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October 14, 2009

Ms. Ann Cole, Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

VIA HAND DELIVERY

Re: Petition for Commission approval of base rate increase for costs associated with CR3 Uprate project, pursuant to Section 366.93(4), F.S. and Rule 25-6.0423(7), F.A.C. by Progress Energy Florida, Inc.; Docket No. 090421-EI

Dear Ms. Cole:

Please find enclosed for filing the original and five (5) copies of Progress Energy Florida, Inc.'s ("PEF") responses (denoted in red) to Staff's Data Request dated September 30, 2009 in the above-referenced docket.

Thank you for your assistance in this matter.

Sincerely,



Dianne M. Triplett

Enclosures  
DMT/jlc

COM	_____
<b>ECR</b>	_____
GCL	_____
OPC	_____
RCP	_____
SSC	_____
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Ms. Ann Cole, Commission Clerk  
October 14, 2009  
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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing has been furnished via electronic mail to counsel of record as listed below on this 14<sup>th</sup> day of October, 2009.

  
Attorney

COUNSEL OF RECORD:

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*Public Service Commission*

September 30, 2009

John T. Burnett  
Associate General Counsel  
Progress Energy Service Company, LLC  
Post Office Box 14042  
St. Petersburg, FL 33733-4042

**Re: Docket No. 090421-EI - Petition for Commission approval of base rate increase for costs associated with CR3 uprate project, pursuant to Section 366.93(4), F.S. and Rule 25-6.0423(7), F.A.C., by Progress Energy Florida, Inc.**

Dear Mr. Burnett:

By this letter, the Commission staff requests that Progress Energy Florida, Inc., provide responses to the following data requests.

1. Please refer to PEF's response to Staff Data Request No. 1, question 1. The response indicates that the development of the revenue requirements by account number includes the depreciation rates as filed in Docket No. 090079-EI. Please provide the revenue requirements by account number using PEF's currently approved depreciation rates in determining depreciation expense and the Accumulated Reserve.

Response: See attached support which includes the updated depreciation expense and accumulated reserve titled "Updated for Current Approved Depreciation Rates", based on PEF's current approved depreciation rates, which can be seen on pages 12 and 13 of 13 (titled "Present and Proposed Depreciation Rates") in the column labeled "Present Rates", in response to DR-1 submitted September 25, 2009, consistent with Order PSC-05-0945-S-EI in Docket No. 050078-EI.

2. Please refer to PEF's response to Staff Data Request No. 1, question 2. In describing the development of the 12/31/2009 Accumulated Reserve associated with the retiring assets in Accounts 322, 323, and 324, PEF states that it first looked at the "actual accumulated reserve for these assets as of July 2009."

- a. In general, does PEF maintain Accumulated Reserve amounts by asset?

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**Response:** No, PEF calculates Electric Plant in Service (EPIS) accumulated reserve amounts based on Group Depreciation methods which is at the FERC prime account (i.e. account 324) and location (i.e. Crystal River 3). Allocation factors are then used to arrive at asset level accumulated reserve.

- b. If the response to (a) is affirmative, please indicate when PEF began maintaining the reserve for each asset. If the response to (a) is negative, please explain or describe how the reserves for the assets planned for retirement was determined.

**Response:** As stated in PEF's response to 4.a. above, the accumulated reserve is calculated at the depreciation group level. The reserves for the assets planned for retirement were determined as follows: PEF obtained the net book value (book value and allocated reserve) for each asset available as of the date of this report (July, 2009). Next, the applicable group depreciation rates were obtained for the population of assets to retire. These rates were then multiplied by each asset's book value to calculate the estimated reserve for the period August to December 2009. This amount was then added to the current reserve to determine the accumulated book reserve.

- c. Please provide all calculations supporting the development of the "actual" reserve for each of the retiring assets.

**Response:** The development of "actual" reserve is derived directly from PEF's general ledger. A snapshot of these "actual" reserves was provided in response to DR-1 submitted, September 25, 2009 as shown on page 9 of 13 title NBV Analysis for EPU Phase 2 Retirements.

- d. Please provide all calculations supporting the development of the "actual" reserve for each of the retiring assets.

**Response:** See response provided in 2c above.

3. Please refer to PEF's response to Staff Data Request No. 1, question 2.

- a. In estimating the depreciation to be incurred for the remaining 5 months of the year, did PEF utilize the depreciation rates it has proposed in Docket No. 090079-EI?

**Response:** No, the estimated depreciation to be incurred was not calculated on the proposed rates in Docket No. 090079-EI rather on PEF's current approved depreciation rates, consistent with Order PSC-05-0945-S-EI in Docket No. 050078-EI.

- b. If affirmative, please indicate the depreciation to be incurred for the remaining 5 months of the year using PEF's currently prescribed depreciation rates.

Response: See response to 3a above.

- c. Please provide the workpapers showing the development of the depreciation expense for the remaining 5 months of the year using PEF's currently prescribed depreciation rates.

Response: The development of the depreciation expense for the remaining 5 months of the year using PEF's currently prescribed depreciation rates was provided in response to DR-1 submitted, September 25, 2009 as shown on pages 12 and 13 of 13 (titled "Present and Proposed Depreciation Rates"), consistent with Order PSC-05-0945-S-EI in Docket No. 050078-EI. The calculation of the depreciation was shown on page 10 of 13 as filed in response to DR-1 in this docket.

4. Please refer to the support labeled NBV Analysis for EPU Phase 2 Retirements that PEF filed in response to Staff Data Request No. 1, questions 2(b) and 3.

- a. Please identify the source for the book cost of each asset shown on the NBV Analysis.

Response: As discussed in the response to item 2.a. & b. above, the source for the book cost of each asset (Retirement Unit) shown on the NBV Analysis was obtained from PEF's Fixed asset accounting system which is called PowerPlant.

- b. Please indicate the meaning of the column entitled "Allocated Reserve – Life."

Response: The column entitled "Allocated Reserve – Life" represents the amount of the depreciation reserve, the cost of the plant in service which has been recovered, being allocated from the depreciation group level to the individual asset level.

- c. Please indicate the meaning of the column entitled "Allocated Reserve – COR."

Response: The column entitled "Allocated Reserve – COR" represents the amount of the Cost of Removal reserve, the amount established to cover the obligations associated with retiring plant in service, being allocated from the depreciation group level to the individual asset level.

- d. Please indicate with specificity how the Allocated Reserve – Life for Asset ID 3628416, Turbine Control Valves, was developed.

**Response:** The "Allocated Reserve – Life" for Asset ID 3628416, Turbine Control Valves, was developed as follows: Using the asset ID 3628416, a Power Plant data query was run to obtain the most recent month's (as of July, 2009) book value and allocated reserve Life. The group depreciation rate appropriate for FERC account 323 and the Crystal River 3 location was obtained and converted to a monthly rate. The monthly rate was then multiplied by the asset's book value and five months to estimate the depreciation for the balance of the year. This amount was then added to the allocated reserve Life as of July, 2009 to develop the total "Allocated Reserve – Life" for this asset as of 12/31/2009.

- e. Please provide all calculations supporting the development of the Allocated Reserve – Life for Asset ID 3628416, Turbine Control Valves, in the amount of \$351,834.85.

**Response:** Please see response to 4d above.

- f. Please indicate with specificity how the Allocated Reserve – COR for Asset ID 3628416, Turbine Control Valves, was developed.

**Response:** The "Allocated Reserve – COR" for Asset ID 3628416, Turbine Control Valves, was developed in a similar manner to the Life reserve discussed above in the response to item d.: Using the asset ID 3628416, a Power Plant data query was run to obtain the most recent month's (as of July, 2009) book value and allocated cost of removal reserve. The group cost of removal rate appropriate for FERC account 323 and the Crystal River 3 location was obtained and converted to a monthly rate. The monthly rate was then multiplied by the asset's book value and five months to estimate the COR for the balance of the year. This amount was then added to the "Allocated Reserve – COR" as of July, 2009 to develop the total "Allocated Reserve – COR" for this asset as of 12/31/2009.

- g. Please provide all calculations supporting the development of the Allocated Reserve – COR for Asset ID 3628416, Turbine Control Valves, in the amount of \$64,961.20.

**Response:** No calculation was performed in developing this amount. The amount was obtained from PEF's fixed asset accounting system as of 7/31/2009 which is called Power Plant.

- h. Please indicate why the column entitled Net Book Value does not include the Allocated Reserve – COR amounts.

**Response:** The column entitled Net Book Value does not include the "Allocated Reserve – COR" amounts in order to represent the cost of the assets and the

**Response:** The monthly COR Rates for Accounts 322, 323 and 324 were calculated based on the following general formula and are those currently approved consistent with Order PSC-05-0945-S-EI in Docket No. 050078-EI:

$((\text{Retail COR Rate as approved in 2005 Rate Settlement Agreement} * 2006 \text{ Retail Separation Factor}) + (\text{Wholesale COR Rate} * 2006 \text{ Wholesale Separation Factor})) / 12$

**Detailed calculation for Account 322:**

$((0.3700\% * 93.753\%) + (1.5268\% * 6.247\%)) = 0.4423\% \text{ Blended Rate} / 12 = 0.0369\%$

**Detailed calculation for Account 323:**

$((0.3700\% * 93.753\%) + (1.4285\% * 6.247\%)) = 0.4361\% \text{ Blended Rate} / 12 = 0.0363\%$

**Detailed calculation for Account 324:**

$((-0.1700\% * 93.753\%) + (1.3888\% * 6.247\%)) = -0.0726\% \text{ Blended Rate} / 12 = -0.0061\%$

- c. Please indicate if the Life Rates and COR Rates shown on the Projected August – December 2009 worksheet are those currently approved or those the Company has proposed in Docket No. 090079-EI.

**Response:** The Life Rates and COR Rates shown on the Projected August – December 2009 worksheet are those currently approved consistent with Order PSC-05-0945-S-EI in Docket No. 050078-EI.

- d. Please explain or describe the logic supporting the negative depreciation expense for Asset IDs 3839143 and 3839147, described as Heat Exchanger, Waterbox.

**Response:** See the response to item 4.i. for the explanation of these related assets.

6. Please refer to PEF's response to Staff Data Request No. 1, question 5. For the EPU Assets to be retired in 2009, does the system and jurisdictional 13-month average accumulated depreciation and the 12-month depreciation expense included in the projected 2010 test year in Docket No. 090079-EI reflect the use of PEF's proposed depreciation rates? If affirmative, please identify the system and jurisdictional 13-month average accumulated depreciation and the 12-month depreciation expense for the 2010 test year using the currently prescribed depreciation rates.

**Response:** Yes. The system and jurisdictional 13-month average accumulated depreciation is \$18,850,387 and \$17,279,961 respectively and the 12-month depreciation expense is \$745,993 and \$683,844 respectively, for the 2010 test year using the currently approved depreciation rates.

Burnett, John T.

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Please file the original and five copies of the requested information by October 14, 2009, with Ms. Ann Cole, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6187 if you have any questions.

Sincerely,

Martha C. Brown  
Senior Attorney

MCB/tfw

cc: Office of Commission Clerk

Progress Energy Florida  
EPU Assets Placed in Service in 2009 - 1st 12 Months Revenue Requirements  
Support Schedule - 321 Assets  
Updated for Current Approved Depreciation Rates

Line No.		Generation		
		System	Separation Factor	Retail Jurisdictional
1	In-Service Date			
2				
3	<u>Annualized Rate Base</u>			
4	Electric Plant in Service (net of joint owners)	463,370	91.669%	\$424,767
5	Accumulated Reserve for Depreciation	(4,124)	91.669%	(3,780)
6	Fuel Inventory			0
7	Working Capital - Income Taxes Payable	(5,167)		(4,737)
8	Total Annualized Rate Base	<u>\$454,079</u>		<u>\$416,249</u>
9				
10	<u>Annualized NOI</u>			
11	O&M			\$0
12	Depreciation Expense	8,248	91.669%	7,561
13	Property Taxes	5,400	91.669%	4,950
14	Payroll Taxes & Benefits	0		0
15	Income Taxes -			
16	Direct Current & Deferred	(5,265)		(4,626)
17	Imputed Interest	(5,069)		(4,647)
18	Total Annualized NOI	<u>(\$3,314)</u>		<u>(\$3,038)</u>
19				
20				
21	<u>Calculation of Revenue Requirement</u>			
22	Fully Adjusted Cost of Capital (per Jun 2009 Surveillance)	8.71%		8.71%
23	NOI Requirement (Line 8 * Line 22)	\$39,555		\$36,259
24	NOI Deficiency (Line 23 less Line 18)	\$42,869		\$39,297
25	Net Operating Income Multiplier (MFR C-44)	1.6338		1.6338
26				
27	Revenue Requirement (Line 24 * Line 25)	<u>\$70,840</u>		<u>\$64,204</u>
28				
29				
30				
31	<u>Calculation of Taxes on Imputed Interest</u>			
32	Weighted Cost of Debt Capital (Dec 2008 Surveillance):			
33	Long Term Debt Fixed Rate	2.76%		2.76%
34	Long Term Debt Variable Rate	0.00%		0.00%
35	Short Term Debt	0.00%		0.00%
36	Customer Deposits	0.13%		0.13%
37	JDIC	0.00%		0.00%
38		<u>2.89%</u>		<u>2.89%</u>
39				
40	Imputed Interest (Line 8 * Line 38)	\$13,141		\$12,046
41	Income Taxes on Imputed Interest at 38.575%	(\$5,069)		(\$4,647)

Progress Energy Florida  
EPU Assets Placed in Service in 2009 - 1st 12 Months Revenue Requirements  
Support Schedule - 322 Assets  
Updated for Current Approved Depreciation Rates

Line No.		Generation		
		System	Separation Factor	Retail Jurisdictional
1	In-Service Date			
2				
3	<u>Annualized Rate Base</u>			
4	Electric Plant in Service (net of joint owners)	47,217,457	91.669%	\$43,283,770
5	Accumulated Reserve for Depreciation	(528,838)	91.669%	(484,778)
6	Fuel Inventory			0
7	Working Capital - Income Taxes Payable	(567,902)		(520,590)
8	Total Annualized Rate Base	<u>\$46,120,719</u>		<u>\$42,278,402</u>
9				
10	<u>Annualized NOI</u>			
11	O&M			\$0
12	Depreciation Expense	1,057,671	91.669%	969,556
13	Property Taxes	552,000	91.669%	506,013
14	Payroll Taxes & Benefits	0		0
15	Income Taxes -			
16	Direct Current & Deferred	(620,931)		(569,201)
17	Imputed Interest	(514,873)		(471,979)
18	Total Annualized NOI	<u>(\$473,867)</u>		<u>(\$434,389)</u>
19				
20				
21	<u>Calculation of Revenue Requirement</u>			
22	Fully Adjusted Cost of Capital (per Jun 2009 Surveillance)	8.71%		8.71%
23	NOI Requirement (Line 8 * Line 22)	\$4,017,576		\$3,682,872
24	NOI Deficiency (Line 23 less Line 18)	\$4,491,443		\$4,117,261
25	Net Operating Income Multiplier (MFR C-44)	1.6338		1.6338
26				
27	Revenue Requirement (Line 24 * Line 25)	<u>\$7,338,165</u>		<u>\$6,726,822</u>
28				
29				
30				
31	<u>Calculation of Taxes on Imputed Interest</u>			
32	Weighted Cost of Debt Capital (Dec 2008 Surveillance):			
33	Long Term Debt Fixed Rate	2.76%		2.76%
34	Long Term Debt Variable Rate	0.00%		0.00%
35	Short Term Debt	0.00%		0.00%
36	Customer Deposits	0.13%		0.13%
37	JDIC	0.00%		0.00%
38		<u>2.89%</u>		<u>2.89%</u>
39				
40	Imputed Interest (Line 8 * Line 38)	\$1,334,734		\$1,223,537
41	Income Taxes on Imputed Interest at 38.575%	(\$514,873)		(\$471,979)

Progress Energy Florida  
 EPU Assets Placed in Service in 2009 - 1st 12 Months Revenue Requirements  
 Support Schedule - 323 Assets  
 Updated for Current Approved Depreciation Rates

Line No.	Generation			
	System	Separation Factor	Retail Jurisdictional	
1	In-Service Date			
2				
3	<u>Annualized Rate Base</u>			
4	Electric Plant in Service (net of joint owners)	55,132,685	91.669%	\$50,539,581
5	Accumulated Reserve for Depreciation	(818,720)	91.669%	(750,513)
6	Fuel Inventory			0
7	Working Capital - Income Taxes Payable	(739,173)		(677,593)
8	Total Annualized Rate Base	<u>\$53,574,792</u>		<u>\$49,111,476</u>
9				
10	<u>Annualized NOI</u>			
11	O&M			\$0
12	Depreciation Expense	1,637,441	91.669%	1,501,026
13	Property Taxes	644,500	91.669%	590,807
14	Payroll Taxes & Benefits	0		0
15	Income Taxes -			
16	Direct Current & Deferred	(880,259)		(806,924)
17	Imputed Interest	(598,088)		(548,261)
18	Total Annualized NOI	<u>(\$803,594)</u>		<u>(\$736,647)</u>
19				
20				
21	<u>Calculation of Revenue Requirement</u>			
22	Fully Adjusted Cost of Capital (per Jun 2009 Surveillance)	8.71%		8.71%
23	NOI Requirement (Line 8 * Line 22)	\$4,866,900		\$4,278,101
24	NOI Deficiency (Line 23 less Line 18)	\$5,470,494		\$5,014,748
25	Net Operating Income Multiplier (MFR C-44)	1.6338		1.6338
26				
27	Revenue Requirement (Line 24 * Line 25)	<u>\$8,937,748</u>		<u>\$8,193,145</u>
28				
29				
30				
31	<u>Calculation of Taxes on Imputed Interest</u>			
32	Weighted Cost of Debt Capital (Dec 2008 Surveillance):			
33	Long Term Debt Fixed Rate	2.76%		2.76%
34	Long Term Debt Variable Rate	0.00%		0.00%
35	Short Term Debt	0.00%		0.00%
36	Customer Deposits	0.13%		0.13%
37	JDIC	0.00%		0.00%
38		<u>2.89%</u>		<u>2.89%</u>
39				
40	Imputed Interest (Line 8 * Line 38)	\$1,550,454		\$1,421,286
41	Income Taxes on Imputed Interest at 38.575%	(\$598,088)		(\$548,261)

Progress Energy Florida  
EPU Assets Placed in Service in 2009 - 1st 12 Months Revenue Requirements  
Support Schedule - 324 Assets  
Updated for Current Approved Depreciation Rates

Line No.		Generation		
		System	Separation Factor	Retail Jurisdictional
1	In-Service Date			
2				
3	<u>Annualized Rate Base</u>			
4	Electric Plant in Service (net of joint owners)	7,762,505	91.669%	\$7,115,811
5	Accumulated Reserve for Depreciation	(49,680)	91.669%	(45,541)
6	Fuel Inventory			0
7	Working Capital - Income Taxes Payable	(79,267)		(72,863)
8	Total Annualized Rate Base	<u>\$7,633,558</u>		<u>\$6,997,606</u>
9				
10	<u>Annualized NOI</u>			
11	O&M			\$0
12	Depreciation Expense	99,360	91.669%	91,082
13	Property Taxes	90,700	91.669%	83,144
14	Payroll Taxes & Benefits	0		0
15	Income Taxes -			
16	Direct Current & Deferred	(73,316)		(67,208)
17	Imputed Interest	(85,218)		(78,119)
18	Total Annualized NOI	<u>(\$31,526)</u>		<u>(\$28,899)</u>
19				
20				
21	<u>Calculation of Revenue Requirement</u>			
22	Fully Adjusted Cost of Capital (per Jun 2008 Surveillance)	8.71%		8.71%
23	NOI Requirement (Line 8 * Line 22)	\$684,959		\$609,561
24	NOI Deficiency (Line 23 less Line 18)	\$696,486		\$638,461
25	Net Operating Income Multiplier (MFR C-44)	1.6338		1.6338
26				
27	Revenue Requirement (Line 24 * Line 25)	<u>\$1,137,925</u>		<u>\$1,043,124</u>
28				
29				
30				
31	<u>Calculation of Taxes on Imputed Interest</u>			
32	Weighted Cost of Debt Capital (Dec 2008 Surveillance):			
33	Long Term Debt Fixed Rate	2.76%		2.76%
34	Long Term Debt Variable Rate	0.00%		0.00%
35	Short Term Debt	0.00%		0.00%
36	Customer Deposits	0.13%		0.13%
37	JDIC	0.00%		0.00%
38		<u>2.89%</u>		<u>2.89%</u>
39				
40	Imputed Interest (Line 8 * Line 38)	\$220,915		\$202,511
41	Income Taxes on Imputed Interest at 38.575%	(\$85,218)		(\$78,119)

Progress Energy Florida  
EPU Assets Placed in Service in 2009 - 1st 12 Months Revenue Requirements  
Support Schedule - 325 Assets  
Updated for Current Approved Depreciation Rates

Line No.		Generation		
		System	Separation Factor	Retail Jurisdictional
1	In-Service Date			
2				
3	<u>Annualized Rate Base</u>			
4	Electric Plant in Service (net of joint owners)	865,117	91.669%	\$793,044
5	Accumulated Reserve for Depreciation	(23,964)	91.669%	(21,967)
6	Fuel Inventory			0
7	Working Capital - Income Taxes Payable	(15,799)		(14,483)
8	Total Annualized Rate Base	<u>\$825,354</u>		<u>\$756,593</u>
9				
10	<u>Annualized NOI</u>			
11	O&M			\$0
12	Depreciation Expense	47,927	91.669%	43,935
13	Property Taxes	10,100	91.669%	9,259
14	Payroll Taxes & Benefits	0		0
15	Income Taxes -			
16	Direct Current & Deferred	(22,384)		(20,519)
17	Imputed Interest	(9,214)		(8,446)
18	Total Annualized NOI	<u>(\$26,429)</u>		<u>(\$24,228)</u>
19				
20				
21	<u>Calculation of Revenue Requirement</u>			
22	Fully Adjusted Cost of Capital (per Jun 2009 Surveillance)	8.71%		8.71%
23	NOI Requirement (Line 8 * Line 22)	\$71,897		\$65,907
24	NOI Deficiency (Line 23 less Line 18)	\$96,326		\$90,135
25	Net Operating Income Multiplier (MFR C-44)	1.6338		1.6338
26				
27	Revenue Requirement (Line 24 * Line 25)	<u>\$160,646</u>		<u>\$147,283</u>
28				
29				
30				
31	<u>Calculation of Taxes on Imputed Interest</u>			
32	Weighted Cost of Debt Capital (Dec 2008 Surveillance):			
33	Long Term Debt Fixed Rate	2.76%		2.76%
34	Long Term Debt Variable Rate	0.00%		0.00%
35	Short Term Debt	0.00%		0.00%
36	Customer Deposits	0.13%		0.13%
37	JDIC	0.00%		0.00%
38		<u>2.89%</u>		<u>2.89%</u>
39				
40	Imputed Interest (Line 8 * Line 38)	\$23,886		\$21,896
41	Income Taxes on Imputed Interest at 38.575%	(\$9,214)		(\$8,446)