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March 18, 2010

100136

Ann Cole, Director
Office of the Commission Clerk
PSC Recording & Filing
2540 Shumard Oak Blvd
Tallahassee, FL 32399

Re: In re: Petition of Progress Energy Florida, Inc.'s Petition for Approval of an Accounting Order to Record a Depreciation Expense Credit

Dear Ms. Cole

Enclosed for filing on behalf of Progress Energy Florida, Inc. are the following:

1. Progress Energy Florida, Inc.'s Petition for Approval of an Accounting Order to Record a Depreciation Expense Credit (original and 7 copies);

2. Direct Testimony of Javier Portuondo on behalf of Progress Energy Florida (original and 15 copies); and

3. Direct Testimony of John B. Crisp (original and 15 copies).

Sincerely,

James Michael Walls

Enclosures

16565636.1

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Progress Energy Florida, Inc. for approval of an Accounting Order to record a depreciation expense credit.

Docket No. 10_______-EI

PROGRESS ENERGY FLORIDA, INC.'S PETITION FOR APPROVAL OF AN ACCOUNTING ORDER TO RECORD A DEPRECIATION EXPENSE CREDIT

Progress Energy Florida ("PEF" or "the Company") respectfully requests that the Florida Public Service Commission (the "Commission" or "PSC") approve and enter an Accounting Order, allowing the Company to record a reduction in its cost of removal component of its depreciation expense, resulting in a reduction in the Company's cost of removal component of its depreciation reserve, which will result in a reduction of the theoretical reserve imbalance identified in Commission Order No. PSC-10-0131-FOF-EI. PEF's proposal will not change the rates currently paid by customers, and will provide the Company an opportunity to achieve its authorized return set by this Commission in Order No. PSC-10-0131-FOF-EI.

I. INTRODUCTION

On March 20, 2009, PEF filed a request for base rate relief with this Commission in Docket No. 090079-EI. The Company's budgets and requested revenue requirement were based on an October 2008 sales forecast. Subsequent to the Company's rate filing, and as a direct result of the State's and nation's deepest recession since the Great Depression, PEF experienced sales significantly below its October 2008 forecast. As part of its normal planning process, PEF updated its sales forecast in May of 2009 and again in December 2009. PEF's revised, lower sales forecast shows continuing declines in the Company's retail customers and sales in 2010. PEF experienced actual reductions in retail customers and sales in 2009 compared to its projections for 2009 in its October 2008 forecast. Similarly, PEF expects even fewer customers and lower retail sales in 2010 compared to 2009 and much lower retail sales in 2010 than PEF projected in its October 2008 forecast in its base rate proceeding in Docket No. 090079-EI. PEF's significantly lower retail sales in 2010 mean significantly lower retail revenues to the Company in 2010.

The Commission determined PEF's cost of service, rate base, and authorized return on rate base in Order No. PSC-10-0131-FOF-EI in Docket No. 090079-EI and established PEF's revenue requirements based on the older October 2008 sales forecast. The authorized return on equity ("ROE") that the Commission determined PEF was reasonably entitled to an opportunity to earn was set at a 10.5 percent midpoint, with a 100 basis point bandwidth on either side of the midpoint. The existing economic recession has significantly and adversely affected the Company's revenues and sales upon which base rates were set in Docket No. 090079-EI. Based on its current load forecast, PEF projects a need for an additional $75.8 million in revenues in 2010 to cover its operating expenses as approved by the Commission. Simply put, with the base rates approved by the Commission given continuing and projected substantial lower sales in 2010, the Company will not have an opportunity to achieve the authorized midpoint of the Commission return on equity decision.

The Company in fact projects that its retail ROE in 2010 will be significantly below the mid-point range recently allowed by the Commission in Order No. PSC-10-0131-FOF-EI. At present, PEF projects its 2010 ROE to be 8.24 percent or 226 basis points below the Commission's recently established 10.5 percent midpoint.[1] To address this situation, and provide PEF the intended opportunity but not the guarantee of achieving the Commission's authorized midpoint return on equity, the Company seeks Commission approval of the proposed accounting treatment, which will not increase base rates in the near term.

The Commission further determined in Order No. PSC-10-0131-FOF-EI that the magnitude of the calculated variance between the theoretical and book depreciation reserve required that the reserve imbalance be addressed over a shorter period than the time period established by application of the average remaining life method otherwise applied by the Commission. PEF disagreed with the arguments raised by the interveners in Docket No. 090079-EI, and disagrees with the Commission's Order in that case. Given the unique economic conditions facing the Company and its customers at this time, however, and to avoid, if possible, an immediate base rate increase for this issue, the Company seeks this accounting order.

II. REQUEST FOR EXPEDITED APPROVAL

PEF needs relief on an expedited basis for the reasons described herein and in PEF's testimony and exhibits. PEF faces substantially declining sales revenues in 2010 as a result of economic conditions that are beyond PEF's control. These declining revenues mean that PEF will not have an opportunity to earn the fair and reasonable return just set for PEF in 2010 in Docket No. 090079-EI. PEF is submitting ample information in this Petition and in the simultaneously filed testimony and exhibits upon which the

[1] PEF filed a Motion to Reconsider Commission Order No. PSC-10-0131-FOF-EI, which remains pending before the Commission. In that Motion, PEF identifies an error the Commission made in calculating the Company's depreciation expense. If denied, PEF's ROE will be 8.24% in 2010. Even if granted, PEF's 2010 ROE will nonetheless be only 8.99%; still 151 basis points below the Commission's authorized midpoint.

Commission can develop its proposed agency action (PAA) on the Company's requested relief. PEF, however, reserves the right to submit additional testimony addressing issues identified in any protest of the PAA Order. For these reasons, as more fully developed below, PEF requests that the Commission approve its Petition on an expedited basis.

III. PRELIMINARY INFORMATION

The Petitioner's name and address are:

Progress Energy Florida, Inc.
299 1st Ave. N.
St. Petersburg, Florida 33701

Any pleading, motion, notice, order, or other document required to be served upon PEF or filed by any party to this proceeding should be served upon the following individuals:

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IV. PRIMARILY AFFECTED UTILITY

PEF is the utility primarily affected by the proposed request for cost recovery. PEF is an investor-owned electric utility, regulated by the Commission pursuant to Chapter 366, Fla. Stats., and is a wholly owned subsidiary of Progress Energy, Inc. The Company's principal place of business is located at 299 1st Ave. N., St. Petersburg, Florida 33701.

PEF serves more than 1.6 million retail customers in Florida. Its service area comprises approximately 20,000 square miles in 35 of the state's 67 counties, encompassing the densely populated areas of Pinellas and western Pasco Counties and the greater Orlando area in Orange, Osceola, and Seminole Counties. PEF supplies electricity at retail to approximately 350 communities and at wholesale to about 21 Florida municipalities, utilities, and power agencies in the State of Florida.

V. EXPLANATION OF THE COMPANY'S REQUEST

A. The Company's revenues have been significantly impacted by the recession.

Retail sales for 2009 were significantly below PEF's forecasts, and 2010 sales revenues are anticipated to be significantly below what rates were based on in Docket No. 090079-EI. As explained in the testimony and exhibits of Mr. J. Benjamin Crisp, these lower than forecast sales revenues are the result of reduced customer growth and reduced usage by existing customers across all customer classes.

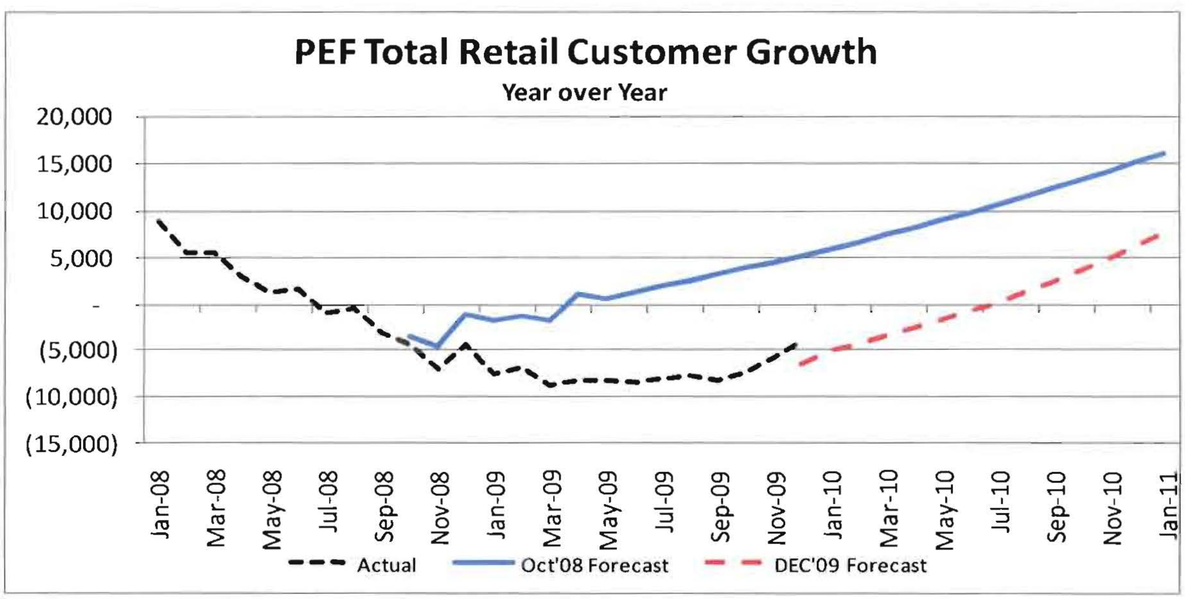
For example, since the filing of the Company's October 2008 forecast in Docket No. 090079-EI, the number of retail customers the Company serves has actually declined in 2009 by 8,739 compared to 2008. See Table 1 below (JBC Ex. 2). The October 2008 forecast had assumed an increase. This trend continues in 2010 with the Company's current load forecast. PEF will serve on an average annual basis 656 fewer retail customers in 2010 than the reported 2009 value and significantly fewer customers in 2010 than PEF projected it would serve in its load forecast in Docket No. 090079-EI. See Chart 1 below (JBC Ex. 4).

Table 1

PEF ANNUAL CUSTOMER GROWTH REVIEW
AVERAGE ANNUAL BILLED ACCOUNTS
2009 VS. 2008

CLASS OF BUSINESS	ACTUAL 2009	ACTUAL 2008	DIFF	% DIFF
RESIDENTIAL	1,441,325	1,449,041	-7,716	-0.5%
COMMERCIAL	161,390	162,569	-1,178	-0.7%
INDUSTRIAL	2,487	2,587	-101	-3.9%
ST & HIGHWAY	1,624	1,652	-28	-1.7%
PUBLIC AUTHORITY	23,346	23,062	284	1.2%
TOTAL RETAIL	1,630,172	1,638,911	-8,739	-0.5%

Chart 1: PEF Residential Customer Growth Year over Year Change



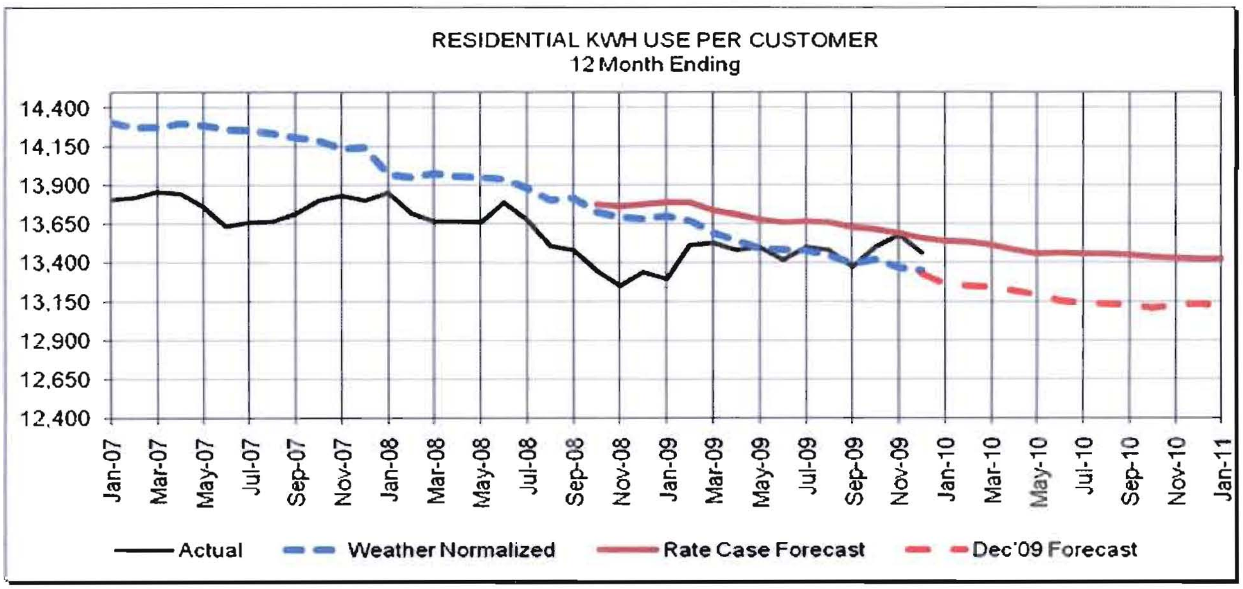
Actual and weather adjusted 2009 residential customer average kWh usage is 0.7% below (-1.5% weather adjusted) what PEF estimated in its March 20, 2009 rate filing. See Table 2 below (JBC Ex. 5). Again, this trend continues in 2010, with residential kWh use per customer falling dramatically below the level of usage PEF projected in its base rate proceeding in Docket No. 090079-EI. See Chart 2 below (JBC Ex. 6).

Table 2

RESIDENTIAL KWH/CUST

	2009	OCT08F	DIFF	% DIFF
Actual	13,459	13,554	-95	-0.7%
Weather Adjusted	13,346	13,554	-208	-1.5%

Chart 2: Residential KWH use Per Customer



PEF retail customers actually used 1,191,554 megawatt hours less in 2009 on a weather adjusted basis than the projected forecast PEF submitted in Docket No. 090079-EI. As a result, PEF's sales and corresponding revenues have significantly declined since its March 20, 2009 rate filing. See Table 3 (JBC Ex. 7). PEF expects continuing, significant declines in sales and revenues in 2010. See Chart 3 (JBC Ex. 8).

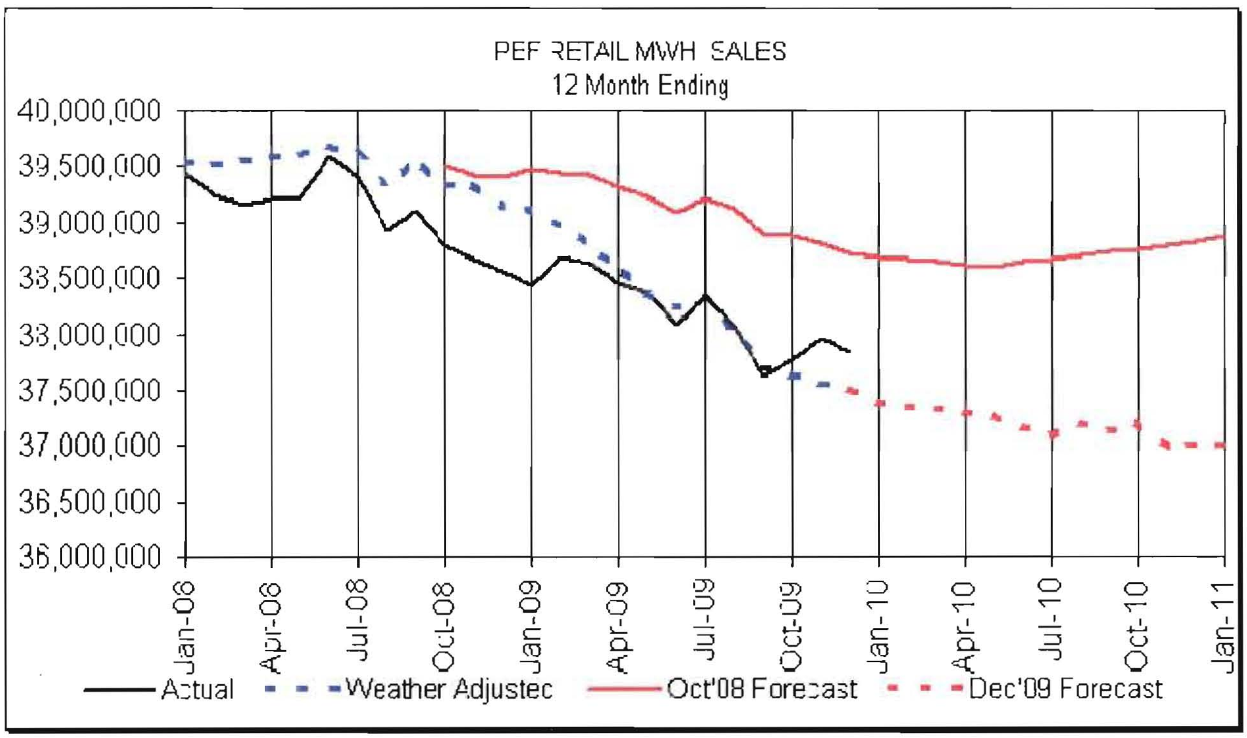
Table 3

PEF FORECAST PERFORMANCE

BILLED MWH SALES ACTUAL & WEATHER ADJUSTED - 2009
VERSUS RATE CASE FORECAST

CLASS OF BUSINESS	2009 ACTUAL	2009 W-ADJ	OCT08 FORECAST	WEATHER ADJUSTED DIFF	WEATHER ADJUSTED %DIFF
RESIDENTIAL	19,399,196	19,236,156	19,641,100	-404,944	-2.1%
COMMERCIAL	11,883,476	11,778,581	11,810,837	-32,256	-0.3%
INDUSTRIAL	3,285,388	3,285,388	3,889,729	-604,341	-15.5%
ST & HIGHWAY	25,966	25,966	25,203	763	3.0%
PUBLIC AUTHORITY	3,230,223	3,202,868	3,353,644	-150,776	-4.5%
TOTAL RETAIL	37,824,249	37,528,959	38,720,513	-1,191,554	-3.1%

Chart 3: PEF Retail MWH Sales



As a result of PEF's declining retail sales revenues resulting from the economic recession, the downturn in residential real estate markets, and the associated poor economic conditions in Florida, PEF projects that its retail ROE in 2010 will be significantly below the mid-point range set by the Commission in Order No. PSC-10-0131-FOF-EI. PEF explains through the testimony of Mr. Portuondo that its projected

2010 ROE will be 8.24 percent, or 226 basis points below the Commission's recently established 10.5 percent midpoint. Without the requested relief, PEF will not have the opportunity the Commission intended PEF to have to earn the authorized ROE mid-point established by this Commission.

B. The proposed accounting treatment affords PEF necessary relief in light of the recessionary impact on sales revenues without any change in rates.

The proposed accounting treatment will reduce operating expenses attributable to depreciation and will not result in an immediate increase to customer base rates or changes to the Company's existing tariffs. Under its current proposal, the Company will credit the cost of removal component of its depreciation reserves $75.8 million per year – an amount equivalent to PEF's revenue shortfall at current rates compared to the cost of service that results from the Company's current load forecast. This will reduce depreciation expense and the cost of removal component of the depreciation reserve annually until the Commission establishes new base rates or the cost of removal reserve reaches zero.

As discussed above, the Company is earning well below the low end of its authorized rate of return. The Company has two options: 1. It could request limited base rate relief, which if approved would provide much needed cash to the Company, but would result in an immediate base rate increase to customers; or 2. The Company could seek the requested accounting order, which would help the Company's non-cash earnings, with no bill impact to customers, which would result from a rate increase. In order to balance other requests for needed cash and because of the unprecedented economic condition in which the Company is currently operating, as well as the financial hardships many customers continue to experience, PEF believes the best balance is to ask the

Commission to authorize a non-cash means to moderate this revenue requirement under the proposed accounting treatment.

VI. DISPUTED ISSUES OF MATERIAL FACT

PEF is not aware at this time that there will be any disputed issues of material fact in this proceeding. Through the testimony and exhibits, PEF expects to demonstrate that the Company is experiencing a significant decline in retail sales and revenues in 2010 due to the economy that adversely affects the revenues upon which base rates were set in Docket No. 090079-EI. As a result, PEF will not have an opportunity to earn the fair and reasonable return set by the Commission for PEF in 2010 absent the requested accounting order relief.

VII. CONCLUSION

For the reasons explained above, in these tough and unique economic times and only for this discrete issue, the Company's proposed accounting treatment would help ensure the Company has an opportunity to earn a fair and reasonable return. For these same reasons PEF requests expedited approval of its proposed accounting relief. PEF, therefore, respectfully requests that the Commission issue an order allowing the Company to debit its cost of removal reserves and credit depreciation expense by up to $75.8 million annually until the earlier of the Commission setting new base rates or the cost of removal reserve reaches zero.

Respectfully submitted this 18th day of March 2010.

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