

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 9, 2005

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Greene, Slemkewicz)
Office of the General Counsel (Brubaker, Banks, Rodan, Stern)

RE: Docket No. 050078-EI – Petition for rate increase by Progress Energy Florida, Inc.

AGENDA: 06/21/05 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Baez

CRITICAL DATES: 06/29/05 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\050078.RCM.DOC

Case Background

On April 29, 2005, Progress Energy Florida (“PEF” or “the company”) filed a petition for a permanent rate increase along with proposed new rate schedules. Staff found deficiencies in the minimum filing requirements (MFRs) which were corrected on May 13, 2005.

By its petition, PEF requested an increase in its retail rates and charges to generate \$205,556,000 in additional gross annual revenues. This increase would allow the company to earn an overall rate of return of 9.50% and a 12.8% return on equity with a range of 11.8% to 13.8%. PEF did not request interim rate relief.

The Commission has jurisdiction over this matter pursuant to Section 366.06, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission suspend the new rate schedules accompanying PEF's proposed base rate increase?

Recommendation: Yes. The new rate schedules should be suspended pending the Commission's final decision in this docket. (Greene)

Staff Analysis: Pursuant to Section 366.06(3), Florida Statutes, the Commission may withhold consent to the operation of, or "suspend," the new rate schedules accompanying PEF's proposed base rate increase by providing PEF, within 60 days of the filing of such schedules, a reason or written statement of good cause for withholding consent.

Typically, the Commission has suspended new permanent rate schedules in order to allow its staff and any intervenors sufficient time to adequately and thoroughly examine the basis for the proposed new rates. This is especially true when a projected test year is involved, as is the case in this docket. Further, in recognition of the terms of the Stipulation and Settlement resolving its last rate case, which limited PEF's ability to request any base rate increase to take effect before the end of the Stipulation and Settlement, PEF has not asked for interim rate relief and has asked that its proposed rate increase begin January 1, 2006.

Based on the foregoing, staff recommends that the Commission suspend the new rate schedules reflecting PEF's proposed base rate increase.

Issue 2: Should this docket be closed?

Recommendation: No. The docket should remain open to process the revenue increase request of the company. (Brubaker, Rodan, Banks, Stern)

Staff Analysis: This docket should remain open pending the Commission's final resolution of the company's requested rate increase.