC-05-0945-S-EI, by Progress Energy Florida, Inc.

AGENDA: 10/23/07 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Argenziano

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\070290.RCM.DOC
Attachments not available on line

Case Background

On April 30, 2007, Progress Energy Florida, Inc. (PEF or Company) filed a petition to increase its base rates to recover the \$52.4 million revenue requirements associated with Hines Unit 4 and to transfer the recovery of the \$36.3 million revenue requirements for Hines Unit 2 from the fuel clause to base rates. The increase in base rates would become effective with the commercial in-service date of Hines Unit 4. PEF anticipates that Hines Unit 4 will begin commercial operations on December 1, 2007. Base rates would be increased by 7.45 percent.

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In its petition, PEF has requested the following:

- Base rate increase of \$36.3 million for the Hines Unit 2 revenue requirements currently recovered through the fuel clause.
- True-up procedure for the Hines Unit 2 revenue requirement currently being recovered through the fuel clause.
- Base rate increase of \$52.4 million for the Hines Unit 4 and related transmission facilities revenue requirement.
- Recovery of the costs in excess of the need determination for the Hines Unit 4 (\$18.5 million) and the related transmission facilities (\$22.1 million).
- Base rate increase effective date coinciding with the first billing cycle after the commercial in-service date of Hines Unit 4 (12/01/07 anticipated date).

PEF has filed its petition pursuant to Paragraph 12 of the rate case Stipulation and Settlement Agreement (Stipulation) approved by Order No. PSC-05-0945-S-EI.¹ Paragraph 12 of the Stipulation states the following:

12. a. Beginning on the commercial in-service date of Hines Unit 4, for which the Commission has previously granted a need determination in Order PSC-04-1168-FOF-EI,² PEF will further increase its base rates to recover the full revenue requirements of (a) the installed cost of Hines Unit 4 subject to the limitations of Rule 25-22.082(15), F.A.C., and (b) the unit's non-fuel operating expenses. The revenue requirements of the unit will be calculated using an 11.75% ROE and the capital structure as set forth in the test year 2006 MFR Schedule D-1a filed by PEF in Docket No. 050078-EI. Such base rate increase shall be established by the application of a uniform percentage increase to the demand and energy charges of the Company's base rates including delivery voltage credits, demand credits, power factor adjustment and premium distribution service, and using billing determinants as filed by PEF in Docket No. 050078-EI, and set forth in Exhibit I, Attachment C to this Agreement. Beginning on the commercial in-service date of Hines Unit 4, such amounts shall be added to the revenue sharing threshold and cap set forth in Section 6 of this Agreement.

b. Effective on the Implementation Date of this Agreement and until the commercial in-service date of Hines Unit 4 (the "Fuel Clause Recovery Period"), PEF will recover annually through the fuel cost recovery clause the 2006 full revenue requirements of the installed cost of Hines Unit 2, excluding the unit's non-fuel O&M expenses. During the Fuel Clause Recovery Period, the

¹Order No. PSC-05-0945-S-EI, issued September 28, 2005, in Docket No. 050078-EI, In re: Petition for rate increase by Progress Energy Florida, Inc.

²Order No. PSC-04-1168-FOF-EI, issued November 23, 2004, in Docket No. 040817-EI, In re: Petition for determination of need for Hines 4 power plant in Polk County by Progress Energy Florida, Inc.

installed cost of Hines Unit 2 and corresponding depreciation accounts will be excluded from rate base for surveillance reporting purposes. Upon the commercial in-service date of Hines Unit 4, PEF will transfer the recovery of Hines Unit 2's 2006 full revenue requirements, excluding the unit's non-fuel O&M expenses, from the fuel cost recovery clause to base rates by decreasing PEF's fuel charges and increasing its base rates accordingly. The calculation of Hines Unit 2's revenue requirements for base rate recovery purposes will be calculated using an 11.75% ROE and the capital structure as set forth in the test year 2006 MFR Schedule D-1a filed by PEF in Docket No. 050078-EI. Such base rate increase shall be established by the application of a uniform percentage increase to the demand and energy charges of the Company's base rates including voltage credits, demand credits, power factor adjustment and premium distribution service, and using billing determinants as filed by PEF in Docket No. 050078-EI, and as included in Exhibit 1, Attachment C to this Agreement. Beginning on the commercial in-service date of Hines Unit 4, such amounts shall be added to the revenue sharing threshold and cap set forth in Section 6 of this Agreement.

The recovery of the Hines Unit 2 investment through the fuel clause was previously authorized in Order No. PSC-02-0655-AS-EI.³ Paragraph 9 of the stipulation approved in that order states the following:

9. Beginning with the in-service date of Hines Unit 2 through December 31, 2005, FPC will be allowed to recover through the fuel cost recovery clause a return on average investment and straight-line depreciation expense (but no other non-fuel expense) for Hines Unit 2, to the extent such costs do not exceed the unit's cumulative fuel savings over the recovery period. All costs associated with Hines Unit 2, including those described in this section, are subject to Commission review for prudence and reasonableness as a condition for recovery through the fuel cost recovery clause. The investment for Hines Unit 2 upon which a return is recovered under this section will be excluded from rate base for surveillance reporting purposes during the recovery period.

The consideration of staff's recommendation, dated September 27, 2007, was deferred at the October 9, 2007, Agenda Conference. On October 12, 2007, a Joint Motion for Approval of Stipulation and Settlement Agreement (Agreement) was filed. The joint movants⁴ agreed that the jurisdictional revenue requirements for Hines Unit 2 and Hines Unit 4 were \$36,339,546 and \$52,354,000, respectively. The joint movants also agreed that the base rate increase would be

³Order No. PSC-02-0655-AS-EI, issued May 14, 2002, in Docket No. 000824-EI, In re: Review of Florida Power Corporation's earnings, including effects of proposed acquisition of Florida Power Corporation by Carolina Power & Light, and in Docket No. 020001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

⁴The joint movants to the Agreement are Progress Energy Florida, Inc., Office of the Public Counsel, AARP, Florida Industrial Powers User Group, White Springs Agricultural Chemicals, Inc., and the Florida Retail Federation. The joint movants are those that signed the Stipulation and Settlement Agreement approved in Order No. PSC-05-0945-S-EI except for the Attorney General of the State of Florida, Sugarmill Woods Civic Association, Inc., Buddy L. Hansen, and the Commercial Group.

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effective with the first billing cycle in January 2008. In addition, PEF would be allowed to retain one half (\$1,458,020) of the Hines Unit 2 revenue requirements for December 2007 currently being recovered through the fuel cost recovery clause.

This recommendation addresses the Agreement resolving the issues related to the base rate increase associated with the revenue requirements for Hines Unit 2, Hines Unit 4, and the related transmission facilities. The Commission has jurisdiction over this matter pursuant to Sections 366.05 and 366.06, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve the proposed Stipulation and Settlement Agreement?

Recommendation: Yes, the Commission should approve the proposed Stipulation and Settlement Agreement. In addition, starting with the first billing cycle in December 2007, PEF should include bill inserts to notify its customers of the proposed base rate increase. (Slemkewicz, Sickel, Draper, Lester, Springer)

Staff Analysis: The joint movants have proffered the proposed Stipulation and Settlement Agreement (Attachment A) as a complete resolution of all matters pending in this docket. The major elements contained in the Settlement Agreement are as follows:

- Jurisdictional base rate revenue requirement for Hines Unit 2 is \$36,339,546 (Paragraph 2)
- Jurisdictional base rate revenue requirement for Hines Unit 4 is \$52,354,000 (Paragraph 2)
- Base rate increase effective with the first billing cycle in January 2008 (Paragraph 3)
- Recovery of one half (\$1,458,020) of the installed cost of Hines Unit 2 through the fuel cost recovery clause for the month of December 2007 (Paragraph 4)

There is also an attachment to the Agreement that shows the proposed rates and charges. Although most of the paragraphs are self-explanatory, staff believes that several of the paragraphs merit comment. These are as follows:

Paragraph 2: The joint movants have agreed that the requested jurisdictional base rate revenue increases of \$36,339,546 (Hines Unit 2) and \$52,354,000 (Hines Unit 4) are the appropriate revenue requirements to be placed into effect. Although not explicitly stated, the agreed upon revenue requirements include the \$41 million of costs in excess of the need determination for Hines Unit 4 and the related transmission facilities. Staff has reviewed the revenue requirement calculations for Hines Unit 2 (Attachment B) and Hines Unit 4 (Attachment C). The proposed base rate revenue increases are the appropriate amounts. Staff also has reviewed the Hines Unit 4 cost overruns and determined that the additional costs were necessary and reasonable.

Paragraph 3: In its petition, PEF had proposed that the base rate increase would become effective with the first billing cycle of December 2007. Per the Agreement, the proposed base rate increase will become effective with the first billing cycle in January 2008. Staff has reviewed the calculation of the rates and charges attached to the Agreement. This paragraph also provides that revised tariff sheets will be filed within 45 days of the approval of the Agreement.

Paragraph 4: In its petition, PEF had proposed that the base rate increase would become effective with the first billing cycle of December 2007. In addition, PEF would immediately cease any further recovery of the revenue requirements of the installed cost of Hines Unit 2 through the fuel cost recovery clause. However, the Agreement provides that the base rate increase will not become effective until the first billing cycle of January 2008. The Agreement

allows PEF to recover one half (\$1,458,020) of the installed cost of Hines Unit 2 through the fuel cost recovery clause for the month of December 2007. The actual recovery of the \$1,458,020 will not occur until 2009 as part of PEF's 2007 final true-up.

Staff has reviewed the terms of the Agreement. The proposed jurisdictional base rate revenue increases of \$36,339,546 (Hines Unit 2) and \$52,354,000 (Hines Unit 4) are calculated in compliance with the provisions of the Stipulation approved in Order No. PSC-05-0945-S-EI. Although it is not specifically stated, the Agreement resolves any potential dispute concerning the \$41 million of costs in excess of those approved in the need determination for Hines Unit 4 and the related transmission facilities. In addition, the Agreement resolves any potential dispute concerning the effective date for the implementation of the revised tariffs. The Agreement also provides that revised tariff sheets will be filed within 45 days of the approval of the Agreement. Staff recommends that the Commission should approve the Agreement.

Beginning with the first billing cycle in December 2007, PEF should include bill inserts in customers' bills providing notification of the base rate increase. For residential customers, PEF should also state the impact on the 1,000 kwh residential bill. PEF should provide staff with a copy of the bill insert for staff review. PEF's current 1,000 kwh residential bill is \$110.34. The base rate increase adds \$2.73 to the 1,000 kwh residential bill. However, PEF's projected decrease in 2008 fuel costs will more than offset the base rate increase. PEF projects that the 1,000 kwh residential bill will decrease to \$108.11 starting in January 2008.

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Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves the Stipulation and Settlement Agreement and no protest is filed within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. If a protest is timely filed, the revised rates should remain in effect, with revenues held subject to refund pending resolution of the protest. (Brown)

Staff Analysis: If the Commission approves the Stipulation and Settlement Agreement and no protest is filed within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. If a protest is timely filed, the revised rates should remain in effect, with revenues held subject to refund pending resolution of the protest.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Progress Energy Florida) Docket No: 070290-EI
to increase base rates to recover the full)
revenue requirements of the Hines Unit 2)
and Unit 4 power plants pursuant to) Submitted for Filing: October 12, 2007
Commission Order No. PSC-05-0945-S-EI)

STIPULATION AND SETTLEMENT AGREEMENT

WHEREAS, on April 30, 2007, Progress Energy Florida, Inc. ("PEF" or the "Company"), petitioned the Florida Public Service Commission (the "Commission") to increase base rates to recover the full revenue requirements of the Hines Unit 2 and Unit 4 power plants pursuant to Commission Order No. PSC-05-0945-S-EI;

WHEREAS, on September 27, 2007, the Commission Staff issued its recommendation that (1) PEF be allowed to recover the approximately \$41 million of costs in excess of the need determination for Hines Unit 4, including related transmission facility costs, (2) the Hines 2 costs be transferred from the Fuel Clause to base rates, and (3) the revised base rates should apply to electric usage occurring on and after December 1, 2007, with PEF prorating customers' bills so that the current base rates would apply to November 2007 usage and that the revised base rates would apply to December 2007 usage.

WHEREAS, the Office of Public Counsel ("OPC"), the Florida Industrial Power Users Group ("FIPUG"), the Florida Retail Federation ("FRF"), the AARP, and White Springs Agricultural Chemicals, Inc. dba PCS Phosphate Whites Springs ("PCS Phosphate") have

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indicated their intent to file a request for a hearing in the above-referenced docket objecting to, among other things, the recovery of some or all of the installed Hines 4 costs. Unless the context clearly requires otherwise, the term Party or Parties means a signatory to this Stipulation and Settlement Agreement (“Agreement”).

WHEREAS, the Parties have entered into this Agreement for the purpose of avoiding the risks, uncertainties, and costs of litigation and for the purpose of reaching an informal resolution of all outstanding issues in Docket No. 070290-EI pending before the Commission and as more fully set forth below;

NOW, THEREFORE, in consideration of the foregoing and the covenants contained herein, the Parties hereby agree and stipulate as follows:

1. Upon approval and final order of the Commission, this Agreement will become effective.
2. PEF shall increase base rates pursuant to Commission Order No. PSC-05-0945-S-EI to recover (a) the revenue requirements of the installed cost of the Hines Unit 2 power plant, excluding the unit’s non-fuel O&M expenses (as these costs are already in base rates), and (b) the full revenue requirements associated with the Hines 4 power plant and related transmission costs, including the unit’s non-fuel O&M expenses. The appropriate jurisdictional base rate revenue requirement for Hines Unit 2 is \$36,339,546. The jurisdictional base rate revenue requirement is \$52,354,000 for Hines Unit 4 and the related transmission facilities.
3. It is the agreement of the Parties that the increase in base rates for Hines 2 and Hines 4 will be effective with the first billing cycle in January 2008 and such increase will be

based on the rates and charges attached to this settlement. The Company will file revised tariff sheets within 45 days of approval of this Agreement by the Commission for administrative approval by the Commission Staff.

4. It is the agreement of the Parties that, for the month of December 2007, PEF is entitled to recover one half of the revenue requirements pursuant to Commission Order No. PSC-05-0945-S-EI of the installed cost of the Hines Unit 2 power plant, excluding the unit's non-fuel O&M expenses through the fuel cost recovery clause. To accomplish this, PEF will charge \$1,458,020 in revenue requirements for the installed cost of the Hines Unit 2 power plant through the fuel cost recovery clause in December 2007, given that PEF's projection in Docket No. 070001 had excluded 100% of the revenue requirement on the assumption it was to be collected through base rates.

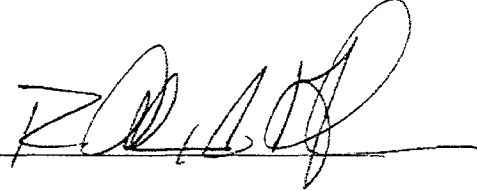
5. The Parties further agree that they will support this Agreement and will not request or support any order, relief, outcome, or result in conflict with the terms of this Agreement in any administrative or judicial proceeding relating to, reviewing, or challenging the establishment, approval, adoption, or implementation of this Agreement or the subject matter hereof. Approval of this Agreement in its entirety will resolve all issues in Docket No. 070290-EI pursuant to and in accordance with Section 120.57(4), F.S.. Docket No. 070290-EI will be closed effective on the date the Commission order approving this Agreement is final.

6. This Agreement dated as of October 12, 2007 may be executed in counterpart originals, and a facsimile of an original signature shall be deemed an original.

In Witness Whereof, the Parties evidence their acceptance and agreement with the provisions of this Agreement by their signatures below.

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Progress Energy Florida, Inc.

By 

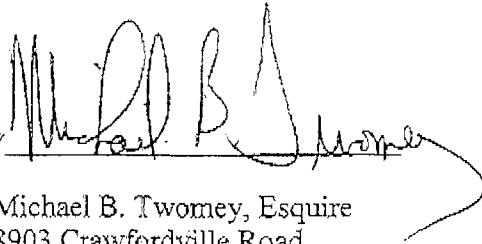
Alex Glenn, Esquire
Post Office Box 14042
St. Petersburg, Florida 33733

Office of Public Counsel

By Charles Beck

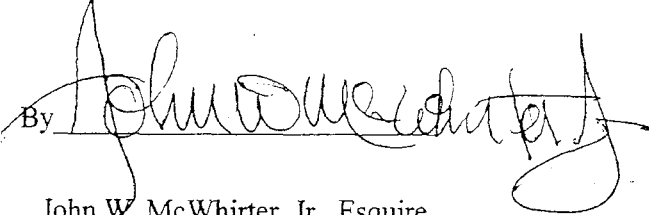
Charles Beck, Esquire
111 W. Madison St., Room 812
Tallahassee, Florida 32399

AARP

By 

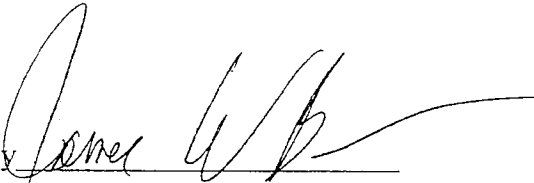
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By 


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**White Springs Agricultural Chemicals,
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By 

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Progress Energy Florida
 Base Rate Unit Charges - Increase for Hines 2 and Hines 4
 Docket No. 070290-EI - Settlement Rates

7.45%
 Increase to all
 Demand & Energy
 Charges Page 1 of 5

Rate Schedule	Type of Charge	Energy Charges in cents / kWh	
		Current Rates Effective 01/01/06	Hines Settlement Rates Effective 01/01/08
SC-1	Initial Connection - \$	61.00	61.00
	Reconnection - \$	28.00	28.00
	Transfer of Account - No LSA Contract - \$	28.00	28.00
	Transfer of Account - LSA Contract Required - \$	10.00	10.00
	Reconnect After Disconnect For Non-Pay - \$	40.00	40.00
	Reconnect After Disconnect For Non-Pay After Hours -\$	50.00	50.00
	Late Payment Charge	> \$5.00 or 1.5%	> \$5.00 or 1.5%
	Returned Check Charge	\$25 if <= \$50 \$30 if <= \$300 \$40 if <= \$800 5% if > \$800	\$25 if <= \$50 \$30 if <= \$300 \$40 if <= \$800 5% if > \$800
TS-1	Temporary Service Extension - Monthly \$	227.00	227.00
RS-1	Customer Charge - \$ per Line of Billing		
RST-1	Standard	8.03	8.03
RSS-1	Seasonal (RSS-1)	4.20	4.20
	Time of Use		
	Single Phase	14.84	14.84
	Three Phase	14.84	14.84
	Customer CIAC Paid	8.03	8.03
	TOU Metering CIAC - \$ One Time Charge	132.00	132.00
	Energy and Demand Charge - cents per KWH		
	Standard		
	0 - 1,000 KWH	3.315	3.588
	Over 1,000 KWH	4.315	4.588
	Time of Use - On Peak	10.431	11.208
	Time of Use - Off Peak	0.526	0.565
GS-1, GST-1	Customer Charge - \$ per Line of Billing		
	Standard		
	Unmetered	5.99	5.99
	Secondary	10.62	10.62
	Primary	134.31	134.31
	Transmission	662.48	662.48
	Time of Use		
	Single Phase	17.42	17.42
	Three Phase	17.42	17.42
	Customer CIAC Paid	10.62	10.62
	Primary	141.12	141.12
	Transmission	669.28	669.28
	TOU Metering CIAC - \$ One Time Charge	132.00	132.00
	Energy and Demand Charge - cents per KWH		
	Standard	3.648	3.920
	Time of Use - On Peak	10.431	11.208
	Time of Use - Off Peak	0.526	0.565
	Premium Distribution Charge - cents per KWH	0.504	0.542
	Meter Voltage Adjustment - % of Demand & Energy Charges		
	Primary	1.0%	1.0%
	Transmission	2.0%	2.0%
	Equipment Rental - % of Installed Equipment Cost	1.67%	1.7%

Progress Energy Florida
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7.45%
 Increase to all
 Demand & Energy
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Rate Schedule	Type of Charge	Energy Charges in cents / kWh	
		Current Rates Effective 01/01/06	Hines Settlement Rates Effective 01/01/08
GS-2	Customer Charge - \$ per Line of Billing		
	Standard		
	Unmetered	5.99	5.99
	Metered	10.62	10.62
	Energy and Demand Charge - cents per KWH		
Standard	1.369	1.471	
	Premium Distribution Charge - cents per KWH	0.101	0.109
GSD-1 GSDT-1	Customer Charge - \$ per Line of Billing		
	Standard		
	Secondary	10.62	10.62
	Primary	134.31	134.31
	Transmission	662.48	662.48
	Time of Use		
	Secondary	17.42	17.42
	Secondary - Customer CIAC paid	10.62	10.62
	Primary	141.12	141.12
	Primary - Customer CIAC paid	134.31	134.31
	Transmission	669.28	669.28
	Transmission Customer CIAC paid	662.48	662.48
	Demand Charge - \$ per KW		
	Standard	3.45	3.71
	Time of Use		
	Base	0.85	0.91
	On Peak	2.57	2.76
	Delivery Voltage Credits - \$ per KW		
	Primary	0.27	0.29
Transmission	1.01	1.09	
Premium Distribution Charge - \$ per KW	0.74	0.80	
Energy Charge - cents per KWH			
Standard	1.503	1.615	
Time of Use - On Peak	3.316	3.563	
Time of Use - Off Peak	0.526	0.565	
Meter Voltage Adjustment - % of Demand & Energy Charges			
Primary	1.0%	1.0%	
Transmission	2.0%	2.0%	
Power Factor - \$ per KVar	0.20	0.21	
Equipment Rental - % of Installed Equipment Cost	1.67%	1.67%	

Progress Energy Florida
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Docket No. 070290-EI - Settlement Rates

7.45%
Increase to all
Demand & Energy
Charges Page 3 of 5

Rate Schedule	Type of Charge	Energy Charges in cents / kWh	
		Current Rates	Hines Settlement
		Effective 01/01/06	Rates Effective 01/01/08
CS-1	Customer Charge - \$ per Line of Billing		
CS-2	Secondary	69.61	69.61
CS-3	Primary	193.30	193.30
CST-1	Transmission	721.46	721.46
CST-2			
	Demand Charge - \$ per KW		
	Standard	5.56	5.97
	Time of Use		
	Base	0.83	0.89
	On Peak	4.68	5.03
	Curtailable Demand Credit		
	CS-1, CST-1 - \$ per KW of Curtailable Demand	2.33	2.50
	CS-2, CST-2 - \$ per KW LF adjusted Demand	2.31	2.48
	CS-3, CST-3 - \$ per KW of Contract Demand	2.31	2.48
	Delivery Voltage Credits - \$ per KW		
	Primary	0.27	0.29
	Transmission	1.01	1.09
	Premium Distribution Charge - \$ per KW	0.74	0.80
	Energy Charge - cents per KWH		
	Standard	0.982	1.055
	Time of Use - On Peak	1.828	1.964
	Time of Use - Off Peak	0.526	0.565
	Meter Voltage Adjustment - % of Demand & Energy Charges		
	Primary	1.0%	1.0%
	Transmission	2.0%	2.0%
	Power Factor - \$ per KVar	0.20	0.21
	Equipment Rental - % of Installed Equipment Cost	1.67%	1.67%
IS-1	Customer Charge - \$ per Line of Billing		
IS-2	Secondary	255.64	255.64
IST-1	Primary	379.34	379.34
IST-2	Transmission	907.50	907.50
	Demand Charge - \$ per KW		
	Standard	4.70	5.05
	Time of Use		
	Base	0.74	0.80
	On Peak	4.11	4.42
	Interruptible Demand Credit		
	IS-1, IST-1 - \$ per KW of Billing Demand	3.37	3.62
	IS-2, IST-2 - \$ per KW LF Adjusted Demand	3.08	3.31
	Delivery Voltage Credits - \$ per KW		
	Primary	0.27	0.29
	Transmission	1.01	1.09
	Premium Distribution Charge - \$ per KW	0.74	0.80
	Energy Charge - cents per KWH		
	Standard	0.650	0.698
	Time of Use - On Peak	0.922	0.991
	Time of Use - Off Peak	0.526	0.565
	Meter Voltage Adjustment - % of Demand & Energy Charges		
	Primary	1.0%	1.0%
	Transmission	2.0%	2.0%
	Power Factor - \$ per KVar	0.20	0.21
	Equipment Rental - % of Installed Equipment Cost	1.67%	1.67%

Progress Energy Florida
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7.45%
 Increase to all Demand & Energy Charges
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Rate Schedule	Type of Charge	Energy Charges in cents / kWh	
		Current Rates Effective 01/01/06	Hines Settlement Rates Effective 01/01/08
		LS-1	Customer Charge - \$ per Line of Billing
	Standard		
	Unmetered	1.09	1.09
	Metered	3.13	3.13
	Energy and Demand Charge - cents per KWH		
	Standard	1.446	1.554
	Fixture & Maintenance Charges - \$ per fixture	n/a	n/a
	Pole Charges - \$ per pole	n/a	n/a
	Other Fixture Charge Rate - % of Installed Fixture Cost	1.46%	1.46%
	Other Pole Charge Rate - % of Installed Pole Cost	1.67%	1.67%
SS-1	Customer Charge - \$ per Line of Billing		
	Secondary	92.29	92.29
	Primary	215.99	215.99
	Transmission	744.15	744.15
	Customer Owned	74.42	74.42
	Base Rate Energy Customer Charge - cents per KWH	0.633	0.680
	Distribution Charge - \$ per KW		
	Applicable to Specified SB Capacity	1.36	1.46
	Generation and Transmission Capacity Charge		
	Greater of : - \$ per KW		
	Monthly Reservation Charge		
	Applicable to Specified SB Capacity	0.758	0.814
	Peak Day Utilized SB Power Charge of:	0.361	0.388
SS-2	Customer Charge - \$ per Line of Billing		
	Secondary	278.33	278.33
	Primary	402.02	402.02
	Transmission	930.19	930.19
	Customer Owned	260.45	260.45
	Base Rate Energy Customer Charge - cents per KWH	0.633	0.680
	Distribution Charge - \$ per KW		
	Applicable to Specified SB Capacity	1.36	1.46
	Generation and Transmission Capacity Charge		
	Greater of : - \$ per KW		
	Monthly Reservation Charge		
	Applicable to Specified SB Capacity	0.758	0.814
	Peak Day Utilized SB Power Charge of:	0.361	0.388
	Interruptible Capacity Credit - \$ per KW		
	Grandfathered Prior to 1/1/06		
	Monthly Reservation Credit	0.642	0.690
	Daily Demand Credit	0.306	0.329
	Effective 1/1/06		
	Monthly Reservation Credit	0.308	0.331
	Daily Demand Credit	0.147	0.158

Progress Energy Florida
 Base Rate Unit Charges - Increase for Hines 2 and Hines 4
 Docket No. 070290-EI - Settlement Rates

7.45%
 Increase to all
 Demand & Energy
 Charges Page 5 of 5

Rate Schedule	Type of Charge	Energy Charges in cents / kWh	
		Current Rates Effective 01/01/06	Hines Settlement Rates Effective 01/01/08
SS-3	Customer Charge - \$ per Line of Billing		
	Secondary	92.29	92.29
	Primary	215.99	215.99
	Transmission	744.15	744.15
	Customer Owned	74.42	74.42
	Base Rate Energy Customer Charge - cents per KWH	0.633	0.680
	Distribution Charge - \$ per KW		
	Applicable to Specified SB Capacity	1.36	1.46
	Generation and Transmission Capacity Charge		
	Greater of : - \$ per KW		
Monthly Reservation Charge			
Applicable to Specified SB Capacity	0.758	0.814	
Peak Day Utilized SB Power Charge of.	0.361	0.388	
Curtailable Capacity Credit - \$ per KW			
Grandfathered Prior to 1/1/06			
Monthly Reservation Credit	0.321	0.345	
Daily Demand Credit	0.153	0.164	
Effective 1/1/06			
Monthly Reservation Credit	0.231	0.248	
Daily Demand Credit	0.110	0.118	
Gross Receipts Tax		2.5641%	2.5641%

Progress Energy Florida
Hines Unit 2 - Revenue Requirements
Calculation of Retail Depreciation and Return

Docket No. _____-E1
Witness: J. Portuondo
Exhibit JP-1

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	TOTAL
1 Land													
2 Beginning Balance	\$2,206,196	\$2,206,196	\$2,206,196	\$2,206,196	\$2,206,196	\$2,206,196	\$2,206,196	\$2,206,196	\$2,206,196	\$2,206,196	\$2,206,196	\$2,206,196	\$2,206,196
3 Add Investment	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Less Retirements	-	-	-	-	-	-	-	-	-	-	-	-	-
5 Ending Balance	2,206,196	2,206,196	2,206,196	2,206,196	2,206,196	2,206,196	2,206,196	2,206,196	2,206,196	2,206,196	2,206,196	2,206,196	2,206,196
6 Production Plant													
7 Beginning Balance	239,413,368	239,536,196	239,674,458	239,825,068	239,985,701	240,154,353	240,329,607	240,508,868	240,691,334	240,876,364	241,063,521	241,252,379	239,413,368
8 Add Investment	122,828	138,262	150,610	160,633	168,652	175,254	179,261	182,466	185,030	187,157	188,858	186,506	2,025,517
9 Less Retirements	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Ending Balance	239,536,196	239,674,458	239,825,068	239,985,701	240,154,353	240,329,607	240,508,868	240,691,334	240,876,364	241,063,521	241,252,379	241,438,885	241,438,885
11 Average Balance	239,474,782	239,605,327	239,749,763	239,905,385	240,070,027	240,241,980	240,419,238	240,600,101	240,783,849	240,969,943	241,157,950	241,345,632	240,360,081
12 Depreciation Rate (3.7% annual rate)	0.308333%	0.308333%	0.308333%	0.308333%	0.308333%	0.308333%	0.308333%	0.308333%	0.308333%	0.308333%	0.308333%	0.308333%	3.700000%
13 Depreciation Expense	738,380	738,782	739,228	739,707	740,215	740,745	741,292	741,850	742,416	742,990	743,570	744,148	8,893,323
14 Less Retirements	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Beginning Balance Depreciation	17,939,984	18,678,364	19,417,146	20,156,374	20,896,081	21,636,296	22,377,041	23,118,333	23,860,183	24,602,599	25,345,589	26,089,159	17,939,984
16 Ending Balance Depreciation	18,678,364	19,417,146	20,156,374	20,896,081	21,636,296	22,377,041	23,118,333	23,860,183	24,602,599	25,345,589	26,089,159	26,833,307	26,833,307
17 Transmission Station Equip													
18 Beginning Balance	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211
19 Add Investment	-	-	-	-	-	-	-	-	-	-	-	-	-
20 Less Retirements	-	-	-	-	-	-	-	-	-	-	-	-	-
21 Ending Balance	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211
22 Average Balance	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211	5,135,211
23 Depreciation Rate (2.2% annual rate)	0.183333%	0.183333%	0.183333%	0.183333%	0.183333%	0.183333%	0.183333%	0.183333%	0.183333%	0.183333%	0.183333%	0.183333%	2.200000%
24 Depreciation Expense	9,415	9,415	9,415	9,415	9,415	9,415	9,415	9,415	9,415	9,415	9,415	9,415	112,980
25 Less Retirements	-	-	-	-	-	-	-	-	-	-	-	-	-
26 Beginning Balance Depreciation	223,716	233,131	242,546	251,961	261,376	270,791	280,206	289,621	299,036	308,451	317,866	327,281	223,716
27 Ending Balance Depreciation	233,131	242,546	251,961	261,376	270,791	280,206	289,621	299,036	308,451	317,866	327,281	336,696	336,696
28 Total Depreciation													
29 Total Depreciation Expense	747,795	748,197	748,643	749,122	749,630	750,160	750,707	751,265	751,831	752,405	752,985	753,563	9,006,303
30 Total End Balance Depreciation	18,911,495	19,659,692	20,408,335	21,157,457	21,907,087	22,657,247	23,407,954	24,159,219	24,911,050	25,663,455	26,416,440	27,170,003	27,170,003
31 Return													
32 Beginning Net Investment	240,926,537	227,966,108	227,356,173	226,758,140	226,169,651	225,588,673	225,013,767	224,442,321	223,873,522	223,306,721	222,741,473	222,177,346	240,926,537
33 Ending Net Investment	227,966,108	227,356,173	226,758,140	226,169,651	225,588,673	225,013,767	224,442,321	223,873,522	223,306,721	222,741,473	222,177,346	221,610,289	221,610,289
34 Average Investment	234,446,323	227,661,141	227,057,157	226,463,896	225,879,162	225,301,220	224,728,044	224,157,922	223,590,122	223,024,097	222,459,410	221,893,818	225,553,854
35 Allowed Equity Return (1)	.57083%	.57083%	.57083%	.57083%	.57083%	.57083%	.57083%	.57083%	.57083%	.57083%	.57083%	.57083%	6.850000%
36 Equity Component After Tax	1,338,290	1,299,558	1,296,110	1,292,724	1,289,386	1,286,087	1,282,815	1,279,561	1,276,319	1,273,088	1,269,865	1,266,636	15,450,439
37 Conversion to Pre-tax (2)	1,62800	1,62800	1,62800	1,62800	1,62800	1,62800	1,62800	1,62800	1,62800	1,62800	1,62800	1,62800	1,62800
38 Equity Component Pre-Tax	2,178,736	2,115,680	2,110,067	2,104,555	2,099,120	2,093,750	2,088,423	2,083,125	2,077,847	2,072,587	2,067,340	2,062,083	25,153,313
39 Allowed Debt Return (1)	.17000%	.17000%	.17000%	.17000%	.17000%	.17000%	.17000%	.17000%	.17000%	.17000%	.17000%	.17000%	2.040000%
40 Debt Component	398,559	387,024	385,997	384,989	383,995	383,012	382,038	381,068	380,103	379,141	378,181	377,219	4,601,326
41 Total Return Requirements	2,577,295	2,502,704	2,496,064	2,489,544	2,483,115	2,476,762	2,470,461	2,464,193	2,457,950	2,451,728	2,445,521	2,439,302	29,754,639
42 Total Depreciation & Return													
43 Total Depreciation & Return	3,325,090	3,250,901	3,244,707	3,238,666	3,232,745	3,226,922	3,221,168	3,215,458	3,209,781	3,204,133	3,198,506	3,192,865	38,760,942
44 Production Base Separation Factor	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%
45 Retail Depreciation & Return	\$3,117,372	\$3,047,817	\$3,042,010	\$3,036,347	\$3,030,795	\$3,025,336	\$3,019,942	\$3,014,588	\$3,009,266	\$3,003,971	\$2,998,695	\$2,993,407	\$36,339,546

Progress Energy Florida
Hines Unit 4 - Revenue Requirements
Year 2008

Docket No. _____-E1
Witness: J. Portuondo
Exhibit JP-3

(Dollars In Thousands)

Line No.	Generation			Transmission			Total	
	System	Separation Factor	Retail Jurisdictional	System	Separation Factor	Retail Jurisdictional	Retail Jurisdictional	
1	Estimated In-Service Date	12/1/07						
2								
3	<u>Annualized Rate Base</u>							
4	Electric Plant in Service	\$267,004	93.753%	\$250,324	\$60,071	70.597%	\$42,408	\$292,732
5	Accumulated Reserve for Depreciation	(5,153)	93.753%	(4,831)	(616)	70.597%	(435)	(5,266)
6	Fuel Inventory	1,100	89.884%	989	0		0	989
7	Working Capital - Income Taxes Payable	(3,988)		(3,727)	(591)		(442)	(4,169)
8	Total Annualized Rate Base	<u>\$258,963</u>		<u>\$242,754</u>	<u>\$58,864</u>		<u>\$41,531</u>	<u>\$284,286</u>
9								
10	<u>Annualized NOI</u>							
11	O&M	\$1,873	93.753%	\$1,756	\$0	70.597%	\$0	\$1,756
12	Depreciation Expense	10,306	93.753%	9,663	1,231	70.597%	869	10,532
13	Property Taxes	2,600	91.926%	2,390	600	91.926%	552	2,942
14	Payroll Taxes & Benefits	453	91.670%	415	0		0	415
15	Income Taxes -							
16	Direct Current & Deferred	(5,876)		(5,487)	(706)		(548)	(6,035)
17	Imputed Interest	(2,100)		(1,968)	(475)		(335)	(2,303)
18	Manufacturing Tax Benefit	(533)	91.251%	(486)	0		0	(486)
19	Total Annualized NOI	<u>(\$6,724)</u>		<u>(\$6,283)</u>	<u>(\$650)</u>		<u>(\$538)</u>	<u>(\$6,821)</u>
20								
21								
22	<u>Calculation of Revenue Requirement</u>							
23	Fully Adjusted Cost of Capital (MFR D-1)	8.89%		8.89%	8.89%		8.89%	8.89%
24	NOI Requirement (Line 8 * Line 23)	\$23,022		\$21,581	\$5,233		\$3,692	\$25,273
25	NOI Deficiency (Line 24 less Line 19)	\$29,746		\$27,864	\$5,883		\$4,230	\$32,094
26	Net Operating Income Multiplier (MFR C-44)	1.6315		1.6315	1.6313		1.6313	1.6313
27								
28	Revenue Requirement (Line 25 * Line 26)	<u>\$48,530</u>	93.67%	<u>\$45,460</u>	<u>\$9,597</u>	71.90%	<u>\$6,900</u>	<u>\$52,354</u>
29								
30								
31								
32	<u>Calculation of Taxes on Imputed Interest</u>							
33	Weighted Cost of Debt Capital (MFR D-1):							
34	Long Term Debt Fixed Rate	1.88%		1.88%	1.88%		1.88%	
35	Long Term Debt Variable Rate	0.00%		0.00%	0.00%		0.00%	
36	Short Term Debt	0.02%		0.02%	0.02%		0.02%	
37	Customer Deposits	0.13%		0.13%	0.13%		0.13%	
38	JDIC	0.04%		0.04%	0.04%		0.04%	
39		<u>2.07%</u>		<u>2.07%</u>	<u>2.07%</u>		<u>2.07%</u>	
40								
41	Imputed Interest (Line 8 * Line 39)	\$5,443		\$5,102	\$1,231		\$869	
42	Income Taxes on Imputed Interest at 38.575%	(\$2,100)		(\$1,968)	(\$475)		(\$335)	