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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Progress Energy Florida, Inc., For Expedited Approval of the Deferral of Pension Expenses, the Authorization to Charge Storm Hardening Expenses to the Storm Damage Reserve, and the Variance or Waiver of Rule 25-6.0143(1)(c),(d), and (f), F.A.C. /	Docket No. ______ Submitted For Filing March 20, 2009

PROGRESS ENERGY FLORIDA, INC.'S PETITION FOR EXPEDITED APPROVAL OF THE DEFERRAL OF PENSION EXPENSES, THE AUTHORIZATION TO CHARGE STORM HARDENING EXPENSES TO THE STORM DAMAGE RESERVE, AND THE VARIANCE OR WAIVER OF RULE 25-6.0143(1)(c),(d), AND (f), F.A.C.

Progress Energy Florida, Inc. ("PEF" or the "Company"), pursuant to Sections 350.115, 366.04(2)(a), and 366.05, Florida Statutes, and Rules 25-6.014, 25-6.0143, 28-104.002, and 28-106.201, F.A.C., respectfully petitions the Florida Public Service Commission ("PSC" or the "Commission"), for expedited approval of (1) the deferral of $52.5 million (retail) in 2009 pension expenses, (2) the authorization to charge $33.1 million (retail) in estimated 2009 storm hardening expenses to the Storm Damage Reserve established by the Commission pursuant to Rule 25-6.0143, F.A.C., and (3) the variance or waiver of Rule 25-6.0143(1)(c),(d), and (f), F.A.C. to allow PEF to charge its 2009 storm hardening expenses against the Storm Damage Reserve. PEF requests expedited approval of its Petition for the reasons provided in this Petition. The deferral of $52.5 million (retail) in pension expense will not involve a change in PEF's retail rates or prices, nor will charging storm hardening expenses to the Storm Damage Reserve.

Request for Expedited Approval

PEF needs relief on an expedited basis. As discussed more fully below, PEF's pension expense is mandated by Commission-adopted accounting standards, yet significant changes in pension expense can be driven by economic conditions that are beyond PEF's control. These

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economic conditions, without PEF's requested deferral, require PEF to accrue millions of dollars in pension expense that may be ameliorated in the future if PEF's relief is granted now. Further, PEF faces storm hardening expenses that, with the authorization to charge them against the Storm Damage Reserve, will allow PEF to fully comply with Legislative and Commission storm-hardening and hurricane restoration policy while not undermining PEF's financial strength and flexibility in these difficult economic conditions.

Unlike other forms of traditional rate relief, PEF's requested relief will not result in a change to any of PEF's retail rates or prices. Any interested party will also be able to address the reasonableness of these expenses in PEF's pending base rate proceeding. As a result, no one is prejudiced by PEF's request and PEF, therefore, does not anticipate that any party will protest the Company's Petition.

Accordingly, PEF is submitting ample information in this Petition and the attached Exhibits upon which the Commission can develop its proposed agency action (PAA) on the Company's requested relief. Because a hearing is not needed to dispose of this Petition, the Company has not filed any pre-filed testimony. PEF, however, reserves the right to submit testimony addressing issues identified in any protest of the PAA Order. For these reasons, as more fully developed below, PEF requests that the Commission approve its Petition on an expedited basis.

I. Preliminary Information.

1. The Petitioner's name and address are:

Progress Energy Florida, Inc.
299 1st Avenue North
St. Petersburg, Florida 33701

2. Any pleading, motion, notice, order, or other document required to be served upon PEF or filed by any party to this proceeding should be served upon the following individuals:

R. Alexander Glenn
alex.glenn@pgnmail.com
John T. Burnett
john.burnett@pgnmail.com
Progress Energy Service Company, LLC
299 1st Avenue North
St. Petersburg, Florida 33701
(727) 820-5587 / (727) 820-5519 (fax)

Paul Lewis, Jr.
Progress Energy Service Company, LLC
106 E. College Avenue, Ste. 800
Tallahassee, FL 32301
(850) 222-8738 / (850) 222-9768 (fax)

James Michael Walls
mwalls@carltonfields.com
Dianne M. Triplett
dtriplett@carltonfields.com
Carlton Fields
Corporate Center Three at International Plaza
4221 West Boy Scout Boulevard
P.O. Box 3239
Tampa, Florida 33607-5736
(813) 223-7000 / (813) 229-4133 (fax)

Richard D. Melson
rick@rmelsonlaw.com
705 Piedmont Dr
Tallahassee, FL 32312
(850) 894-1351

3. PEF is the utility primarily affected by the request in this Petition. PEF is an investor-owned electric utility, regulated by the Commission pursuant to Chapter 366, Florida Statutes, and PEF is a wholly owned subsidiary of Progress Energy, Inc. The Company's principal place of business is located at 299 1st Avenue North, St. Petersburg, Florida 33701.

4. PEF serves more than 1.6 million retail customers in Florida. Its service area comprises approximately 20,000 square miles in 35 of the state's 67 counties, encompassing the densely populated areas of Pinellas and western Pasco Counties and the greater Orlando area in Orange, Osceola, and Seminole Counties. PEF supplies electricity at retail to approximately 350 communities and at wholesale to about 21 Florida municipalities, utilities, and power agencies in the State of Florida.

II. The Commission should grant PEF's request to defer 2009 pension expenses resulting from the impacts of the recent financial crises on pension expenses.

5. PEF participates in a noncontributory, tax qualified, defined benefit pension plan ("Pension Plan"), which covers substantially all of PEF's permanent employees. The Pension Plan has been funded to the extent permitted by applicable federal income tax regulations. In accounting for the cost of the Pension Plan, PEF follows the provisions of the Financial Accounting Standards Board ("SFAS"), Statement No. 87, "Employers' Accounting for Pensions," as amended by SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." The Commission approved the use of SFAS 87 for ratemaking purposes in Order No. PSC-92-1197-FOF-EI, Docket No. 910890-EI, (October 22, 1992). The Commission further approved the adoption of the provisions of SFAS 158 in 2007 in Order No. PSC-04-1216-PAA-EI, whereby the Commission authorized the establishment of a regulatory asset to offset any minimum pension liability.

6. These financial accounting standards require that the pension income or expense be determined, in part, based upon a measurement of the fair market value of the Pension Plan's assets at the end of the previous fiscal year, which ends December 31 for PEF. The funds within the Pension Plan are invested in various investment assets in accordance with the Plan's goals for generating a return on the investment assets to meet the benefit obligations of the Plan. Lower

rates of return on pension assets increase pension expense, while higher rates of return decrease pension expense. As a result, under these accounting standards, a credit may be reflected when the expected return on the Plan's investment assets exceeds service cost and other components of pension expense. In contrast, an expense is reflected when the expected return on Plan assets does not exceed service cost and other components of pension expense.

7. The basic elements of pension expense include the service cost, interest cost, expected return on plan assets, and amortization elements, such as the amortization of actuarial gains and losses outside a defined, allowed range. The service cost for the Pension Plan is the amount earned by employees when they work an additional year for the Company. The interest cost reflects the interest on the pension obligation accrued to date. The expected return on plan assets is computed using the expected long-term rate of return for plan assets. Actuarial gains or losses on Plan assets outside the allowed range must be amortized to expense. The most volatile factors impacting pension expense are the market performance of the investments held in the Pension Plan and the discount rate applied to the pension benefit obligation. The discount rate is based on AA and AAA bond yields.

8. The recent unexpected financial crises in the markets, and the resulting economic downturn, have negatively impacted pension plans in general. During 2008, the Dow Jones Industrial Average declined over 30 percent in value as many investors liquidated their holdings. As a direct result of this economic downturn, the Pension Plan experienced a significant decline in the fair value of its assets. The year end return for 2008 was approximately a negative 32 percent. The market value of the plan assets was approximately $350 million less on January 1, 2009 than it was on January 1, 2008. To illustrate the degree of the impact of this economic downturn on the Pension Plan, the Pension Plan experienced a positive return of 13 percent in

2007 and over the past 10 years ending in 2007 experienced an average positive return of 9.2 percent.

9. As a result of these adverse economic impacts, PEF's independent, third-party actuarial study that determines PEF's pension expense indicates that PEF is expected to incur a pension expense of approximately $33.9 million (system) for the year ended December 31, 2009, as demonstrated and supported by Exhibit A to this Petition. In comparison, for calendar year 2008 PEF recorded pension income in the amount of 23.3 million (system). The benefits of the pension income for 2008 have been recognized and passed on to customers in the calculation of the revenue requirements to achieve the minimum 10 percent return on equity for 2008 in the interim relief calculation in the Company's pending request for interim relief. PEF, accordingly, requests that the Commission authorize PEF to defer as a regulatory asset the difference between the level of pension income for 2008 and the level of pension expense PEF would be required to record under the current generally accepted accounting standards for 2009. PEF further requests that it be allowed to continue the deferral until such time as the recovery of these additional costs is provided for in Commission approved base rates. See Order Granting Petition For An Accounting Order, Order No. 2009-81, Docket No. 2009-36-E, South Carolina Public Service Commission, (Feb. 17, 2009) (granting petition and allowing company to defer pension expense as a regulatory asset until the company's next base rate proceeding) attached as Exhibit B to this Petition.

10. The deferral of $52.5 million (retail) in pension expense will not involve a change in PEF's retail rates or prices. No Commission rule, regulation, or policy prohibits PEF's request. Further, the dramatic increase in pension expense is due to economic and market forces beyond PEF's control. Finally, all interested parties will have the right to address the

reasonableness of these expenses in PEF's pending general base rate proceeding. For all these reasons, PEF requests the Commission grant PEF's Petition requesting authorization of the deferral of $52.5 million (retail) in pension expense.

III. The Commission should allow PEF to charge its 2009 storm hardening expenses to the Storm Damage Reserve because such expenses are consistent with the Legislative and Commission storm hardening policy and the policy behind the Reserve.

11. Following the unprecedented 2004 and 2005 hurricane seasons, the Florida Legislature was concerned with the vulnerability of the state's electrical system to the effects of hurricanes and required the Commission to review what should be done to enhance the reliability of Florida's transmission and distribution grids during extreme weather events. Chapter 2006-230, §§19(2) and (3), at 2615, Laws of Florida. The Legislature required the Commission to report its recommendations following this review. Id. In furtherance of its own review and recommendations, the Commission conducted workshops and proceedings that led to the Commission's Orders and Rule on storm-preparedness and storm hardening. See Orders Nos. PSC-06-0144-PAA-EI and PSC-06-0351-PAA-EI, and Rule 25-6.0342, F.A.C.

12. The Commission recommended to the Florida Legislature that the electric infrastructure of the State should be strengthened to better withstand the impacts of severe weather events. The Commission acknowledged that a wide range of hardening activities was required, that these storm hardening activities take years to complete, and that they require financial resources. See Report to the Legislature on Enhancing the Reliability of Florida's Distribution and Transmission Grids During Extreme Weather, Florida Public Service Commission, July 2007, ("2007 Report"), pp. 3-4. As justification for this recommendation, the Commission recognized that reliable electric service was the cornerstone of Florida's economy, that Florida's citizens and businesses relied on an adequate supply of electricity, and that, as a

result, utilities must be able to rapidly recover from hurricanes. Id., p. 6. To this end, the Commission decided that strengthening Florida's electric transmission and distribution grids to better withstand the effects of extreme weather helped reduce power outages and the time and cost to restore service. Id. Decreasing outages from extreme weather and reducing the time and cost to restore service following such outages, the Commission determined, benefited Florida's citizens and economy.

13. To address legislative and Commission concerns with the vulnerability of the state electric system during extreme weather conditions, the Commission took a number of separate actions. One action was rulemaking to address distribution construction standards. In another action the Commission required each investor-owned utility to implement eight-year pole inspection cycles and provide annual pole inspection reports to the Commission. Order No. PSC-06-0144-PAA-EI, Docket No. 060078-EI, (Feb. 27, 2006). Additionally, the Commission required the investor-owned utilities to file plans and estimated implementation costs for ten additional storm preparedness initiatives. Order No. PSC-06-0351-PAA-EI, Docket No. 060198-EI, (April 25, 2006). These initiatives include distribution vegetation management cycles, hardening of existing transmission structures, audits of joint use attachments and inspections of transmission structures, among others. On June 1, 2006, PEF filed its storm hardening plan addressing the Commission's ten storm preparedness and hardening initiatives.

14. One of the ten initiatives was an aggressive distribution system vegetation management cycle. Vegetation management programs are designed to prevent tree-caused outages and contribute to overall system reliability. Report to the Legislature on Enhancing the Reliability of Florida's Distribution and Transmission Grids During Extreme Weather, (Update to July 2007 Report), July 2008, p. 9. Vegetation, in particular falling or wind blown tree limbs

and trees, contributes to the damage to transmission and distribution facilities, and thus the time and cost to restore electric service, during extreme weather events. Recognizing this, the Commission emphasized the need to maintain tree clearances from overhead facilities to reduce the potential for vegetation-related storm damage. Order No. PSC-06-0351-PAA-EI, Docket No. 060198-EI, p. 3. The Commission, accordingly, required the utilities, including PEF, to develop more stringent distribution vegetation management programs. Id., p. 4. PEF complied with this requirement, submitting a revised vegetation management plan to the Commission. This submittal included, at the Commission's request, a cost-benefit analysis that demonstrated storm customer service interruptions avoided by vegetation management costs incurred by PEF under the revised plan. The Commission approved PEF's revised plan as reasonably consistent with its directions in Order No. PSC-06-0351-PAA-EI. Order No. PSC-06-0947-PAA-EI, Docket No. 060198-EI, pp. 4-6.

15. Similar, more stringent vegetation management standards have been implemented by the North American Electric Reliability Corporation ("NERC") for PEF's transmission system. Based on directives in the Federal Energy Policy Act of 2005 (EPAct), the Federal Energy Regulatory Commission ("FERC") certified NERC as its Electric Reliability Organization and granted NERC the authority to draft new and enhanced reliability standards. The NERC was further given the authority to enforce these standards through reliability reporting and monetary penalties for noncompliance. The NERC enhanced reliability standards by, among others, implementing NERC Standard FAC-003-1, requiring additional vegetation management measures for PEF's transmission system at significant additional cost. PEF's transmission system is also subject to vegetation management standards established under storm

hardening plans approved by the Commission pursuant to Rule 25-6.0342, F.A.C., the Commission's Electric Infrastructure Storm Hardening Rule.

16. PEF expects to continue its transmission and distribution system vegetation management programs in 2009 consistent with the Legislative and Commission storm hardening policies. PEF's vegetation management programs include regular tree trimming, dead tree removal, vine removal, herbicide application and other maintenance. PEF's integrated vegetation management program includes cyclical trimming of trees on feeders and distribution laterals with priority given to a combination of what the rotation schedule and reliability performance requires. In addition, PEF emphasizes annual pre-hurricane season patrols of all feeders with corrective spot trimming where needed to best attempt to prevent tree-caused outages during severe weather. To comply with the legislative storm hardening policy and Commission storm hardening vegetation management initiative, PEF's projected 2009 transmission vegetation management costs are $6.1 million (retail) and its projected 2009 distribution vegetation management costs are $20.3 million (retail), as demonstrated by Exhibit C to this Petition.

17. In addition to the vegetation management expenses, PEF will incur expenses to comply with the other Commission storm-hardening initiatives. The total projected expenses for Distribution and Transmission in 2009 are shown on Exhibit C to this Petition. These storm hardening initiative expenses include, for example, $3.1 million (retail) for Distribution for compliance with the Commission's Order directing PEF to institute an eight-year pole inspection plan and provide detailed wood pole inspection report to the Commission, including the Company's inspection findings and corrective actions.

18. The expenses that PEF will incur in 2009 to comply with the Legislative and Commission storm hardening goals and initiatives are consistent with the purpose of the Storm Damage Reserve and, accordingly, PEF requests authorization to charge these expenses against the Storm Damage Reserve. PEF's Storm Damage Reserve is established to cover storm-related damages to utility property, such as its transmission and distribution assets, that are not covered by insurance. Rule 25-6.0143, F.A.C. Investors and the market are aware of the Storm Damage Reserve and its purpose. The Storm Damage Reserve is a utility resource that supports the funding of immediate restoration activities following severe weather events without undermining the financial integrity of the utility. See, e.g., Order No. PSC-93-1522-FOF-EI, Docket No. 930867-EI (Oct. 15, 1993).

19. The goal of such funding for the Storm Damage Reserve, of course, is to reduce the adverse effects on Florida's economy that result from interruptions in electric service caused by extreme weather by immediately restoring electric service. Id. PEF's storm hardening initiative expenses advance the same purpose. They are designed to strengthen the transmission and distribution systems to better withstand extreme weather conditions. These initiatives harden the system to avoid or reduce storm damage and weather-related outages before extreme weather events occur. The Commission's storm hardening initiatives, then, fulfill the same purpose behind the Storm Damage Reserve. Because PEF's expenses for the Commission's storm hardening initiatives closely match the reason for storm damage reserves, PEF requests authorization to charge its 2009 expenses for storm hardening initiatives in the amount of $33.1 million (retail) against the Storm Damage Reserve.

IV. PEF Requests a Variance or Waiver of Rule 25-6.0143(1)(c),(d) and (f), F.A.C. under Section 120.542, Florida Statutes, Commission Rules, and Commission Precedent.

20. PEF requests a variance or waiver of Rule 25-6.0143(1)(c),(d) and (f), F.A.C. Rule 25-6.0143(1)(c) establishes the Storm Damage Reserve account for storm-related damages to utility owned or leased property that is not covered by insurance. Subsection (1)(d) of this Rule lists the types of costs that can be charged to the Storm Damage Reserve to cover storm-related damage while subsection (1)(f) provides the types of costs that cannot be charged to the reserve. PEF requests a variance or waiver of these rule provisions to allow it to charge its expenses in 2009 for the Commission's storm hardening initiatives to the Storm Damage Reserve.

21. A rule variance or waiver is appropriate when (1) the purpose of the rule will otherwise be satisfied even though the rule is waived and (2) substantial hardship of a technological, economic, legal, or other type of hardship will result from compliance with the rule. §120.542(2), Fla. Stats. PEF has met the requirements here and, therefore, PEF's request for a rule variance or waiver should be granted. <u>See</u> <u>generally</u>, <u>Florida Dep't. of Business and Professional Regulation, Div. of Para-Mutuel Wagering v. Investment Corp. of Palm Beach</u>, 747 So. 2d 374, 383 n.7 (Fla. 1999) ("[Section 120.542] is intended to give agencies much-needed flexibility to address unique or unusual situations that are not contemplated by agency rules that, by necessity, are written to address general circumstances.") (quoting Blanton & Rhodes, Flexibility, Flexibility, Flexibility, The New Variance & Waiver Provision, Fla. Bar Journal, Mar. 1997 at 35, 38-39).

22. The underlying purpose of the Storm Damage Reserve rule provisions, as demonstrated above, is otherwise satisfied even if these rule provisions are waived. PEF's incremental storm hardening initiative expenses advance the same purpose of the rule by

preventing storm damage and weather-related outages before extreme weather events occur that require PEF to use reserve resources to restore electric service.

23. Indeed, preventing tree-caused outages by trimming or removing trees before they can destroy or damage transmission and distribution facilities during storms, for example, benefits PEF's customers far more than using storm reserve funds to immediately fix the damage during or after the storms occur. Reducing or eliminating electric service interruptions caused by severe weather through the Commission's storm hardening initiatives means there may be no need to restore service because electric service was not interrupted in the first place or the time and cost of restoration is diminished if electric service is interrupted. The ability to continue to provide electric service without interruption by severe weather through the storm hardening initiatives benefits PEF's customers and the Florida economy. These expenses, therefore, serve the same underlying purpose behind making Storm Damage Reserve resources available to PEF in the first instance. See, Order No. PSC-93-1522-FOF-EI.

24. Additionally, for PEF to continue to implement the legislative and Commission storm hardening policies and initiatives, PEF needs authorization to charge its 2009 storm hardening expenses to the Storm Damage Reserve. The recent financial crises and resulting economic recession render PEF's ability to comply with the Legislative and Commission storm hardening goals and initiatives heading into the 2009 hurricane season a substantial hardship. These storm hardening goals, and the resulting incremental costs in 2009 to achieve them, were not contemplated at the time of PEF's last base rate proceeding in 2005.

25. That 2005 base rate proceeding was resolved by a stipulated settlement that froze base rates for four years, except for a limited increase to cover some but not all new generation units added to PEF's system. In that proceeding, for example, PEF's distribution vegetation

management program expenses did not include the costs PEF must incur to comply with the vegetation management program in the Commission's storm hardening initiative. Other storm hardening initiatives, such as audits of joint use attachments, were not contemplated at all in PEF's distribution operations and maintenance plans and, thus, no expenses were included for those initiatives in that proceeding. The legislative and Commission storm hardening policy, therefore, demands additional investment in vegetation management and other storm hardening initiatives beyond what was reasonably contemplated at that time.

26. These storm hardening initiatives require PEF to incur expenses at a time when utility operation and maintenance costs continue to increase but sales revenues to the utility are diminishing. As a result, PEF's sales are not covering all required costs of service in 2009 and PEF faces a substantial economic hardship without a waiver of the Storm Damage Reserve rule provisions, as demonstrated in Exhibit D to this Petition. Exhibit D to this Petition provides the calculation of PEF's revenue shortfall of $142.7 million to achieve the 10 percent return on equity floor established in the Stipulation and Settlement of PEF's last base rate proceeding that was approved by the Commission in Order No. PSC-05-0945-S-EI, in Docket No. 050078-EI. This calculation is based on the rate base, net operating income, and capital costs included in the Minimum Filing Requirements for 2009 in Docket No. 090079-EI. These circumstances justify flexible application of the Storm Damage Reserve rule provisions here to grant a rule waiver or variance to allow PEF to charge its storm hardening initiative expenses against the Storm Damage Reserve. See Florida Dep't. of Business and Professional Regulation, Div. of Para-Mutuel Wagering, 747 So. 2d at 383 n.7; In re: Petition for waiver of Rule 25-24.490(2), F.A.C., which requires a bond to secure customer deposits by Allnet Comm'n Svcs., 1999 Fla. PUC LEXIS 667, *3, Order No. PSC-99-0685-FOF-TI, Docket No. 990027-TI (April 7, 1999)

(authorizing waiver of rule requirement for bond to secure utility customer deposits and advance payments as a substantial economic hardship to the company even though the Commission found the company also had effectively met the bond requirement by demonstrating substantial financial resources and overall stability, thus, indicating the substantial economic hardship test is a flexible one when the purpose behind the rule is met); In re: Petition for waiver of Rule 25-24.490(2), F.A.C., which requires a bond to secure customer deposits, by Time Warner AxS of Fla., LP, 1998 Fla. PUC LEXIS 2193, Order No. PSC-98-1563-FOF-TI, Docket No. 981041-TI (Nov. 23, 1998) (same).

27. The variance or waiver of Rule 25-6.0143(1)(c),(d) and (f), F.A.C. is temporary because PEF's request is limited to its 2009 storm hardening initiative expenses. Subsequent year expenses for the Commission storm hardening initiatives will be addressed in PEF's pending general base rate proceeding or in subsequent proceedings. PEF, therefore, requests a temporary variance or waiver of Rule 25-6.0143(1)(c),(d) and (f), F.A.C. for its 2009 storm hardening initiative expenses.

V. Conclusion.

28. For all the reasons provided above, PEF respectfully requests expedited approval by the Commission of (1) the deferral of $52.5 million (retail) in estimated 2009 pension expenses, and (2) the authorization to charge $33.1 million (retail) in estimated 2009 storm hardening expenses to the Storm Damage Reserve established by the Commission pursuant to Rule 25-6.0143, F.A.C. Further, PEF has met the requirements of Section 120.542, Florida Statutes, and, therefore, PEF's request for a variance or waiver of Rule 25-6.0143(1)(c),(d) and (f)8, F.A.C. should be granted, thus, allowing PEF to charge its 2009 storm hardening expenses to the Storm Damage Reserve.

Respectfully submitted this 20th day of March, 2009.

R. Alexander Glenn
John T. Burnett
PROGRESS ENERGY SERVICE COMPANY, LLC
Post Office Box 14042
St. Petersburg, FL 33733-4042
Telephone: (727) 820-5587
Facsimile: (727) 820-5519

James Michael Walls
Florida Bar No. 0706242
Dianne M. Triplett
Florida Bar No. 0872431
CARLTON FIELDS, P.A.
4421 W. Boy Scout Blvd.
Ste. 1000 (33607)
Post Office Box 3239
Tampa, FL 33601-3239
Telephone: (813) 223-7000
Facsimile: (813) 229-4133

Richard D. Melson
Florida Bar No. 0201243
705 Piedmont Dr
Tallahassee, FL 32312
Telephone: (850) 894-1351

A

PROGRESS ENERGY FLORIDA
Accounting Order - Pension Expense Deferral

		Total	O&M	Capital
1	2008 Projected Pension Cost per MFR C-17 - Docket 090079 EI (1)	$ (23,343,000)	$ (23,343,000)	-
2	2009 Projected Pension Cost per MFR C-17 - Docket 090079 EI	49,092,000	33,873,480	$ 15,218,520
3	Increase in Pension Cost	72,435,000	57,216,480	15,218,520
4				
5	Retail Jurisdiction (2)	91.716%	91.716%	91.716%
6				
7	Increase in Retail Pension Expense	$ 66,434,485	$ 52,476,667	$ 13,957,818
8				
9				

10 (1) Represents the actual amount of Pension income included in PEF's calendar year 2008 earnings.
11 (2) Retail Separation factor established in PEF's 2005 Retail Base Rate Proceeding Docket 050078 - ref. MFR C-4
12 page 10 of 42, Account 92600.

B

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2009-36-E - ORDER NO. 2009-81

FEBRUARY 17, 2009

IN RE: Petition of South Carolina Electric and Gas Company (Electric Operations) for Authorization to Defer Certain Charges to the Company's Financial Statements Resulting from the Impact of Recent Economic Developments on Pension Cost	)	ORDER GRANTING PETITION FOR AN ACCOUNTING ORDER (ELECTRIC)

This matter comes before the Public Service Commission of South Carolina ("Commission") on the Petition of South Carolina Electric and Gas Company ("SCE&G" or "the Company") for an accounting order for regulatory accounting purposes authorizing SCE&G to defer as a regulatory asset certain increases in charges to its financial statements required under Statement of Financial Accounting Standards ("SFAS") No. 87, "Employers' Accounting for Pensions," as amended by SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" primarily as a result of an unusually large change in the fair value of pension assets, which was directly attributable to the recent downturn in the United States economy.

According to the Company, the request for relief does not involve a change to any of the Company's retail rates or prices at this time, or require any change in any Commission rule, regulation, or policy. Further, the Company asserts that the issuance of the requested accounting order will not prejudice the right of any party to address these issues in a subsequent general rate case proceeding, therefore, no notice or hearing is required.

SCE&G participates in a noncontributory, tax qualified, defined benefit pension plan, which covers substantially all of SCE&G's permanent employees. The Pension Plan has been funded to the extent permitted by applicable federal income tax regulations. In accounting for the cost of the Plan, SCE&G follows SFAS No. 87, as amended by SFAS No. 158. Among other things, these accounting standards require that pension income or expense be determined, in part, based upon a measurement of the fair market value of the Plan's assets at the end of the previous fiscal year (December 31).

To assist in meeting the benefit obligations of the Plan, the funds within the Plan are invested in various investment vehicles. In recent years, the Pension Plan has generated significant amounts of pension income. During 2008, the United States fell into a recession. As a direct result, the Pension Plan experienced a significant decline in the fair value of its assets. For the first time since 2003, the Pension Plan will not generate pension income, but instead will incur pension expense in 2009.

Currently, SCE&G's electric rates are based upon annual pension income of approximately $4 million. This treatment has had the effect of reducing the Company's operating and maintenance expenses and therefore reducing customer base rates. In contrast, because of the decline in value of plan assets, the electric utility operations of SCE&G are expected to incur an expense of approximately $22.7 million for the year ended December 31, 2009, or an increase of approximately $26.7 million over those pension amounts reflected in current rates. Because of this unusually large change in pension expense brought about by national economic conditions, the Company seeks authorization from this Commission to defer as a regulatory asset the difference between the level of pension income currently included in its base rates and the level of pension expense it would be required to record under the current generally accepted accounting standards. SCE&G requests that it be allowed to continue such deferral until such time as recovery of these additional costs is provided for in Commission approved base rates.

The Petition for an accounting order is granted. Clearly, the recent downturn in the economy is unprecedented. In general, the Company has seen an annual pension income, rather than an expense. This income has reduced electric rates. Rather than this Commission considering an increase in electric rates at this time to recognize the pension expense that has lately resulted, we agree that it is more prudent for the Company to defer the difference between the level of pension income currently included in base rates and the level of pension expense it would be required to record under the current generally accepted accounting standards, and that the Company be allowed to continue the deferral until such time as recovery of these additional costs is considered by the Commission for inclusion in approved base rates.

This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:

Elizabeth B. Fleming, Chairman

ATTEST:

John E. Howard, Vice Chairman

(SEAL)

C

2009 PROJECTED STORM HARDENING AND VEGETATION MANAGEMENT COSTS

	(1)	(2)	(3)	(4) col (2)*(3)	(5) col (1)+(4)	(6)	(7) col (5)*(6)
Distribution Costs	**O&M**	**Capital**	**Depreci Rate**	**Depreciation Expense**	**Total Revenue Requirements**	**Percent to Retail**	**Estimated Charge to Storm Reserve**
Vegetation Management	$ 20,301,004				$ 20,301,004	99.6%	20,219,800
Wood Pole Inspection and Treatment	3,100,000				3,100,000	99.6%	3,087,600
Network Maintenance & Replacement	500,000	$ 2,600,000	3.86%	$ 50,180	550,180	99.6%	547,979
Livefront Switchgear Replacement		300,000	3.86%	5,790	5,790	99.6%	5,767
Midfeeder Electronic Sectionalizing (Reclosers)	500,000			-	500,000	99.6%	498,000
Joint Use Attachment Audits	588,500			-	588,500	99.6%	586,146
Pad-mount Transformer Replacements		5,300,000	3.38%	89,570	89,570	99.6%	89,212
Wood Pole Replacement		8,300,000	3.86%	160,190	160,190	99.6%	159,549
Storm Hardening Pilot Projects		4,700,000	3.86%	90,710	90,710	99.6%	90,347
Pad-mount Transformer Inspections	750,000				750,000	99.6%	747,000
Total Distribution Costs	25,739,504	21,200,000		396,440	26,135,944	99.6%	26,031,400
Transmission Costs							
Vegetation Management - NERC Required	3,247,917			-	3,247,917	70.6%	2,293,029
Vegetation Management - non-NERC	2,861,421			-	2,861,421	70.6%	2,020,163
Subtotal Vegetation Management	6,109,338	-		-	6,109,338	70.6%	4,313,192
Wood Pole Inspections	300,000			-	300,000	70.6%	211,800
Transmission Line Maintenance	2,212,236			-	2,212,236	70.6%	1,561,839
Line Maintenance Pole Replacements		13,394,000	2.72%	182,158	182,158	70.6%	128,604
DOT/Customer Relocations and Line Upgrades and Additions		86,000,000	2.72%	1,169,600	1,169,600	70.6%	825,738
Total Transmission Costs	8,621,574	99,394,000		1,351,758	9,973,332	70.6%	7,041,172
Total	$ 34,361,078	$ 120,594,000		$ 1,566,040	$ 36,109,276		33,072,573

Notes:

Projected costs for storm hardening activities and distribution vegetation management are from the projected costs included in the 2008 Service Reliability Report.
Projected costs for Transmission vegetation management are the costs included in the 2008 Service Reliability Report filed on 3/2/09
Depreciation Rates are the rates approved in the 050078 Docket

D

FLORIDA PUBLIC SERVICE COMMISSI Explanation: Provide the calculation of the requested full revenue requirements increase.

Company: PROGRESS ENERGY FLORIDA INC.

Docket No. 090079-EI

Type of Data Shown:

__ Projected Test Year Ended 12/31/2010
X Prior Year Ended 12/31/2009
__ Historical Test Year Ended 12/31/2008
Witness: Toomey

Line No.	(A) Description	(B) Source			(C) Amount ($000)
1	Jurisdictional	Schedule B-1		$	5,840,977
2	Rate of Return on Rate Base Requested	Schedule D-1a		x	7.63%
3	Jurisdictional Net Operating Income Requ	Line 1 x Line 2		$	445,550
4	Jurisdictional Adjusted Net Operating Inc	Schedule C-1			358,230
5	Net Operating Income Deficiency (Excess	Line 3 - Line 4		$	87,320
6	Earned Rate of Return	Line 4/ Line 1	6.13%		
7	Net Operating Income Multiplier	Schedule C-44		x	1.6337
8	Revenue Increase (Decrease) Requested	Line 5 x Line 7		$	142,652
9					
10					
11					
12					
13					
14	Note: Totals may not add due to rounding.				
15					

Supporting Schedules: B-1, C-1, D-1a, C-44

Recap Schedules:

Progress Energy Florida
Docket No. _____
Petition Exhibit D