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Public Service Commission

July 9, 2010

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

STAFF'S THIRD DATA REQUEST

VIA FACSIMILE: (727) 820-5519

Re: Docket No. 100134-EI - Review of Progress Energy Florida, Inc.'s current allowance for funds used during construction.

Dear Mr. Burnett:

In PEF's response to Staff's First Data Request, PEF explained the current trailing 13-month average balance in the net unrecovered deferrals and related balances exceeded the commercial paper balance, and therefore, the entire short-term debt was adjusted from the capital structure to compute the proposed AFUDC rate. In PEF's response to Staff's Second Data Request, PEF explained that the specific adjustment to short-term debt consisted of two components. The first adjustment was to remove $41,155,120 to convert the variable rate to a daily weighted average, and the second adjustment was to remove $284,144,893 of deferred account balances which effectively reduced the amount of short-term debt to zero. In addition, PEF provided the following rationale for its adjustment:

> MFR Schedule D-1b, page 2 of 2 only shows the daily weighted average as projected deferred balances are zero. It is assumed in the projection of pass through clauses that revenues equal expenses and therefore deferred balances are zero. Therefore, we believe the Company is in compliance with Rule 25-6.0141(2)(a).

It is staff's understanding that the cost of capital pro-rata adjustments listed on MFR Schedule D-1b, page 2 of 2, were based on a 13-month average. Adjustments to remove pass through clause-related items, including Fuel and Derivative Instrument Assets and Liabilities, were included in the list of pro-rata adjustments. It is apparent that the adjustments for clause-related deferred accounts were made pro-rata over all sources of capital in PEF's last rate case.

In PEF's last rate case, the only specific adjustment made to short-term debt was to convert a variable rate to a daily weighted average balance as stated on page 81 in Order No. PSC-10-0131-FOF-EI, which is also reflected on MFR Schedule D1-b, page 1 of 2, and described in PEF's post-hearing brief on page 73.

Therefore, staff believes that based on the capital structure adjustments used in PEF's last rate case, the only specific adjustment that should be made to short-term debt for calculating the AFUDC rate is to remove $41,155,120 from the short-term debt balance to convert the variable rate to a daily weighted average balance. All other adjustments, including adjustments to remove the clause-related and derivative deferral amounts from the capital structure, should be made pro-rata over all sources of capital.

Please submit revised AFUDC Schedules that reflect the aforementioned adjustment by July 16, 2010. Should you have any questions please contact me at (850) 413-6536.

Sincerely,

Dale R. Buys

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cc: Office of Commission Clerk
Office of the General Counsel (Brubaker)
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