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Public Service Commission

January 25, 2012

STAFF'S FIRST DATA REQUEST

R. Alexander Glenn
Progress Energy Service Company, LLC
299 First Avenue North
St. Petersburg, FL 33701

Re: Docket No. 120022-EI - Petition for limited proceeding to approve stipulation and settlement agreement by Progress Energy Florida, Inc.

Dear Mr. Alexander:

By this letter, the Commission staff requests that Progress Energy Florida, Inc. (PEF or utility) provide responses to the following data requests.

1. Please provide the adjustments for removing CR3 from rate base.

2. Please state whether the CR3 costs that will be removed from rate base will be done in a uniform percentage consistent with how the costs will be added back in once the unit returns to service.

3. Please provide a list of the 2010 and 2011 dollar amounts with accrued balances, of the CR3-related expense and depreciation accruals that will be suspended.

4. If not included in the answer to the previous question, please explain why the following CR3 accruals are not being suspended:

   (a) Last Core Nuclear Fuel (Acct. 228.4021)

   (b) EOL Nuclear M&S (Acct. 228.4022)

   (c) Nuclear Refueling Outage (Acct. 228.4024-5)

5. Please provide a list of the 2010 and 2011 dollar amounts of the CR3 expenses (such as O&M and property taxes) that will not be included in NOI for earnings surveillance purposes.

6. How, if at all, does the proposed Stipulation and Settlement Agreement address the true-up of 2011 and 2012 LNP NCRC costs?

7. For the period 2012 through 2016, will PEF file petitions that identify and track (including true-ups) of LNP costs (by types and amounts) and the recovery of such costs as part of its annual NCRC filings?

8. Does the Stipulation and Settlement Agreement change any of the carrying cost rates (with the exception of those applied to costs that are to be moved to base rate recovery) which can be or are applied to costs within the NCRC? If yes, please identify which rates are affected.

9. Does the proposed Stipulation and Settlement Agreement envision that the LNP "final true-up filing" will be considered as part of an annual NCRC filing or handled as a separate proceeding?

10. How, if at all, does the proposed Stipulation and Settlement Agreement address the true-up of 2010 and 2011 CR3 uprate costs?

11. Does the proposed Stipulation and Settlement Agreement envision that the Commission will continue to be required to make annual decisions concerning the reasonableness of CR3 uprate costs and the prudence of PEF's actions associated with those costs?

12. Exhibit 5 of the Stipulation and Settlement Agreement, in a footnote, it states that "assume the transfer of land investments previously included in NCRC to base rate FERC Account 105 "Plant Held for Future Use" effective 1/1/2013 and that such investments will be included as rate case for Cost of Service and Surveillance Reporting. In accordance with the Stipulation and Settlement Agreement, PEF will transfer these land investments back to NCRC as part of such filing contemplated under the provisions of paragraph 4." Please identify where in paragraph 4 that the land issue is addressed?

13. With respect to Section 5 of the Stipulation and Settlement Agreement, please explain in detail the reason(s) why costs for Levy Nuclear Units 6 & 7 are capped until 2018 when terms of agreement is through 2016 (Section 5)?

14. Please explain whether Section 7 of the Stipulation and Settlement Agreement encompass as all three phases of the docket by the Parties, waiving the right to challenge the prudency of PEF's actions related to the SGR project from project inception approximately through implementation date (February 2012) including delaminations in 2009 and 2011.

15. With respect to Section 9(a) of the Stipulation and Settlement Agreement, what interest rate will apply to the $288 million refund balance?

16. With respect to Section 9(a) of the Stipulation and Settlement Agreement, please explain in detail how PEF plans to implement the $288 million refund to customers in the Fuel Clause. Please explain how this refund amount will appear on the Company's E-schedules and A-schedules.

17. With respect to Section 9(a) of the Stipulation and Settlement Agreement, please explain the reasoning as to why $30 million will be refunded solely to customers on Rate Schedules RS-1, RSL-1, RSL-2, GS-1, and GS-2, and not to all customers. Also, please explain why 94% of such refund amounts will be allocated to Residential Service, while only 6% will be allocated to the General Service.

18. Under Section 9(a) of the Stipulation and Settlement Agreement, $129 million in replacement fuel costs will be refunded in 2013. What is PEF's current outlook for over/under recovery for 2012? What percentage of total fuel costs does $129 million represent? What is the estimated residential bill impact in $/month and % increase?

19. With respect to Section 9 of the Stipulation and Settlement Agreement, please explain in detail how the settlement agreement affects the Fuel Clause and the Environmental Cost Recovery Clause Dockets over the next 4 years.

    (a) In your response to the question above, please state whether PEF believes that the Stipulation and Settlement Agreement excuses its participation in these dockets.

    (b) If nothing shall preclude PEF from costs that are, would be or have been recovered through cost recovery clauses, how does PEF believe the Commission should handle issues overlapping the Stipulation and Settlement Agreement.

    (c) If the Stipulation and Settlement Agreement does not allow Commission input regarding the repair or retire question or the cost recover, as established in Phase 2 and Phase 3, why do the Parties ask for a stay in both Phases?

20. Paragraph 9(b) of the Stipulation and Settlement Agreement references refunds that would be required if PEF does not in good faith commence CR3 containment building repairs by December 31, 2012. According to the Agreement, PEF would be required to refund a prorated amount to exceed $40 million towards replacement fuel and purchased power costs if CR3 remains out of service in 2015. Assuming that PEF does not commence CR3 containment building repairs by December 31, 2012, and that CR3 remains out of service until April 2015, when would PEF be required to issue the refunds?

21. Please refer to Paragraph 9(b) of the Stipulation and Settlement Agreement. Is 30 months the "worse case scenario" estimate for completely repairing the containment building?

22. Please refer to Paragraph 9(b) of the Stipulation and Settlement Agreement. Please state in detail what happens if PEF commences repairs to CR3 before December 2012, but commercial operation is delayed beyond 30 months?

23. Please refer to Paragraph 9(b) of the Stipulation and Settlement Agreement. Please state whether as part of the agreement the parties waive their right to challenge the decision to repair (Phase 2), but retain rights to challenge execution of repair?

24. Please refer to Sections 9(b) and 10(a) of the Stipulation and Settlement Agreement. Please define "Board", "Board of Directors," and "Company's Board."

25. Please refer to Section 10 of the Stipulation and Settlement Agreement. Please state whether PEF will self-manage the repair of the CR3?

26. In Section 10(a)(3) of the Stipulation and Settlement Agreement, it states that the Intervenor Parties' waiver of rights shall remain in effect until there is final resolution with NEIL or December 31, 2013. Please state what is the significance of the December 31, 2013 date?

27. Please refer to Section 10(d) of the Stipulation and Settlement Agreement on page 12. Is the company or the parties opposed to a staff representative attending the quarterly meetings? If not, will be PEF be willing to report to the Commission what resulted from the quarterly status updates between the parties?

28. With respect to Section 10(a)2 on pages 9 and 10 of the Stipulation and Settlement Agreement, please explain what specific action will satisfy the requirement that PEF "commences containment building repairs by December 31, 2012, and continues to implement such repairs."

29. According to Section 11(a) of the Stipulation and Settlement Agreement paragraph 11, relating to the decommission of CR3, NEIL insurance proceeds will, unless otherwise agreed among the Parties, be applied first to offset the consumers' share of replacement fuel costs incurred after December 31, 2012, with any remaining proceeds to be applied to any unrecovered CR3-related investments. What would cause there to be additional proceeds beyond the replacement fuel costs if PEF decides to decommission CR3?

30. With respect to Section 11(b) on page 14 of the Stipulation and Settlement Agreement, please provide a list of the items and the respective amount of each item PEF intends to have treated as regulatory assets to address the revenue requirement associated with all CR3 related costs.

31. With respect to Section 13 of the Agreement, please provide a schedule showing how the $150 million increase was calculated listing all adjustments with explanations for each.

32. With respect to Section 14 of the Agreement, it states that "the Company will be authorized" to move the CAIR-related assets and revenue requirements from the ECRC to base rates in January 2014. Does PEF intend to move these assets from the ECRC to base rates?

33. With respect to Section 16 on page 18 of the Stipulation and Settlement Agreement, please provide the respective 12/31/11 balance and 2011 amortization of each regulatory asset identified in this paragraph.

34. With respect to paragraph 16 on page 18 of the Stipulation and Settlement Agreement, please provide a detailed explanation of the adjustment to the Company's equity ratio identified in this Section. For purposes of this response, please show the calculation of the Company's equity ratio as of December 31, 2012 and 2013 as contemplated by this provision. In addition, please explain how long the Parties contemplate this adjustment to PEF's equity ratio will remain in force.

35. With respect to Section 18 of the Agreement, please describe the purpose (s) of this proposal, and explain the similarities and differences between this proposal and that reflected in Paragraph 3 of the stipulation approved by the Commission by Order PSC-10-0398-S-EI.

36. With respect to Section 18, please provide the FERC 2011 accounting order that is referenced in that section (or provide a cite whereby staff can download it).

37. Section 18 of the Agreement states that these credit amounts to depreciation expense are in lieu of the annual amortization of the theoretical depreciation reserve surplus approved in Order No. PSC-10-0131-FOF-EI. Is it the intent of the parties that any remaining amortization amounts from the rate case order will cease? If so, please explain why.

38. With respect to Section 18 of the Stipulation and Settlement Agreement, when is the first year that PEF could record such a jurisdictional credit to depreciation expense?

39. With respect to Section 18, it is stated that the reduction in depreciation expense is limited by the remaining balance in the cost of removal reserve throughout the term. What is the balance as of 1/1/2012, and estimated for the each of the years 2013 through 2017 (disregarding taking any credits)?

40. With respect to Section 18, it is stated that recovery of the regulatory asset will be "no longer than the average remaining service life of the assets, approved in Company's most recent depreciation study." By way of clarification, does "average remaining service life" here refer to the composite remaining service of all depreciable assets? If not, please explain what is meant.

41. With respect to Section 18, the Stipulation and Settlement Agreement states that "PEF agrees to file a Depreciation Study, Fossil Dismantlement Study or Nuclear Decommissioning Study on or before July 31, 2017." Should the first "or" be an "and"? If not, please clarify the parties' intent. Are these depreciation and fossil dismantlement studies in addition to, or in lieu of, the comparable studies currently due to be filed in 2013?

42. Due to the uncertain status of CR3, staff's review of PEF's decommissioning study filed in Docket No. 100461-EI has been on hold. If the stipulation is approved, what does the Company and the parties believe the Commission should do with the study filed in Docket No. 100461-EI?

43. For purposes of this question, please refer to Slide 8 of the presentation made during PEF's 2012 Rate Settlement Analyst Call held on January 23, 2012. With respect to the final bullet point on Slide 8, does the Settlement contemplate customer rates increasing by the amount of revenue requirement associated with the incremental difference between applying a 10.5 percent and 10.7 percent ROE to just the CR3 investment or by the incremental difference between applying a 10.5 percent and 10.7 percent ROE to PEF's entire rate base? For purposes of this response, please provide an explanation of how the rate increase will be determined and an estimate of the annual revenue requirement increase contemplated by this provision.

44. Please state what the limits are on all NEIL claims on either a one or two scenario event?

45. Please identify separately the impact on a 1,000 kilowatt-hour residential bill in 2013, 2014, 2015, and 2016 for each of the provisions in the proposed Stipulation that affect rates (base rates and all recovery clauses). In the response, show the impact on the following rate components: customer charge, non-fuel energy charge, fuel factor, capacity factor excluding nuclear component, nuclear component of capacity factor, environmental factor, and conservation factor for each of the years listed above.

46. Please state the total impact on a 1,000 kilowatt-hour residential bill in 2013, 2014, 2015, and 2016 of the proposed Stipulation.

47. With respect to paragraph 4, provide the amount of the annual retail revenue requirement associated with the carrying costs on the deferred tax assets that will be transferred to base rates effective with the first billing cycle in January 2013. Is this proposed rate increase in addition to the $150 million dollar annual revenue increase addressed in paragraph 13.

Please file the original and five copies of the requested information by February 1, 2012, 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) 413-6226 if you have any questions.

Sincerely,

Keino Young
Senior Attorney
Office of the General Counsel

KY/sh

cc: Office of Commission Clerk
Director of Economic Regulation - Marshall Willis
Progress Energy Service Company, LLC - John T. Burnett
Progress Energy Florida, Inc. – Paul Lewis, Jr.
Carlton Fields Law Firm - J. Michael Walls / Blaise N. Gamba