Progress Energy

(Writer's Direct Dial No. 727-820-5587)

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General Counsel

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COMMISSION
CLERK

February 8, 2012

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

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

PEF's Response to Staff's Second Data Request Nos. 1-6

Dear Ms. Cole:

This response is to Lisa Bennett's February 3, 2012 letter, providing Staff's Second Data Request (Nos. 1-6) in the above-referenced docket.

1. With respect to Section 12 of the Settlement:

a) How and when does PEF plan to recover the deferred depreciation expense, property taxes, and O&M costs?

Response: PEF will recover the deferred depreciation expense, property tax and O&M as part of the total revenue requirements to be included in the base rate increase consistent with the 9 month delay protocol provided for in paragraph 12. (Such base rate increase shall be established by the application of a uniform percent increase to the demand and energy charges reflected in the Company's base rates including delivery voltage credits, power factor adjustment and premium distribution service.)

COM ____
APA ____
ECR 3
GCL 1
RAD 1
SRC ____
ADM ____
OPC ____
CLK ____

b) Will carrying costs apply to the deferred expenses? Is PEF planning_to recover the carrying costs through the NCRC (and ~~ultimately~~ the Capacity Clause) for the deferred expenses?

Progress Energy Florida, Inc.
P.O. Box 14042
St. Petersburg, FL 33733

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Response: **Yes, carrying costs will apply to the deferred expenses and yes, said carrying costs will be recovered through the NCRC until such time as the deferred expenses are included in base rates as discussed in 1.a. above.**

c) Once plant is in service, will the carrying cost recovered through NCRC (and ultimately the Capacity Clause) be based on the depreciated plant balance?

Response: **Yes, the carrying costs will be recovered through NCRC and will be based on the depreciated plant balance plus the deferred expenses discussed in 1.a and 1.b above.**

d) What carrying charge rate(s) will be applied from the time the plant goes in service until the plant is approved for recovery through base rates.

Response: **The carrying charge rate applicable from the time the plant goes in service until the plant is approved for recovery through base rates will be the NCRC statutory rate per Section 366.93(4), F.S., and Rule 25-6.0423(7), F.A.C.**

2. Provide the December 31, 2011, CR3-related balances for Plant-in-Service, Accumulated Depreciation, Nuclear Fuel Inventory, Materials and Supplies Inventory, and the non-AFUDC CWIP.

Response:
CR3 related balances as of December 31, 2011 are as shown:

a. Electric Plant in Service	**$909.1 million**
b. Accumulated Depreciation	**$534.4 million**
c. Nuclear Fuel Inventory	**$227.3 million**
d. M & S Inventory	**$51.9 million**
e. Non-AFUDC CWIP	**$33.1 million**

3. Provide the dollar amounts of CR3-related expenses by category (such as O&M, depreciation, property taxes, etc.) for 2011.

Response:
CR3 related expenses for 2011:

a. O & M	**$90.6 million (1)**
b. Depreciation expense	**$17.6 million**
c. Property taxes	**$ 8.5 million**

(1)(this includes EOL M&S accrual, Last Core Nuclear Fuel accrual and Nuclear Fuel Outage accrual)

4. Please explain how the CAIR assets are allocated to the rate classes in the Environmental Cost Recovery Clause and how these costs will be allocated in base rates.

   Response: **Currently, the CAIR assets are allocated to rate classes in the Environmental Cost Recovery Clause (ECRC) based on energy (class's contribution to total kWh). In 2014, when the CAIR assets are transferred to base rates, the costs will be allocated to rate classes based on each class's contribution to the total demand and energy revenues.**

5. With respect to paragraph 16 on page 18 of the Stipulation and Settlement Agreement, please provide the Company's equity ratio as of December 31, 2011, 2012, and 2013 on an FPSC-adjusted basis and the S&P-adjusted basis as contemplated by this provision. For purposes of this response, please describe and show the calculations.

   Response: **See attached. Please note that the S&P adjustment does not apply to 2011.**

6. Please refer to the Company's response filed February 1, 2012, to staff's first data request dated January 25, 2012. In the Company's response to Question 34, it indicates the equity ratio adjustment will be phased out over a 13 month period and be completely removed by January 2018. Will the equity ratio adjustment be phased in over a similar period? Please explain when the equity ratio adjustment will go into effect and over what period it will be incorporated into the Company's Earnings Surveillance Report.

   Response: **Yes, the equity ratio adjustment will be phased in beginning with March 2012, assuming the Commission approves the Settlement on February 22, 2012. As an example the March 2012 surveillance report will only reflect 1/13 of the adjustment and as we move through time more of the adjustment will be reflected in future surveillance reports.**

Thank you in advance for your attention to this matter. Please do not hesitate to contact me at (727) 820-5587 should you have any questions.

Sincerely,

R. Alexander Glenn

cc: Office of Commission Clerk
Director of Economic Regulation - Marshall Willis

Docket No. 120022-EI
PEF Response to Staff's 2nd Data Request, No. 5
($ millions)

	System Per Book	Specific Adjustment	S&P Adjustment	System Adjusted	Pro Rata Adjustment	FPSC Adj'd System	Factor	FPSC Adj'd Retail	Ratio
2013 FPSC Adjusted Basis									
Common Equity	5,348.8	(2.8)	0.0	5,346.0	(1,261.4)	4,084.6	83.73%	3,420.1	44.37%
Long Term Debt	4,503.8			4,503.8	(1,062.7)	3,441.1	83.73%	2,881.3	37.38%
Short Term Debt	257.9			257.9	(60.9)	197.0	83.73%	165.0	2.14%
Preferred Stock	33.5			33.5	(7.9)	25.6	83.73%	21.4	0.28%
Customer Deposits	239.7			239.7	(56.6)	183.1	100.00%	183.1	2.38%
Def. Income Tax	1,821.7	12.2		1,833.9	(432.7)	1,401.2	83.73%	1,173.2	15.22%
ITC	2.1			2.1	(0.5)	1.6	83.73%	1.3	0.02%
FAS 109	(213.6)			(213.6)	50.4	(163.2)	83.73%	(136.7)	-1.77%
TOTAL	11,993.8	9.4	0.0	12,003.2	(2,832.3)	9,171.0	84.06%	7,708.9	100.00%
2013 S&P Adjusted Basis									
Common Equity	5,348.8	(2.8)	801.9	6,147.9	(1,359.8)	4,788.1	84.48%	4,044.8	47.85%
Long Term Debt	4,503.8			4,503.8	(996.2)	3,507.6	84.48%	2,963.1	35.05%
Short Term Debt	257.9			257.9	(57.0)	200.9	84.48%	169.7	2.01%
Preferred Stock	33.5			33.5	(7.4)	26.1	84.48%	22.0	0.26%
Customer Deposits	239.7			239.7	(53.0)	186.7	100.00%	186.7	2.21%
Def. Income Tax	1,821.7	12.2		1,833.9	(405.6)	1,428.3	84.48%	1,206.6	14.27%
ITC	2.1			2.1	(0.5)	1.6	84.48%	1.4	0.02%
FAS 109	(213.6)			(213.6)	47.3	(166.4)	84.48%	(140.6)	-1.66%
TOTAL	11,993.8	9.4	801.9	12,805.1	(2,832.3)	9,972.8	84.77%	8,453.7 [1]	100.00%

[1] FPSC Adjusted Retail $7,708.9m + (S&P Adjustment $801.9m x Retail Base Separation Factor 92.885%)

	System Per Book	Specific Adjustment	S&P Adjustment	System Adjusted	Pro Rata Adjustment	FPSC Adj'd System	Factor	FPSC Adj'd Retail	Ratio
2012 FPSC Adjusted Basis									
Common Equity	4,959.1	(3.0)	0.0	4,956.0	(1,085.3)	3,870.7	82.34%	3,187.0	43.38%
Long Term Debt	4,425.5			4,425.5	(969.1)	3,456.3	82.34%	2,845.8	38.74%
Short Term Debt	91.2			91.2	(20.0)	71.2	82.34%	58.6	0.80%
Preferred Stock	33.5			33.5	(7.3)	26.2	82.34%	21.5	0.29%
Customer Deposits	227.1			227.1	(49.7)	177.4	100.00%	177.4	2.41%
Def. Income Tax	1,692.0	158.4		1,850.4	(405.2)	1,445.2	82.34%	1,189.9	16.20%
ITC	3.4			3.4	(0.8)	2.7	82.34%	2.2	0.03%
FAS 109	(211.3)			(211.3)	46.3	(165.0)	82.34%	(135.9)	-1.85%
TOTAL	11,220.4	155.4	0.0	11,375.8	(2,491.1)	8,884.6	82.69%	7,346.5	100.00%
2012 S&P Adjusted Basis									
Common Equity	4,959.1	(3.0)	656.3	5,612.3	(1,162.0)	4,450.4	83.07%	3,696.9	46.47%
Long Term Debt	4,425.5			4,425.5	(916.3)	3,509.2	83.07%	2,915.1	36.64%
Short Term Debt	91.2			91.2	(18.9)	72.3	83.07%	60.0	0.75%
Preferred Stock	33.5			33.5	(6.9)	26.6	83.07%	22.1	0.28%
Customer Deposits	227.1			227.1	(47.0)	180.1	100.00%	180.1	2.26%
Def. Income Tax	1,692.0	158.4		1,850.4	(383.1)	1,467.3	83.07%	1,218.9	15.32%
ITC	3.4			3.4	(0.7)	2.7	83.07%	2.3	0.03%
FAS 109	(211.3)			(211.3)	43.7	(167.6)	83.07%	(139.2)	-1.75%
TOTAL	11,220.4	155.4	656.3	12,032.1	(2,491.1)	9,540.9	83.39%	7,956.1 [2]	100.00%

[2] FPSC Adjusted Retail $7,346.5m + (S&P Adjustment $656.3m x Retail Base Separation Factor 92.885%)

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PEF Response to Staff's 2nd Data Request, No. 5
($ millions)

	System Per Book	Specific Adjustment	S&P Adjustment	System Adjusted	Pro Rata Adjustment	FPSC Adj'd System	Factor	FPSC Adj'd Retail	Ratio
2011 FPSC Adjusted Basis									
Common Equity	4,762.3	(3.6)	0.0	4,758.7	(1,078.2)	3,680.5	88.45%	3,255.6	45.32%
Long Term Debt	4,341.4			4,341.4	(983.7)	3,357.7	88.46%	2,970.2	41.35%
Short Term Debt	98.0	(98.0)		0.0	0.0	0.0	0.00%	0.0	0.00%
Preferred Stock	33.5			33.5	(7.6)	25.9	88.45%	22.9	0.32%
Customer Deposits	215.0			215.0	(48.7)	166.3	100.00%	166.3	2.31%
Def. Income Tax	1,193.7	131.4		1,325.1	(300.2)	1,024.9	88.45%	906.6	12.62%
ITC	4.8			4.8	(1.1)	3.7	85.75%	3.2	0.04%
FAS 109	(206.2)			(206.2)	46.7	(159.5)	88.45%	(141.1)	-1.96%
TOTAL	10,442.5	29.8	0.0	10,472.3	(2,372.8)	8,099.5	88.69%	7,183.6	100.00%

Estimate of S&P adjustment to Capital Structure & Rate Base:

	2012	2013
Dec		806.1
Jan		806.1
Feb		806.1
Mar	858.5	806.1
Apr	858.5	806.1
May	858.5	806.1
Jun	858.5	806.1
Jul	858.5	806.1
Aug	858.5	806.1
Sep	858.5	806.1
Oct	858.5	806.1
Nov	858.5	806.1
Dec	806.1	751.2
13-mth Avg	656.3	801.9