RECEIVED-FPSC
09 AUG 24 PM 3:12
COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for increase in rates by Progress Energy Florida, Inc.	DOCKET NO. 090079-EI FILED: AUGUST 24, 2009

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the DIRECT TESTIMONY OF JOCELYN Y. STEPHENS, on behalf of the Florida Public Service Commission, has been furnished to the following, by electronic and U.S. Mail, on this 24th day of August, 2009:

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

Florida Retail Federation
Robert Scheffel Wright
Young van Assenderp, P.A.
225 South Adams Street, Suite 200
Tallahassee, FL 32301

Office of the Attorney General
Bill McCollum/Cecilia Bradley
The Capitol, PL 01
Tallahassee, FL 32399-1050

PCS Phosphate-White Springs
James W. Brew/F. Alvin Taylor
Brickfield Law Firm
1025 Thomas Jefferson Street, NW
Eighth Floor, West Tower
Washington, D.C. 2007-5201

Carlton Fields Law Firm
J. Michael Walls/Dianne M. Tripplett
Post Office Box 3239
Tampa, FL 33601-3239

Florida Industrial Power Users Group
Vicki G. Kaufman/Jon C. Moyle, Jr.
Keefe Anchors Gordon & Moyle, PA
118 North Gadsden Street
Tallahassee, FL 32301

Office of Public Counsel
J.R. Kelly/Charles Rehwinkel
111 W. Madison Street, Room 812
Tallahassee, FL 32399-1400

Richard D. Melson
705 Piedmont Drive
Tallahassee, FL 32317

COM 5
ECR
GCL
OPC
RCP
SSC
SGA
ADM
CLK 1

DOCUMENT NUMBER-DATE
08796 AUG 24 8
FPSC-COMMISSION CLERK

Audrey Van Dyke
Naval Facilities Engineering Command
Litigation Headquarters
720 Kennon Street, S.E. Building 36, Room 136
Washington Navy Yard, D.C. 20374

John T. Burnett/R. Alexander Glenn
Progress Energy Services Company, LLC
Post Office Box 14042
St. Petersburg, FL 33733-4042

Kay Davoodi
Naval Facilities Engineering Command
Director, Utilities Rates and Studies Office
1322 Patterson Avenue SE
Washington Navy Yard, D.C. 20374-5065

Jim Selecky
Brubaker & Associates, Inc.
Post Office Box 412000
St. Louis, MO 63141-2000

Dan Moore
316 Maxwell Road, Suite 400
Alpharetta, GA 30009

Stephanie Alexander
Tripp Scott, P.A.
200 West College Avenue, Suite 216
Tallahassee, FL 32301

KATHERINE E. FLEMING
Senior Attorney
FLORIDA PUBLIC SERVICE COMMISSION
Gerald L. Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
Telephone: (850) 413-6218

DOCKET NO. 090079-EI: Petition for increase in rates by Progress Energy Florida, Inc

WITNESS: **Direct Testimony Of Jocelyn Y. Stephens,** Appearing On Behalf Of Staff

DATE FILED: August 24, 2009

DIRECT TESTIMONY OF JOCELYN Y. STEPHENS

Q. Please state your name and business address.

A. My name is Jocelyn Stephens and my business address is 4950 West Kennedy Blvd., Suite 310, Tampa, Florida, 33609.

Q. By whom are you presently employed and in what capacity?

A. I am employed by the Florida Public Service Commission as a Professional Accountant Specialist in the Division of Regulatory Compliance.

Q. How long have you been employed by the Commission?

A. I have been employed by the Florida Public Service Commission since January 1977.

Q. Briefly review your educational and professional background.

A. In 1972, I received a Bachelor of Science degree from Florida State University with a major in accounting. I am also a Certified Public Accountant licensed in the State of Florida since May 1989.

Q. Please describe your current responsibilities.

A. Currently, I am a Professional Accountant Specialist with the responsibilities of planning and directing the most complex investigative audits. Some of my past audits include cross-subsidization issues, anti-competitive behavior, and predatory pricing. I am also responsible for creating audit work programs to meet a specific audit purpose and integrating EDP applications into these programs.

Q. Have you presented testimony before this Commission or any other regulatory agency?

A. Yes. I testified in the Florida Cities Water Co., (South Fort Myers) transfer of certificate, Docket No. 910447-SU; the fuel and purchased power cost recovery clause proceedings, Docket No. 030001-EI; the petition for approval of storm cost recovery clause for recovery of extraordinary expenditures related to hurricanes Charley, Frances, Jeanne, and Ivan, by Progress Energy Florida, Inc., Docket No. 041272-EI; and the petition for rate increase by Peoples Gas System, Docket No. 080318-GU.

Q. What is the purpose of your testimony today?

A. The purpose of my testimony is to sponsor the staff audit report of Progress Energy Florida, Inc. (PEF or utility) which addresses the utility's petition for a rate increase. This audit report is filed with my testimony and is identified as Exhibit JYS-1.

Q. Was this audit prepared by you or under your direction?

A. Yes, I was the audit manager in charge of the audit. The audit report was prepared by me or under my direction.

Q. Please describe the work performed in this audit.

A. <u>Rate Base</u>:

We reconciled the individual component rate base balances listed below to the utility's general ledger as of December 31, 2008. We determined that the utility made adjustments to its rate base balances that were properly calculated and consistent with prior approved Commission rate case adjustments. We reviewed and tested the allocation methodology used by Progress Energy Service Company (Service) and Progress Energy Carolina (PEC) to charge costs to PEF. We reviewed and analyzed the costs recorded on the books of Service and PEC.

We scheduled and analyzed plant additions, adjustments/reclassifications and retirements for the period January 2005 through December 2008 using the Federal Energy Regulatory Commission Form 1 Annual Reports (Form 1). We reconciled annual balances from the Form 1to the general ledger. We requested and received a reconciliation of the Form 1 balances to the Power Plant System. We selected plant account activity for further analysis and verification using third party documentation. We verified the general ledger balance for Plant Held for Future Use (PHFU) at December 31, 2008, and determined that the utility removed PHFU in its entirety from rate base consideration. On a test basis, we recalculated the 13-month average balance of plant accounts. We reconciled Construction Work in Progress (CWIP) recorded in the MFRs with general ledger balances and reviewed a reconciliation of CWIP balances as of December 31, 2008, with the balances recorded in the Power Plant System. We selected a sample of open work orders and reconciling entries charged to CWIP and recorded in the Power Plant System as of December 31, 2008, verified that the work order pertained to an authorized and approved construction project, and reviewed supporting source documents for authenticity. We determined that Allowance for Funds Used During Construction (AFUDC) was not charged to any work orders included in CWIP and we recalculated the 13-month average balances for CWIP. On a sample basis, we verified that accumulated depreciation and amortization as of December 31, 2008, were properly recorded, using rates in the depreciation study approved by the Commission for the period January 1, 2006, through December 31, 2008.

We reviewed the Commission order from PEF's prior rate case and determined the treatment of working capital items. We determined that the utility's adjustments for the current working capital were consistent with the adjustments in PEF's prior rate case. We reviewed a sample of the transactions recorded in clearing accounts, stores expenses, prepayments, deferred debits and credits, and accrued liabilities to determine if they were proper, utility-related in nature, and that expenses were not overstated. We reviewed transactions in Materials and Supplies and Other Accounts Receivable to determine if non-utility items were posted. We determined that no interest bearing accounts were included in the calculation of working capital. We recalculated the 13-month average balances for all accounts included in the working capital computation.

Net Operating Income:

We reconciled the individual component net operating income (NOI) balances to the utility's general ledger as of December 31, 2008. We verified utility adjustments to NOI balances and reconciled the adjustments to the utility's other Commission filings during the test year or to prior orders that required the specific adjustment. We reviewed and tested the allocation methodology used by Service and PEC to charge costs to PEF. We reviewed and analyzed the costs recorded on the Income Statement of Service and PEC.

We verified that adjustments to NOI were accurately calculated, agreed with amounts in the general ledger, or were included in clause filings. We reconciled utility revenues for the 12-month period ended December 31, 2008, to the general ledger and determined that revenues for all recovery clauses were removed in the proper amounts from the historical base year.

We verified the calculation of unbilled revenues. We tested customer bills to determine that customers were charged rates in accordance with the Commission-approved tariff sheets. We verified, based on a sample of utility transactions for select Operation and Maintenance (O&M) expense accounts, that utility O&M expense balances are adequately supported by source documentation, prudent, utility-related in nature and do not include non-utility items. We reviewed additional samples of utility advertising expenses, industry dues, economic development expenses, outside services, sales expenses, customer service expenses, and administrative and general service expenses to ensure that amounts supporting non-utility operations were removed. We reviewed intercompany allocations and charges between affiliated companies and non-utility operations to determine if expenses were properly allocated. We verified, based on a sample of depreciation expense accruals, that the company is using correct depreciation rates as authorized in Commission Order No. PSC-05-0945-S-EI. We verified, based on a sample of utility transactions for select Taxes Other than Income Tax (TOTI) accounts, that utility TOTI expense balances are adequately supported by source documentation.

Capital Structure:

We reconciled the individual component capital structure balances to the utility's general ledger as of December 31, 2008. We verified that non-utility assets supported by the utility's capital structure were removed and that the capital structure adjustments reconciled with the rate base adjustments in the filing. We recalculated the 13-month average balances and the weighted average cost of capital for the utility's historical test year capital structure.

We verified that adjustments to the capital structure were accurately calculated and reconciled the amounts to the general ledger. We traced equity balances to the general ledger. We traced the long-term debt and reacquired debt acquisition cost balances to the original documents and verified the terms, conditions, redemption provisions and interest rates for each bond or note payable. We determined Discount on Debt and Debt Issue Costs and recalculated the amortization of Discount and Debt Issue Cost and Interest Expense. On a sample basis, we traced Debt Issue Costs to source documentation. We recalculated the weighted average cost of long-term debt. We traced the short-term debt balances to supporting documents, verified interest rates, and traced the computation of the average cost of short-term debt to utility documentation.

We reconciled the customer deposit balances to the general ledger and verified that customer deposits are charged in accordance with the tariff rates. We verified that interest on customer deposits is credited to customer bills at the Commission approved rate as designated in the tariff. We recalculated interest expense on Customer Deposits.

We reconciled the deferred tax balances to the general ledger. We reconciled net Investment Tax Credits to the general ledger. We reconciled the ending balance of Investment Tax Credits in the prior audit to the beginning balance in the current audit and verified the calculation of the annual amortization of investment tax credits.

Q. Please review the audit findings in this audit report, JYS-1, which addresses the 2008 actual filings for the PEF Rate Case.

A. We found items which were incorrect in the historical test year. The audit staff only audited the 2008 historical test year per the audit services request. Since rates in this case will be set based on a 2010 forecasted test year, additional work will need to be performed to determine the effect, if any, of the findings on the 2010 test year.

Audit Finding No. 1

Charges for "Order of Taking" on land easements were incorrectly recorded in Plant in Service accounts 355 and 356, Poles and Fixtures and Overhead Conductors and Devices rather than in the account Land and Land Rights.

Audit Finding No. 2

Staff found several errors in the prorata adjustments to the capital structure. However, correction of the errors did not result in a change in the weighted cost of capital.

Audit Finding No. 3

A correction to the income tax interest synchronization adjustment was not included by PEF in the utility's filing. Based upon additional information provided by

PEF after the issuance of the audit report, the correct effect of Audit Finding No. 3 on the filing for 2008 is a decrease to NOI of $1,295,000. This has no effect on the filing for 2009 or 2010. Audit Finding No. 3 was revised on August 24, 2009. Revised Audit Finding No. 3 is included in Exhibit JYS-1.

Audit Finding No. 4

Non-utility related expenses totaling $267,486 were included in the filing.

Audit Finding No. 5

This audit finding provides information concerning amounts billed by Progress Energy Service Company to PEF.

Audit Finding No. 6

This audit finding provides information concerning amounts billed by Progress Energy Carolina to PEF.

Audit Finding No. 7

This audit finding provides information concerning payroll expense.

Q. Does this conclude your testimony?

A. Yes, it does.

FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE
BUREAU OF AUDITING

TAMPA DISTRICT OFFICE

PROGRESS ENERGY FLORIDA

PETITION FOR RATE INCREASE

HISTORICAL YEAR ENDED DECEMBER 31, 2008

DOCKET NO. 090079-EI

AUDIT CONTROL NO. 09-110-2-1

Ronald Mavrides, Audit Staff

Daniel Acheampong, Audit Staff

Jocelyn Y. Stephens, Audit Manager

Joseph W. Rohrbacher, Tampa District Supervisor

TABLE OF CONTENTS

AUDITOR'S REPORT

I) PURPOSE 1

II) OBJECTIVES AND PROCEDURES 2

III) AUDIT FINDINGS

1) **LAND** 9

2) **ADJUSTMENTS TO CAPITAL STRUCTURE** 10

3) **NET OPERATING INCOME ADJUSTMENTS** 11

4) **OPERATION AND MAINTENANCE EXPENSES** 12

5) **ALLOCATED COSTS – Progress Energy Service Company** 14

6) **ALLOCATED COSTS – Progress Energy Carolina** 16

7) **PAYROLL MERIT INCREASES** 19

IV) EXHIBITS

RATE BASE (13-Month Average) 21

NET OPERATING INCOME 22

COST OF CAPITAL (13-Month Average) 23

DIVISION OF REGULATORY COMPLIANCE
AUDITOR'S REPORT

JULY 31, 2009

TO: FLORIDA PUBLIC SERVICE COMMISSION

We have performed the procedures described later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request dated April 16, 2009. We have applied these procedures to the attached schedules prepared by Progress Energy Florida in support of its Petition for Rate Increase in Docket No. 090079-EI.

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures. The report is intended only for internal Commission use.

OBJECTIVES AND PROCEDURES

RATE BASE

General

Objectives:

- To determine that the utility's filing represents its recorded results from continuing operations.
- To verify that all adjustments to rate base are consistent with the Commission's findings in prior cases and are calculated correctly.
- To review intercompany charges to and from affiliated companies and nonregulated operations to determine if an appropriate amount of costs were allocated pursuant to Rule 25-6.1351, Florida Administrative Code (F.A.C.) .
- To review allocation methodology used by the utility. To determine reasonableness of this methodology and of the amounts to be allocated.

Procedures:

- We reconciled the individual component rate base balances listed below to the utility's general ledger as of December 31, 2008
- We determined that the company made adjustments to its rate base balances that were properly calculated and consistent with prior approved Commission rate case adjustments
- We reviewed and tested the allocation methodology used by Progress Energy Service Company (Service) and Progress Energy Carolina (PEC) to charge costs to PEF. We reviewed and analyzed the costs recorded on the books of Service and PEC.

Plant in Service

Objectives:

- To determine that additions to Plant have adequate supporting documentation, are recorded at original costs and are properly classified in accordance with Rule 25-6.014, F.A.C. and the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts.
- To determine that the proper retirements of Plant were made when a replacement item was put in service.
- To determine that the treatment of Plant Held for Future Use (PHFU) is consistent with the treatment in the prior rate case.
- To determine that the 13-month average balance for each plant account was properly computed.

Procedures:

- We scheduled and analyzed plant additions, adjustments/reclassifications and retirements for the period January 2005 through December 2008 using the FERC Form 1 Annual Reports.
- Agreed annual balances from the FERC Form 1 to the general ledger.

- Requested and received a reconciliation of the Form 1 balances to the Power Plant System.
- Judgmentally selected plant account activity for further analysis and verification.
- Performed verification of plant activity using third party documentation.
- Determined compliance to company procedures for plant in service.
- Verified general ledger balance for PHFU at December 31, 2008.
- Determined that the company removed PHFU in its entirety from rate base consideration.
- On a test basis, we recalculated 13-month average balance of plant accounts.

Construction Work in Progress (CWIP)

Objectives:

- To determine the nature and purpose of utility projects recorded as CWIP.
- To determine that the company has included in rate base only those projects on which no Allowance for Funds Used During Construction (AFUDC) has been charged.

Procedures:

- We agreed CWIP recorded in the MFR with general ledger balances.
- We received a reconciliation of CWIP balances as of December 31, 2008 with the balances recorded in the Power Plant System.
- We judgmentally selected a sample of open workorders and reconciling entries charged to CWIP and recorded in the Power Plant System as of December 31, 2008.
- We verified that the work order pertained to an authorized and approved construction project.
- We reviewed supporting source documents for authenticity.
- We determined that AFUDC was not charged to any workorders included in CWIP.
- We recalculated the 13-month average balances for CWIP.

Accumulated Depreciation/Amortization

Objectives:

- To determine that accruals, retirements and adjustments to accumulated depreciation and accumulated amortization are properly recorded in compliance with Rule 25-06.014, Florida Administrative Code and the FERC Uniform System of Accounts.

Procedures:

- On a sample basis, we verified that accumulated depreciation and amortization as of December 31, 2008, were properly recorded, using rates in the depreciation study approved by the Commission for the period January 1, 2006 through December 31, 2008.

Working Capital

Objectives:

- To verify that the working capital calculation is consistent with the last rate case.
- To determine if any working capital accounts (WCA) are interest bearing.

- To review transactions in selected WCA for non-utility items.

Procedures:

- We reviewed the Commission order for the prior rate case and determined the treatment of working capital items.
- We determined that the company's adjustments for the current working capital were consistent with the adjustments in the prior Commission order.
- We reviewed a sample of the transactions recorded in clearing accounts, stores expenses, prepayments, deferred debits and credit and accrued liabilities to determine if they were proper, utility in nature and that expenses were not overstated.
- We reviewed transactions in Materials and Supplies and Other Accounts Receivable to determine if non-utility items were posted.
- We determined that no interest bearing accounts were included in the calculation of working capital.
- We recalculated the 13-month average balances for all accounts included in the working capital computation.

NET OPERATING INCOME

General

Objectives:

- To determine that the utility's filing represents its recorded results from continuing operations.
- To verify that all adjustments to Net Operating Income are consistent with the Commission's findings in prior cases and are calculated correctly.
- To review allocation methodology used by the utility.
- To determine reasonableness of this methodology and of the amounts to be allocated

Procedures:

- We reconciled the individual component net operating income balances listed below to the utility's general ledger as of December 31, 2008.
- We verified utility adjustments to net operating income balances and reconciled the adjustments to the utility's other Commission filings during the test year or to prior orders that required the specific adjustment.
- We reviewed and tested the allocation methodology used by Progress Energy Service Company (Service) and Progress Energy Carolina (PEC) to charge costs to PEF.
- We reviewed and analyzed the costs recorded on the Income Statement of Service and PEC.
- We verified that adjustments to NOI were accurately calculated, agreed to amounts calculated in the general ledger and were included in clause filings.

Revenues

Objectives:

- To determine that revenues are properly calculated and are based on the utility's Commission approved tariff rates.

Procedures:

- We reconciled utility revenues for the 12-month period ended December 31, 2008 to the general ledger.
- We determined that revenues for all clause audits were removed in the proper amounts from the historical base year.
- We verified the calculation of unbilled revenues.
- We tested customer bills to determine that customers were charged rates in accordance with the Commission approved tariff sheets.

Operation and Maintenance Expenses (O&M)

Objectives:

- To determine that operation and maintenance expenses are properly recorded in compliance with the Uniform System of Accounts, were reasonable, prudent for ongoing utility operations and adequately supported by documentation.
- To determine that advertising charged to O&M is not image enhancing in nature, promotional, recoverable through the Energy Conservation Cost Recovery Clause or related to non-utility operations.
- Determine that adjustments to O&M expense are consistent with the Commission approved adjustments in the prior rate case.

Procedures:

- We verified, based on a sample of utility transactions for select O&M expense accounts, that utility O&M expense balances are adequately supported by source documentation, prudent, utility in nature and do not include non-utility items.
- We reviewed additional samples of utility advertising expenses, industry dues, economic development expenses, outside services, sales expenses, customer service expenses and administrative and general service expenses to ensure that amounts supporting non-utility operations were removed.
- We reviewed intercompany allocations and charges between affiliated companies and non-utility operations to determine if expenses were properly allocated.

Depreciation Expense

Objectives:

- To determine that depreciation expense is properly recorded in compliance with Rule 25-6.0436, F.A.C. and that it accurately represents the depreciation of Plant assets verified in rate base.
- To determine that historical test year depreciation expense accruals are calculated using the authorized rates in Order No. PSC-05-0945-S-EI.

Procedures:

- We verified, based on a sample of depreciation expense accruals, that the company is using correct depreciation rates as authorized in Commission Order No. PSC-05-0945-S-EI .

<u>Taxes Other Than Income (TOTI)</u>

Objectives:

- To determine that Taxes Other Than Income is properly recorded and supported by adequate documentation.

Procedures:

- We verified, based on a sample of utility transactions for select TOTI accounts, that utility TOTI expense balances are adequately supported by source documentation.

CAPITAL STRUCTURE

<u>General</u>

Objectives:

- To determine the components of the utility's capital structure and that the respective costs rates used to arrive at the overall weighted cost of capital are properly recorded and that they accurately represent the ongoing utility operations.
- To determine that the utility's capital structure adjustments are appropriate and correspond to the utility's rate base adjustments in the filing.

Procedures:

- We reconciled the individual component capital structure balances listed below to the utility's general ledger as of December 31, 2008.
- We verified that non-utility assets supported by the utility's capital structure were removed and that the capital structure adjustments reconciled with the rate base adjustments in the filing.
- We recalculated the 13-month average balances and the weighted average cost of capital for the utility's historical test year capital structure.
- We verified that adjustments to Capital Structure were accurately calculated and agreed to amounts calculated in the general ledger.

<u>Equity</u>:

Objectives:

- To determine that owner's equity balances represent actual equity of the utility.

Procedures:

- We traced equity balances to the general ledger.

Long-Term Debt

Objectives:

- To determine that long-term debt balances represent actual obligations of the utility and that they are properly recorded.

Procedures:

- We traced the long-term debt and reacquired debt acquisition cost balances to the original documents and verified the terms, conditions, redemption provisions and interest rates for each bond or note payable.
- We determined Discount on Debt and Debt Issue Costs and recalculated the amortization of Discount and Debt issue cost and Interest expense.
- On a judgmental basis, we traced Debt Issue Costs to source documentation.
- We recalculated the weighted average cost of long-term debt.

Short Term Debt

Objectives:

- To determine that short-term debt balances represent actual obligations of the utility and that they are properly recorded.

Procedures:

- We traced the short-term debt balances to supporting documents and verified interest rates.
- We traced the computation of the average cost of short-term debt to utility documentation.

Customer Deposits

Objectives:

- To determine that customer deposit transactions represent actual obligations of the utility and are properly recorded.

Procedures:

- We reconciled the customer deposit balances to the general ledger.
- We verified that customer deposits are charged in accordance with the tariff rates.
- We verified that interest is credited to customer bills, at the Commission approved rate as designated in the tariff.
- We recalculated interest expense on Customer Deposits.

Accumulated Deferred Taxes

Objectives:

- To determine that accumulated deferred income taxes are properly stated and calculated based on the recorded differences between utility book and taxable income.

Procedures:

- We reconciled the deferred tax balances to the general ledger and to the utility's federal tax returns.

Investment Tax Credits

Objectives:

- To determine that Investment Tax Credits balances are properly stated and are being properly amortized.

Procedures:

- We reconciled net Investment Tax Credits to the General Ledger.
- We reconciled the ending balance of Investment Tax Credits in the prior audit to the beginning balance in the current audit.
- We verified the calculation of the annual amortization of investment tax credits.

AUDIT FINDING NO. 1

SUBJECT: LAND EASEMENTS

AUDIT ANALYSIS

The Code of Federal Regulations (CFR) 18, Pt. 101, Electric Plant Instructions, Land and Land Rights states that the accounts for land and land rights shall include the cost of leaseholds, easements, rights-of-way and other like interests in land.

During a review of work orders recorded in PEF's Power Plant system, it was noted that charges for "Order of Taking" on land easements were recorded in Plant in Service accounts 355 and 356, Poles and Fixtures and Overhead Conductors and Devices.

The following charges were recorded:

Crawford Owens Hines PA	$ 144,400
	95,600
Sachs & De Young PA	1,725,030
Robert Dennis & Mary Nutt	140,000
	$2,105,030

Information was requested on any other Land and Land Rights items recorded in plant and was informed by PEF employees that this was an isolated error and no depreciation was recorded. Audit staff verified that no depreciation was charged on the above. Since work orders and invoices were judgmentally selected for review, audit staff is unable to verify if there were any other miscoding.

EFFECT ON GENERAL LEDGER

PEF should reclassify the charges to the correct accounts.

EFFECT ON FILING

None, since rate base is not affected.

AUDIT FINDING NO. 2

SUBJECT: COST OF CAPITAL

AUDIT ANALYSIS:

We performed an analysis of the company prepared Capital Structure. We compared prorata adjustments included in the capital structure with corresponding adjustments included in the Rate Base Schedule and noted several variances.

It was determined that these variances were the result of errors made in calculating the allocation of the Rate Base adjustments to be applied in the Cost of Capital schedule. The table below summarizes the errors.

Pro-Rata Adjustment Items		As Filed		Difference		Per Staff
Gain/Loss on Sale of Plant	$	(8,382)			$	(8,382)
CWIP bearing AFUDC	$	(1,404,906)	$	(153,090)	$	(1,557,996)
Capital Lease	$	(226,683)			$	(226,683)
Capital Lease - Work Cap	$	227,274			$	227,274
Nuc Decomm Unfunded Whlse	$	(2,286)	$	4,572	$	2,286
	$	(1,414,983)	$	(148,518)	$	(1,563,501)

We recalculated the Cost of Capital schedule and determined that the Jurisdictional factor to be applied to the System Adjusted Capital Structure changed from 76.54% to 78.21%. There was no change to the Weighted Cost Rate.

EFFECT ON GENERAL LEDGER:

None

EFFECT ON FILING:

None

AUDIT FINDING NO. 3 *Revised August 24, 2009*

SUBJECT: NET OPERATING INCOME ADJUSTMENTS (NOI)

AUDIT ANALYSIS:

In the analysis of NOI, we determined that NOI expense adjustments, per the filing, totaled ($2,969,893,000). Staff calculation of NOI expense adjustments totaled ($2,968,598,000). This variance results in net operating expenses being understated by $1,295,000.

A utility representative stated that this variance was due to a correction being made to the income tax interest synchronization amount recorded in the surveillance report. The Minimum Filing Requirement (MFR) used the original amount that was recorded in the Surveillance Report prior to correction.

Table amounts are in Thousands (000's)

	Per Utility	Per Audit	Difference
Recoverable Fuel	$ (2,607,629)	$ (2,607,629)	-
Recoverable ECCR	(69,071)	(69,071)	-
Recoverable ECRC	(35,088)	(35,088)	-
Recoverable ARO	(4)	(4)	-
Recoverable SCRS	(65,766)	(65,766)	-
Recoverable Capacity-Nuclear	1,705	1,705	-
Corporate Aircraft	(1,821)	(1,821)	-
Franchise & Gross Receipts	(193,108)	(193,108)	-
Gain/Loss on Sale of Plant Assets	(1,303)	(1,303)	-
Promotional Advertising	(2,137)	(2,137)	-
Interest on Tax Deficiency	(2,737)	(2,737)	-
Miscellaneous Interest Expense	74	74	-
Industry Association Dues	(13)	(13)	-
Economic Development	(20)	(20)	-
Sebring Revenue and Depreciation	(738)	(738)	-
Income Tax Interest Synchronization	7,788	9,083	(1,295)
	(25)	(25)	-
Total	$ (2,969,893)	$ (2,968,598)	$ (1,295)

EFFECT ON GENERAL LEDGER

None

EFFECT ON FILING

If this finding is accepted, income tax expense will increase by $1,295,000 and NOI will decrease by $1,295,000 for 2008.

AUDIT FINDING NO. 4

SUBJECT: OPERATION & MAINTENANCE EXPENSES

AUDIT ANALYSIS:

Operation and Maintenance (O&M) expenses were judgmentally selected for review and testing. Our testing included reviewing invoices for proper account, amount, period, authorization and if deductable for rate making.

FERC Acct	Supplier	Voucher/ Invoice #	Amount	Description	Reason For Adjustment
908	Andretti Green Promotions	227	8,025.00	1/2 Pit lane VIP Suite	Non utility related
908	Catering by SMG	5115	2,099.72	Food for Honda Grand Prix	Non utility related
908	Catering by SMG	5147	3,193.90	Food for Honda Grand Prix	Non utility related
908	Catering by SMG	5113	1,387.54	Food for Honda Grand Prix	Non utility related
912	Catering by SMG	5147	779.00	Food for Honda Grand Prix	Non utility related
921	Catering by SMG	5147	311.60	Food for Honda Grand Prix	Non utility related
921	Catering by SMG	5113	126.14	Food for Honda Grand Prix	Non utility related
580	Catering by SMG	5147	779.00	Food for Honda Grand Prix	Non utility related
921	CFHLA Educational Trust Fund	BBash2008	1,000.00	Sponsorship	Non utility function
908	Arnold Palmer Invitational	8129	4,705.80	Hospitality beverages	Non utility related
908	Arnold Palmer Invitational		2,921.13	Hospitality beverages	Non utility related
908	Arnold Palmer Invitational	8064	10,000.00	Suite - Bay Hill Chalet #8	Non utility related
921	Arnold Palmer Invitational		10,000.00	Suite - Bay Hill Chalet #8	Non utility related
580	Arnold Palmer Invitational		15,000.00	Suite - Bay Hill Chalet #8	Non utility related
580	Arnold Palmer Invitational	8129	4,673.36	Hospitality beverages	Non utility related
580	Gooding's Catering		10,136.17	Arnold Palmer Invitational catering	Non utility related
580	Gooding's Catering		1,164.18	Arnold Palmer Invitational catering	Non utility related
912	Foundation For Seminole Co Public	AA200814	2,000.00	Tickets for Arts Alive in Seminole	Non utility function
923	George F Young	28732	22,880.31	Survey & engineering work	Should be capitalized
923	Hewitt Associates	922842	18,803.16	Consultant Service Nov-Dec 2007	Out of Period
923	Projects 3403105; A 351890		128,784.73	100th Anniversary book	Non utility related - $585,000 total
921	City of Archer		5,000.00	Archer Community Center Project 4 yr commitment $20K (2007-2010) 2nd installment renovation of school	Non utility related
921	The Florida Council of 100		3,215.41	Dues and meeting	Non utility related
921	The Florida Council of 100		2,000.00	Dues	Non utility related
930.2	Florida TaxWatch		8,500.00	Dues	Non utility related
			267,486.15		

A/C No.	Amount
908	32,333.09
912	2,779.00
921	21,653.15
923	170,468.20
930.2	8,500.00
580	31,752.71
	267,486.15

EFFECT ON GENERAL LEDGER

None

EFFECT ON FILING

Audit staff determined that the expenses reflected in the above schedule were either non-utility related, image enhancing, out of the test period or should have been capitalized.

O&M expenses allowed for ratemaking purposes should be reduced by $267,486.

AUDIT FINDING NO. 5

SUBJECT: CHARGES BILLED BY PROGRESS ENERGY SERVICE COMPANY

AUDIT ANALYSIS:

According to company testimony provided to the Florida Public Service Commission in Docket No. 090079-EI, Progress Energy Service Company (PESC) provides processing, reporting and management oversight for a variety of areas, including: financial services, human resources, corporate communications, legal, regulatory affairs, audit and compliance, real estate and facility services, information technology and telecommunications. The cost for these services is 100% distributed to all affiliates of Progress Energy - Electric Fuels, Progress Telecom, Florida Progress, Progress Capital Holding, Progress Ventures, PGN, Progress Energy Carolina (PEC) and Progress Energy Florida (PEF).

Total costs incurred by PESC, as recorded in its Income Statement for the 12-month period ended December 31, 2008 were $360,626,435. This includes Operation and Maintenance Expenses, Depreciation/Amortization, Income Taxes and Other Income and Deductions.

We determined that the amounts distributed by PESC are for both direct charges and indirect charges. Direct costs are specifically identified with a particular service or product. Indirect allocated costs are not specifically identified with a particular service or product and are based upon various allocation factors as described in the Cost Allocation Manual (CAM). Both direct and indirect costs include employee labor costs, payroll tax, benefits, pensions and exceptional hours overhead costs.

In addition to costs incurred, PESC also bills its subsidiaries for pass-through amounts and for payroll benefits. The total costs billed to affiliates of Progress Energy for the 12-month period ended December 31, 2008 were $450,934,460. The difference between the amount incurred and amount billed of $90,308,125 represents pass-through charges of $22,810,880 and Payroll benefits of $67,497,245. Pass-through charges are for items for which PESC acts as a pay agent. Pay agent items are intercompany/cash transactions. An example of a pass-through item is employee benefits.

A summary of PESC costs billed by department to the affiliates is shown below:

Summary of Service Company Cost by Dept

Sum of Grand Total	
Department	Total
Accounting	22,334,128
Audit	6,326,125
Corporate Communications	18,534,341
Corporate Planning	7,991,919
Corporate Services	34,563,619
External Relations	14,969,959
Human Resources	85,491,189
Investor Relations	1,341,762
IT&T	113,511,534
Legal	22,549,887
Misc Svc Co - Client Driven	2,538,781
Svc Co Corporate Costs	68,766,780
Svc Co Executive	8,908,674
Svc Co Group Managed	13,810,971
Svc Company Controllers	13,646,996
Tax	7,318,935
Treasury & Risk Mgmt	8,328,860
Grand Total	450,934,460

Of the $450,934,460 billed by PESC to its subsidiaries in 2008, PEF received $118,575,452 (Indirect) and $47,902,321 (Direct) for a total of $166,477,773. Costs billed by PESC to PEF in prior years is provided in the following chart.

In 000's	PESC costs allocated to PEF in Prior Years		
	Direct	Indirect	Total
2003	44,428	101,375	145,803
2004	59,119	100,887	160,006
2005	44,432	122,671	167,103
2006	45,106	121,329	166,435
2007	50,583	124,612	175,195
2008	47,902	118,575	166,477

We could not determine the amount of pass-through and payroll benefits included in the billed amount from PESC for the years 2003-2007.

This documentation is provided for informational purposes only.

AUDIT FINDING NO. 6

SUBJECT: CHARGES BILLED BY PROGRESS ENERGY CAROLINA

STATEMENT OF FACT:

During 2008, Progress Energy Carolina (PEC) allocated costs for a variety of services it provided to Progress Energy Florida (PEF). The attached chart lists FERC expense accounts used to charge these costs to PEF.

DIRECT CHARGES FROM PEC 2008-SUMMARY

	Direct Chgs	Indirect Charges
9350REC - MAINT OF GEN PLT-PROJ SUPT NCR	5,450	
9230REC OUTSIDE SVCS EMP-PROJ SUPT NCR	51,151	
9210REC - OFF SUPPLIES&EXP-PROJ SUPT NCR	64,723	
9200REC - SALARIES&WAGES-PROJ SUPT NCR	(4,000)	
5660REC - TRANS MISC EXP-PROJ SUPT NCR	199	
-1071000 CWIP-CONST WORK IN PROGRESS	37,841,376	
-1071110 CWIP-RECOVERABLE ECRC	1,212,081	
-1511010 Fuel Stock		1,264,195
-1630004 Stores Expense Undistributed		831,237
-1830100 NUCLEAR COLA	-	887,005
-1830200 NUC FIRE PROT ANALYSIS	1,187,083	
-1830300 POG-FEASIBILITY STUDY COSTS	3,098	
-1861900 JOB ORDERS WORK IN PROGRESS	29,808	
-4081101 PAYROLL TAX	96,970	
-4171001 EXPENSES OF NONUTILITY OPER	261,423	
-4210701 MNI-OTHER ENERGY SERVICES-MISC	18,916	
-5000000 FOS OPER SUPER AND ENGINEER	4,312	
-5012000 Fuel		204,594
-5020000 FOS STEAM EXPENSES	5,906	
-5060000 FOS MISC STEAM POWER EXP	208	4,843,770
-5110000 FOS MAINT OF STRUCT	1,968	
-5120000 FOS MAINT OF BOILER PLANT	1,400	
-5130000 FOS MAINT OF ELECTRIC PLANT	2,094	
-5140000 FOS MAINT OF MISC STEAM PLANT	19,331	293,920
-5140001 FOS MAINT OF MISC STEAM PT-REC	6,396	
-5170000 NUC OPER SUPER AND ENGINEER	-	1,366,239
-5182300 Nuclear Fuel Expense		742,983
-5190000 NUC COOLANTS AND WATER	331	
-5200000 NUC STEAM EXPENSES	802	459,340
-5240000 NUC MISC NUCLEAR POWER EXP	490,493	993,766
-5280000 NUC MAINT SUPER AND ENGIN	8,779	1,454,542
-5290000 NUC MAINT OF STRUCTURES	1,195	
-5300000 NUC MAINT OF REAC PLANT EQUIP	70,985	
-5310000 NUC MAINT OF ELECTRIC PLANT	61,929	
-5320000 NUC MAINT OF MISC NUC PLANT	11,285	
-5320001 NUC MAINT OF MISC NUC PLT-REC	6,396	
-5460000 CT OPER SUPER AND ENGINEER	12,726	

DIRECT CHARGES FROM PEC 2008-SUMMARY (con't)

		Direct Chgs	Indirect Charges
-5472000	Fuel		1,799,449
-5480000	CT GENERATION EXPENSES	(2,833)	
-5490000	CT MISC OTHER POWER GEN EX	8,570	2,777,771
-5520000	CT MAINT OF STRUCTURES	832	
-5530000	CT MAINT OF GEN AND ELEC PLANT	6,120	
-5540000	CT MAINT MISC OTH PWR GEN PL	74,492	
-5560000	SYS CONTROL AND LOAD DISPATCH	81,269	
-5600000	TRANS OPER SUPER AND ENGINEER	356,507	
-5610000	TRANS LOAD DISPATCHING	4,228	
-5611000	LOAD DISPATCH-RELIABILITY	26,641	
-5612000	LD DISPTCH-MONITOR&OP TRNS SYS	4,228	
-5617000	GEN INTERCONNECTION STUDIES	4,619	
-5620000	TRANS STATION EXPENSES	7,524	
-5660000	TRANS MISC EXPENSES	358,944	
-5680000	TRANS MAINT SUPER AND ENGINEER	22,314	
-5700000	TRANS MAINT OF STATION EQUIP	26,428	
-5710000	TRANS MAINT OF OVERHEAD LINES	3,702	
-5730000	TRANS MAINT OF MISC EQPT	(5,141)	
-5800000	DIST OPER SUPER AND ENGINEER	368,534	
-5830000	DIST OVERHEAD LINE EXPENSES	11,021	
-5840000	DIST UNDER LINE EXPENSES	4,485	
-5860000	DIST METER EXPENSES	(47)	
-5880000	DIST MISC EXP	246,938	592,845
-5920000	DIST MAINT OF STATION EQUIP	21,585	
-5930000	DIST MAINT OF OVERHEAD LINES	13	
-5940000	DIST MAINT OF UNDER LINES	26	
-9010000	CUST. ACCOUNTS SUPER.	70,727	
-9010000	Supervision		196,205
-9030000	CUST ACCTS RECORDS & COLLEC EX	90,903	
-9050000	CUST ACCOUNTS MISC EXP	3,080	1,307,841
-9080000	CUSTOMER ASSIST EXPENSES	1,575	
-9080100	CUST ASST EXP-CONSERVATION PRG	13,127	
-9090100	INFO&INSTRUC ADJ-CONSERV PROG	1,478	
-9120000	DEMONSTRATING AND SELLING	28,278	
-9130000	ADVERTISING	12,211	
-9160000	MISCELLANEOUS SALES EXPENSES	50,182	
-9200000	SALARIES AND WAGES	13,559	4,865,631
-9210000	A&G OFF SUPPLIES AND EXPENSES	107,720	
-9230000	A&G OUTSIDE SERVICES EMP	92,103	
-9260001	A&G EMPLOYEE PENS AND BEN	375,464	
-9302000	MISC GENERAL EXPENSES	448,380	
	Grand Total	44,414,608	24,881,334

The total costs charged to PEF by PEC for 2008 were $69,295,942. We were provided monthly invoices for costs billed by PEC to PEF. These invoices totalled $82,476,937. The difference is $13,180,995. Audit time did not allow for investigation of this difference.

PEC, like Progress Energy Service Company, bills PEF for both direct charges and indirect charges. A Company representative explained that even though PEC received direct and allocated costs from PESC, none of these costs are further allocated to PEF

Costs charged by PEC to PEF for the period 2003 through 2008 are shown below.

In 000's	PEC costs allocated to PEF		
	Direct	Indirect	Total
2003	9,707	22,869	32,576
2004	20,415	25,306	45,721
2005	30,288	5,201	35,489
2006	13,890	27,099	40,989
2007	106,146	32,199	138,345
2008*	44,414	24,881	69,295
	224,860	137,555	362,415

* - Direct includes $37,841 for Construction Work In Progress

This documentation is being provided for informational purposes only.

AUDIT FINDING NO. 7

SUBJECT: PAYROLL EXPENSE

AUDIT ANALYSIS:

In response to a Document Request, it was determined that Progress Energy Florida employed approximately 4,100 employees during the 12-month period ended December 31, 2008. These employees were distributed among seven (7) departments: Power Generation Florida, Generation & Transmission Construction, Nuclear Generation, Financial Services, Customer and Market Services, Transmission and Distribution. Total costs incurred for the operation of these departments for 2008 was $1,489,902,182.

The services provided by PEF are for: corporate security, customer service, generation and transmission construction, power operations, nuclear operations, projects and construction, financial services, fleet maintenance, real estate – land development, property/projects, EIT, distribution, transmission, CIG accounting, IT&T - nuclear, Executives and administration, and, external relations. Salaries and Wages incurred in providing these services is $366,211,044 or 24.57% of total costs. The amount for Salaries and Wages do not include payroll burdening costs which historically account for an additional 45%-50% of base Salaries and Wages.

During 2008, employees were granted merit increases. Bargaining/Union employees received a 3.05% increase while Non-bargaining/non-union employees received a 3.75% increase. This impacts expenses by $3,699,875 and $5,015,413 respectively. The 2008 merit pay increases are being paid over a 12-month period and impact expenses during both 2008 and 2009. For Union employees, the increased expenses affect one month in 2008 and 11 months in 2009. For Non-union employees, the increase impacts 3 ½ months in 2008 and 8 ½ months in 2009.

The 2007 merit increases impact 2007 and 2008 in the same manner as the 2008 merit increases impact 2008 and 2009. During 2007, PEF union and non-union employees received merit increases of 3.14% and 3.5%, respectively. The dollar impact of the 2007 increases was $3,749,296 (non-union) and $4,255,447 (union).

For 2009, PEF has approved merit increases of 2% - 3% for its non-union employees totaling $4,179,818. Because of the timing of the approval of merit increases for union employees (November 2009) the approved percentage cannot be provided. However, PEF has projected a 3% increase in the 2009 budget. PEF provided the following payroll data for 2009 and 2010.

		2009	% Inc		2010	% Inc
Base Payroll	$	306,758,806	-9.42%	$	329,276,263	7.34%
Total Payroll		342,813,837	-10.30%		365,331,258	6.57%
Total Fringe Benefits		149,381,201	55.89%		149,625,061	0.16%
Total Payroll & Fringe Benefits		492,195,038	2.97%		514,956,355	4.62%
Average Regular Full Time Employees		4,297			4,416	

Notes:
The above amounts do not include bonuses, salary adjustments due to reorganization.
Union employee increases are agreed upon in bargaining unit labor contracts

This documentation is being provided for informational purposes only.

FLORIDA PUBLIC SERVICE COMMISSION

Company: PROGRESS ENERGY FLORIDA INC.

Docket No: 090079-EI

Explanation: Provide a schedule of the 13-month average adjusted rate base for the test year, the prior year and the most recent historical year. Provide the details of all adjustments on Schedule B-2.

Type of Data Shown:
_ Projected Test Year Ended 12/31/2010
_ Prior Year Ended 12/312009
X Historical Test Year Ended 12/31/2008
Witness: Toomey/Slusser

(Thousands)

Line No.		(A) Plant in Service	(B) Accumulated Provision for Depreciation & Amortization	(C) Net Plant in Service (A-B)	(D) CWIP - No AFUDC	(E) Plant Held for Future Use	(F) Nuclear Fuel - No AFUDC (Net)	(G) Net Utility Plant	(H) Working Capital Allowance	(I) Other Rate Base Items	(J) Total Rate Base
1	System Per Books (B-3)	$10,236,948	$4,625,527	$5,611,421	$1,740,650	$35,090	$86,294	$7,473,454	(183,177)		$7,290,278
2	Adjustments to System Per Books:										
3	Remove ARO	(11,855)	21,644	(33,499)				(33,499)	411,900		$378,401
4	Remove ECCR	(741)	(204)	(537)	(723)			(1,260)	3,441		$2,181
5	Remove ECRC	(19,896)	(970)	(18,926)	(2,065)			(20,990)	(73,436)		($94,426)
6	Remove Fuel	(52,910)	(30,744)	(22,167)	0			(22,167)	(58,454)		($80,621)
7	Remove Storm Reserve	0	0	0				0	112,507		$112,507
8	Remove CCR/NCRC	0	0	0	0			0	(21,584)		($21,584)
9	Remove Electric Plant Acquisition Adjustments	(19,099)	0	(19,099)				(19,099)	0		($19,099)
10	Remove Non-Utility Property	(10,325)	(4,697)	(5,627)				(5,627)	6,979		$1,352
11	Investment in Associated Companies (123)			0				0	0		$0
12	Other Investments (124)			0				0	(1,641)		($1,641)
13	Other Special Funds (128)			0				0	(559,406)		($559,406)
14	Misc and Accrued Taxes Other (174)			0				0	(54,213)		($54,213)
15	Remove Non-Rate Base Deferred Debits			0				0	(5,257)		($5,257)
16	Remove Dividends Declared (238)			0				0	0		$0
17	Remove Derivative Instrument Assets & Liabilities			0				0	92,404		$92,404
18	Remove Notes Payable to Associated Companies (233)			0				0	34,193		$34,193
19	Remove Other Regulatory Assets and Liabilities			0				0	104,391		$104,391
20	Remove Employee Related Accounts			0				0	(257)		($257)
21	Remove Retention Accounts			0				0	30,216		$30,216
22	Remove Nuclear Decommissioning Accounts		(61,178)	61,178				61,178	0		$61,178
23	Specific Adjs - Distribution			0				0			$0
24	Adjusted System per Books	10,122,121	4,549,378	5,572,744	1,737,863	35,090	86,294	7,431,990	(161,394)	0	7,270,597
25	Jurisdictional Factors	0.89554	0.93238	0.90235	0.90223	0.75742	0.88581	0.90144	1.11877		0.89662
26	Jurisdictional Per Books	9,272,567	4,244,024	5,028,543	1,567,953	26,578	76,439	6,699,513	(180,562)		6,518,952
27	Jurisdictional Company/FPSC Adjustments:										
28	Company Adjustment - Leased Assets	(207,799)		(207,799)				(207,799)	203,942		($3,858)
29	Company Adjustment - Rate Case			0				0	0		$0
30	CWIP - Production AFUDC			0	(1,329,985)			(1,329,985)	0		($1,329,985)
31	CWIP - Transmission AFUDC			0	(80,925)			(80,925)	0		($80,925)
32	CWIP - Distribution AFUDC			0	0			0	0		$0
33	Gain/loss on sale of plant			0				0	(7,706)		($7,706)
34	Nuc. Decom. Unfunded - Wholesale		(2,286)	2,286				2,286	0		2,286
35	Total Adjustments	(207,799)	(2,286)	(205,513)	(1,410,910)	0	0	(1,616,423)	196,236	0	(1,420,187)
36	Jurisdictional Adjusted Rate Base	$9,064,768	$4,241,738	$4,823,029	$157,043	$26,578	$76,439	$5,083,090	$15,675	$0	$5,098,765

Note: Differences are due to rounding

Supporting Schedules: B-2, B-3, B-6, B-17

Recap Schedules: A-1

SCHEDULE C-1

ADJUSTED JURISDICTIONAL NET OPERATING INCOME CALCULATION

FLORIDA PUBLIC SERVICE COMMISSION

Explanation: Provide the calculation of jurisdictional net operating income for the test year, the prior year and the most recent historical year.

Type of data shown:
_ Projected Test Year Ended 12/31/2010
_ Prior Year Ended 12/31/2009
X Historial Year Ended 12/31/2008
Witness: Toomey / Slusser

Company: PROGRESS ENERGY FLORIDA INC.

Docket No. 090079-EI

(Thousands)

Line No.		(A) Total Company Per Books	(B) Non-Electric Utility	(C) Total Electric (A) - (B)	(D) Jurisdictional Factor (1)	(E) Juris. Amount (C) * (D)	(F) Juris. Adjustments (Sched C-2)	(G) Adjusted Juris. Amt (E) + (F)
1								
2	Operating Revenues:							
3	Sales of Electric Energy	4,549,980		4,549,980	various	4,358,011	(2,979,435)	1,378,576
4	Other Operating Revenues	180,911		180,911	various	130,674	-	130,674
5								
6	**Total Operating Revenues**	**4,730,891**	-	**4,730,891**		**4,488,685**	**(2,979,435)**	**1,509,250**
7								
8	Operating Expenses:							
9	Fuel and Net Interchange	2,628,138		2,628,138	various	2,612,508	(2,605,339)	7,169
10	Other Operation and Maintenance Expense	816,441		816,441	various	755,490	(178,815)	576,675
11	Depreciation and Amortization	299,544		299,544	various	272,703	4,874	277,577
12	Taxes Other than Income	309,269		309,269	various	300,115	(195,136)	104,979
13	Current/Deferred Income Taxes - Federal and State	184,322		184,322	various	160,089	(1,144)	158,945
14	Charge Equivalent to Investment Tax Credit	(5,940)		(5,940)		(5,460)	-	(5,460)
15	(Gain)/Loss on Disposition of Utility Property	-		-		(7,788)	5,667	(2,120)
16	(Gain)/Loss on Reacquired Bonds	-		-			-	-
17	Regulatory Practices Reconciliation	-		-			-	-
18								
19	**Total Operating Expenses**	**4,231,774**	-	**4,231,774**		**4,087,656**	**(2,969,892)**	**1,117,764**
20								
21								
22	**Net Operating Income**	**499,117**	-	**499,117**		**401,028**	**(9,543)**	**391,486**
23								
24								
25	(1) Jurisdictional factor has been rounded to four places.							
26								
27								

Supporting Schedules: C-2, C-4, C-6

Recap Schedules: A-1

SCHEDULE D-1a

COST OF CAPITAL - 13-MONTH AVERAGE

FLORIDA PUBLIC SERVICE COMMISSION

Explanation: Provide the Company's 13-month average cost of capital for the test year, the prior year and historical base year.

Company: PROGRESS ENERGY FLORIDA INC.

Docket No. 090079-EI

(Thousands)

Type of data shown:
_ Projected Test Year Ended 12/31/2010
_ Prior Year Ended 12/31/2009
X Historical Year Ended 12/31/2008
Witness: Toomey

Line No.	Class of Capital	(A) Co Total	(B) Specific Adjustments	(C) Pro Rata Adjustments	(D) System Adjusted	(E) Jurisdictional Factor	(F) Jurisdictional Capital Structure	(G) Ratio	(H) Cost Rate	(I) Weighted Cost Rate
1										
2	Common Equity	3,207,197	844,577	(718,576)	3,333,198	76.54%	2,551,396	50.04%	11.75%	5.880%
3	Preferred Stock	33,497	0	(5,941)	27,556	76.54%	21,093	0.41%	4.51%	0.019%
4	Long Term Debt - Fixed	3,506,938	(110,173)	(602,411)	2,794,354	76.54%	2,138,938	41.95%	6.27%	2.630%
5	Short Term Debt	57,531	1,791	(10,521)	48,801	76.54%	37,355	0.73%	3.87%	0.028%
6	Customer Deposits Active	180,135	0	(31,947)	148,188	76.54%	113,431	2.22%	6.23%	0.139%
7	Customer Deposits Inactive	1,001	0	(177)	823	76.54%	630	0.01%		
8	Investment Tax Credit Post '70 (Wtd Cost)	14,477	0	(2,567)	11,909	76.54%	9,116	0.18%	9.23%	0.017%
9	Deferred Income Taxes	442,296	32,524	(84,209)	390,611	76.54%	298,993	5.86%		
10	FAS 109 DIT - Net	(114,638)	0	20,331	(94,307)	76.54%	(72,187)	-1.42%		
11										
12	Total	$7,328,432	$768,719	($1,436,017)	$6,661,134	76.54%	$5,098,765	100.00%		8.713%
13										
14										
15										
16										
17										
18										
19										

Supporting Schedules:

Recap Schedules: