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Public Service Commission

January 11, 2013

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John Burnett  
Progress Energy Service Company, LLC  
299 1st Avenue North  
St. Petersburg, Florida 33701

STAFF'S FIRST DATA REQUEST

**Re: Docket Number 120303 - Petition for approval for an accounting order to record in a regulatory asset or liability the unrealized and realized gains and losses resulting from financial accounting requirements related to interest rate derivative agreements, Progress Energy Florida, Inc.**

Dear Mr. Burnett:

By this letter, the Commission staff requests that Progress Energy Service Company, LLC (Progress or utility) provide responses to the following data requests.

1. Per the Company's 2011 Form 10-K (Section 18.D.), a \$21 million loss, net of tax, on interest rate derivatives was reported for 2011. A loss of \$7 million was reported for 2010. Please reconcile and explain the differences between these amounts and the \$239,000 gain for 2010 and \$811,000 loss for 2011 that were cited at the January 8, 2013, meeting.
2. Please explain how the effective portion of the gain/loss on interest rate hedges is currently accounted for citing the specific FERC accounts utilized.
3. How is the effective portion of the gain/loss on interest rate hedges currently utilized in the calculation of the interest rate of the associated debt instrument? Provide examples for debt that actually has been issued. (See MFR Schedule D-4a)
4. Please explain how the ineffective portion on the gain/loss of interest rate hedges is currently accounted for citing the specific FERC accounts utilized.
5. How is the ineffective portion of the gain/loss on interest rate hedges currently utilized in the calculation of the interest rate of the associated debt instrument? Provide examples for debt that actually has been issued. (See MFR Schedule D-4a)

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6. Are both the effective and ineffective portions of the gain/loss on interest rate hedges currently amortized to interest expense over the life of the associated debt? If not, please explain how they are treated.
7. Under the Company's proposal, please explain how the effective portion of the gain/loss on interest rate hedges would be accounted for citing the specific FERC accounts to be utilized.
8. Under the Company's proposal, how would the effective portion of the gain/loss on interest rate hedges be utilized in the calculation of the interest rate of the associated debt instrument? Please use the same debt as provided in response to Data Request No. 3. (See MFR Schedule D-4a)
9. Under the Company's proposal, please explain how the ineffective portion of the gain/loss on interest rate hedges would be accounted for citing the specific FERC accounts to be utilized.
10. Under the Company's proposal, how would the ineffective portion of the gain/loss on interest rate hedges be utilized in the calculation of the interest rate of the associated debt instrument? Please use the same debt as provided in response to Data Request No. 5. (See MFR Schedule D-4a)
11. Under the Company's proposal, would both the effective and ineffective portions of the gain/loss on interest rate hedges be amortized to interest expense over the life of the associated debt? If not, please explain how they would be treated.
12. Under the Company's proposal, is it correct that interest rate hedging losses would be recorded as a regulatory asset to be included in rate base for ratemaking purposes and would earn the overall rate of return?
13. Is it correct that interest rate hedging losses are currently not included in rate base and do not earn a return?
14. Please provide a copy of the GAAP required documentation for an actual gain and an actual loss on interest rate hedges.
15. Under the Company's proposal, what documentation would be kept to verify the prudence of the hedging transactions?

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16. Please provide a schedule that shows what the Company actually booked related to interest rate hedges for each of the past 5 years and what the Company would have booked each year for the same transactions had the requested treatment been in place the past 5 years. For purposes of this response, show all applicable FERC accounts.

Please file the original and five copies of the requested information by Friday, January 25, 2013, 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 Brown  
Senior Attorney

MCB/ace

cc: Office of Commission Clerk  
Diane Triplett  
Paul Lewis