

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Petition for Approval of Storm
Cost Recovery Clause for Extraordinary
Expenditures Related to Hurricanes
Charley, Frances, Jeanne, and Ivan**

DOCKET NO. 041272-EI
Submitted for filing: November 24, 2004

**DIRECT TESTIMONY
OF JAVIER PORTUONDO**

**ON BEHALF OF
PROGRESS ENERGY FLORIDA**

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FPSC DOCKET NO. 041272-EI

IN RE: PROGRESS ENERGY FLORIDA, INC.'S PETITION
FOR APPROVAL OF STORM COST RECOVERY CLAUSE FOR
EXTRAORDINARY EXPENDITURES RELATED TO HURRICANES
CHARLEY, FRANCES, JEANNE, AND IVAN.

DIRECT TESTIMONY OF JAVIER PORTUONDO

I. INTRODUCTION AND QUALIFICATIONS

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Q. Please state your name, your employer, and business address.

A. My name is Javier Portuondo, and I am employed by Progress Energy Service Company, LLC. My business address is 100 Central Avenue, St. Petersburg, Florida.

Q. Please tell us your position and describe your duties and responsibilities in that position.

A. I am the Director, Regulatory Services – Florida. I am responsible for the regulatory accounting and reporting activities of Progress Energy Florida, Inc. (“PEF” or the “Company”).

Q. Please summarize your educational background and employment experience.

A. I graduated from the University of South Florida in 1992 with a Bachelor’s Degree in Business Administration, majoring in Accounting. I began my employment with Florida Power Corporation in 1985. During my 19 years with Florida Power Corporation and PEF I have held various staff accounting positions within Financial Services in such areas as: General Accounting, Tax Accounting, Property Plant & Depreciation Accounting and Regulatory Accounting. In 1996 I became Manager,

1 Regulatory Services, and in 2003 I was named Director, Regulatory Services –
2 Florida, for PEF.

3
4 **Q. Have you previously testified before the Florida Public Service Commission?**

5 **A.** Yes, I have testified before the Florida Public Service Commission (the
6 “Commission”) on numerous occasions.

7
8 **II. PURPOSE AND SUMMARY OF TESTIMONY**

9 **Q. What is the purpose of your testimony in this proceeding?**

10 **A.** The purpose of my testimony in this proceeding is to provide the Commission with
11 background of PEF’s current Storm Damage Reserve and to explain how the Reserve
12 operates. I will also describe the Storm Cost Recovery Clause proposed by the
13 Company, explain how it will function, and provide the Commission with the
14 Company’s current estimate of the costs that would be recovered under that Clause as
15 a result of Hurricanes Charley, Frances, Ivan, and Jeanne. I will further describe how
16 the recovery of these storm-related costs would affect customer bills.

17
18 **Q. Are you sponsoring any exhibits to your testimony?**

19 **A.** Yes. I am sponsoring the following exhibits to my testimony:

20 **JP-1 Summary of Storm Damage Reserve.**

21 **JP-2 Storm Cost Recovery Clause Levelized Factors Schedules.**

22 Each of these exhibits was prepared under my direction, and each is true and accurate.
23

1 **Q. Please summarize your testimony?**

2 **A.** As a consequence of cost-prohibitive premiums demanded by insurance carriers in the
3 aftermath of Hurricane Andrew, PEF has been self-insured for storm damage to its
4 transmission and distribution facilities since 1993. At that time, the Commission
5 authorized PEF to establish a Storm Damage Reserve on its books and to accrue funds
6 annually to the Reserve from base rates to cover the Company's storm-related costs.
7 However, the Commission purposefully set the annual accrual at an amount that was
8 not intended to cover the costs of a catastrophic storm or series of such storms.
9 Instead, the Commission provided PEF the opportunity to file a petition for relief in
10 the event it experienced catastrophic storms, with the express understanding that the
11 Commission would expeditiously review any such petition.

12 The Company's self-insured Storm Damage Reserve currently accrues \$6
13 million annually and will have a balance of \$46.9 million as of December 31, 2004,
14 before any offset for storm-related costs in 2004. The storm-related costs experienced
15 by the Company as a result of Hurricanes Charley, Frances, Ivan, and Jeanne,
16 however, are currently estimated at approximately \$366 million on a total system
17 basis. Of this amount, approximately \$311.4 million are storm-related operation and
18 maintenance (O&M) expenses. After the Storm Damage Reserve is applied, the
19 remaining amount of storm-related O&M expense is \$264.5 million, or \$251.9 million
20 allocated to the Company's retail jurisdiction.

21 Under the proposed Storm Cost Recovery Clause, the Company seeks to
22 recover the remaining retail O&M expenses of \$251.9 million, plus interest, in equal
23 amounts over a two-year period. This would result in the recovery of \$132.2 million

1 in 2005 and \$128 million in 2006, assuming a January 1, 2005 commencement date.

2 The impact of this on a residential bill for 1,000 kiloWatt-hours would be \$3.81 in
3 2005 and \$3.59 in 2006.

4 The Storm Cost Recovery Clause proposed by the Company would incorporate
5 the same procedural and substantive mechanisms traditionally employed by the
6 Commission's other cost recovery clauses. For example, the Storm Cost Recovery
7 Clause would include the true-up of estimated costs and sales to actual costs and sales,
8 with interest at the commercial paper rate applied to any over- or under-recoveries
9 carried forward, subject to the Commission's determination that recoverable costs
10 were reasonable and prudently incurred.

11 12 **III. BACKGROUND: THE STORM DAMAGE RESERVE**

13 **Q. Please describe how the Company's Storm Damage Reserve was established.**

14 **A.** The Storm Damage Reserve was established in 1993 as a part of the Company's self-
15 insurance plan approved by the Commission. The Company was forced to resort to
16 self-insurance for its transmission and distribution ("T&D") systems after Hurricane
17 Andrew in 1992, when adequate commercial insurance coverage was no longer
18 available at reasonable prices. The Company's self-insurance plan includes (1) the
19 continued search for the availability of commercial T&D insurance in adequate
20 amounts at reasonable prices, (2) ongoing accruals to an unfunded Storm Damage
21 Reserve to address the costs incurred as a result of non-catastrophic storms; and (3)
22 the ability to request additional cost recovery in the event that storm costs exceed the
23 Storm Damage Reserve.

1 **Q. Why was the Storm Damage Reserve created in 1993?**

2 **A.** Prior to Hurricane Andrew in 1992, commercial property insurance was generally
3 available to utilities at reasonable prices with adequate coverage for storm damage to
4 T&D facilities. Following Hurricane Andrew, however, the investor owned utilities in
5 Florida experienced difficulty renewing their insurance programs for transmission and
6 distribution lines with adequate coverage at a reasonable cost. Simply put, the risk of
7 severe storm losses is a risk the insurance industry evidently is no longer willing to
8 assume. As a result of the reluctance of commercial insurance carriers to provide
9 reasonable and adequate T&D coverage, the investor owned utilities petitioned the
10 Commission to implement self-insurance plans for storm damage to their T&D
11 systems.

12
13 **Q. How does the Storm Damage Reserve operate?**

14 **A.** In 1993, the initial annual accrual to the Storm Damage Reserve was set at \$3 million,
15 based on the Company's statistical study of storm occurrence, intensity, and damage.
16 This annual Storm Reserve accrual was increased to \$6 million effective January 1,
17 1994, and remains at this level today.

18 The annual accrual to the Storm Damage Reserve is treated as an O&M
19 expense included in the Company's base rates. Once the amount has been determined
20 by the Company's study and approved by the Commission, the annual accrual
21 becomes a reasonable and prudent cost of providing service. This means that, when
22 storms occur, the Company recovers its prudently incurred storm-related O&M
23 expenses from the Storm Reserve on a dollar-for-dollar basis.

1 The Storm Damage Reserve, like most reserves established by the Commission
2 under the Uniform System of Accounts, is an unfunded Reserve. For reserves of this
3 type, base rates are set to provide sufficient revenues to cover the annual accrual
4 credited to the Reserve on the Company's books, but cash is not actually transferred
5 into a separate physical account. This provides a distinct benefit to customers, since
6 the cash equivalent of the Reserve balance is treated as a cost-free source of funds for
7 ratemaking purposes and thereby reduces the Company's overall cost of capital that
8 customers support through their rates. The Company must provide the funds to cover
9 storm-related costs up to the balance of the unfunded Reserve from cash on hand or
10 borrowed funds, depending on the circumstances at the time. The issue addressed by
11 PEF's Petition, however, concerns the need to fund the storm-related costs associated
12 with the four 2004 hurricanes that exceed the Storm Damage Reserve balance by a
13 substantial amount.

14
15 **Q. Why doesn't the Storm Damage Reserve provide coverage for all storm-related**
16 **costs the Company might experience?**

17 **A.** Because to do so would be neither practical nor cost-effective. The Storm Damage
18 Reserve is intended to address the likely level of storm costs that might result from
19 study findings that 53% of the storms simulated a total cost of less than \$5 million and
20 the probability of a storm occurrence is only 23.3% a year. The annual accruals to the
21 Reserve were not designed to cover costs of potentially catastrophic hurricane seasons
22 because the Company's studies that provided the basis for these accruals have shown a
23 low probability that the most severe storms or series of storms would severely impact

1 its service territory. A summary of the Company's historical storm experience and
2 costs since 1994 is attached as Exhibit ___ (JP-1) to my testimony. When considering
3 these studies in the early to mid-1990's, it was the Commission's considered judgment
4 to avoid collecting from customers the significant additional reserves that would be
5 needed to cover the costs of catastrophic storms that were unlikely to occur. Instead,
6 the Commission decided to provide utilities the opportunity to seek recovery of the
7 costs associated with catastrophic storms if and when the need might arise. As we are
8 all too aware, the hurricane season of 2004 has presented that need.

9
10 **Q. How does the Company treat storm-related costs that exceed the balance in the**
11 **Storm Damage Reserve?**

12 **A.** Pursuant to Rule 25-6.0143(4) (b), F.A.C., entitled "Use of Accumulated Provision
13 Accounts 228.1, 228.2, and 228.4," storm-related costs may be charged to the Reserve
14 account regardless of the balance in the Reserve. As a result, the Commission
15 recognizes there may be times when the Reserve can have a negative balance. What
16 the Commission has not yet addressed, however, is how a negative Storm Damage
17 Reserve balance will be recovered by a utility and over what period of time that
18 recovery will occur.

19 Indeed, the Commission recently declined the Company's request for authority
20 to establish a regulatory asset in the amount of the expected excess storm-related costs
21 above the Storm Damage Reserve balance for Hurricanes Charley and Frances
22 because it found that the deferral of the negative Reserve balance from the costs of
23 these storms would yield the same result as the establishment of the requested

1 regulatory asset. In so ruling, the Commission deferred any determination of how and
2 how long the recovery should occur, directing PEF to charge storm costs to the Storm
3 Reserve pursuant to the rule, pending “a subsequent petition for recovery of storm-
4 related damages.” In re: Petition for approval to establish regulatory asset for costs in
5 excess of Storm Damage Reserve Fund, by Progress Energy Florida, Inc., Order No.
6 PSC-04-0977-PAA-EI, issued October 8, 2004 in Docket No. 041085-EI. The
7 Company will comply with the Commission’s Order and Rule and charge its storm-
8 related costs from Hurricanes Charley, Frances, Ivan, and Jeanne to the Storm Damage
9 Reserve.

10
11 **Q. Can PEF use the annual accrual to the Storm Damage Reserve to pay its storm-**
12 **related costs?**

13 **A.** Conceptually, yes, but the result would be the deferral of the storm-related costs over
14 an impractically long period of time. At the rate of \$6 million a year, the Company’s
15 current annual accrual to the Storm Damage Reserve, customer rates will not retire the
16 storm-related costs from Hurricanes Charley, Frances, Ivan, and Jeanne for over 42
17 years, not including the return as a component of working capital. In addition to the
18 financing costs associated with this protracted recovery period, stretching out the
19 recovery of these storm-related costs over the next 40 plus years only increases the
20 chances that further storms will add to the ratepayers’ cost responsibility before the
21 current storm-related costs are paid off. In fact, as the Commission has previously
22 ruled, carrying a negative balance in the Storm Damage Reserve for over two years
23 was not desirable for Gulf Power Company because of its self-insurance position. In

1 re: Petition for Approval of Special Accounting Treatment of Expenditures Related to
2 Hurricane Erin and Hurricane Opal by Gulf Power Company, Order No. PSC-96-
3 0023-FOF-EI, p. 7, issued January 9, 1996 in Docket No. 951433-EI, *7 (January 8,
4 1996). Moreover, if the negative Reserve balance were to be carried forward, the
5 recovery period would be further extended by the need to include a return on the
6 unamortized balance as a component of working capital. Allowing the current storm-
7 related costs to be strung out almost indefinitely as a negative Reserve balance in the
8 Storm Reserve is simply not sound regulatory policy.

9
10 **Q. What is the balance in PEF's Storm Damage Reserve?**

11 **A.** As I noted in my summary, the Company's self-insured Storm Damage Reserve will
12 have a balance of \$46.9 million as of December 31, 2004, before any offset for 2004
13 storm-related costs. The storm-related costs experienced by the Company in 2004 as a
14 result of Hurricanes Charley, Frances, Ivan, and Jeanne that have been identified to
15 date are approximately \$366 million on a total system basis. Of this total amount,
16 storm-related O&M costs are \$311.4 million. Applying the year-end storm damage
17 reserve, the negative balance in the Storm Reserve to date is \$264.5 million, or \$251.9
18 million on a retail jurisdictional basis.

19 These amounts are subject to further revision as the Company continues to
20 receive and process its storm-related costs and invoices. As of the date the Company's
21 petition was filed, approximately 48% of the total costs have been paid, 49% are based
22 on currently outstanding charges, and 3% are estimates of work remaining to be done.

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IV. THE STORM COST RECOVERY CLAUSE

Q. How does the Company propose to address the negative balance in the Storm Damage Reserve as a result of the storm-related costs from Hurricanes Charley, Frances, Ivan, and Jeanne?

A. The Company proposes the establishment of a Storm Cost Recovery Clause that will allow the Company to recover its reasonable and prudently incurred storm-related costs in excess of its Storm Damage Reserve balance from customers over two years beginning January 1, 2005.

Q. What costs would be recovered under the Company's proposed Storm Cost Recovery Clause?

A. The storm costs that would be recovered by the clause include the Company's storm-related O&M costs, net of the year-end balance in the Reserve, and its incremental costs above those typically incurred under normal operating conditions for capital expenditures. These storm-related costs are explained in more detail in the testimony of Mark V. Wimberly.

Q. What are the types of O&M costs charged to the Storm Reserve and, therefore, recoverable from the Storm Cost Recovery Clause?

A. As approved by the Commission in Docket 930867-EI, the Company includes all actual repair activities and those activities directly associated with storm damage and

1 restoration activities. Indirect costs, such as service company allocations, are not
2 charged to the Reserve. Direct costs typically are payroll, transportation, materials
3 and supplies, and other services necessary to locate and repair or replace damaged
4 property. Payroll includes labor charges for those employees involved in actual repair
5 activities as well as those in support roles such as customer service, engineering,
6 storeroom, and transportation personnel.

7 The following is a list of examples of the type of costs the Company charges to
8 the Storm Damage Reserve: (1) Labor costs – including overtime or premium pay for
9 employees dedicated to repair activities such as line crews, storeroom, engineering,
10 and transportation personnel, payroll loading for associated taxes, administrative costs,
11 and employee benefits; (2) Materials and supplies – all materials and supplies (M&S)
12 used for the temporary or permanent repair or replacement of facilities, including a
13 standard loading factor to cover the administration of M&S inventories and the cost of
14 preparing, operating, and staffing temporary staging facilities for materials and
15 supplies distribution; (3) Outside Services – including reimbursement costs to other
16 utilities and payment to subcontractors dedicated to restoration activities; (4)
17 Transportation costs – including operating costs, fuel expense, and repair and
18 maintenance of Company fleet or rented vehicles; (5) Damage assessment costs –
19 including surveys, helicopter line patrols, and operation of assessment and control
20 facilities; (6) Costs associated with the rental or operation and maintenance of any
21 equipment used in direct support of restoration activities such as communication
22 equipment, office equipment, computer equipment, etc.; (7) Costs associated with
23 injuries and damages to personnel or their property as a direct result of restoration

1 activities; (8) Costs of temporary housing for restoration crews and support personnel
2 and their related subsistence costs; (9) Storm preparation costs – including information
3 costs and training for Company employees; (10) Fuel and related costs for back-up
4 generators; (11) Costs of customer service personnel, phone center personnel, and
5 other division personnel dedicated to customer service needs and locating and
6 prioritizing areas of damage; (12) Special advertising and media costs associated with
7 customer information, public education or safety; (13) Special employee assistance –
8 including cost of cash advances, housing or subsistence for employees and families to
9 expedite their return to work; (14) Identifiable bad debt write-offs due to storm
10 damage; and (15) any other appropriate cost directly related to storm damage and
11 restoration activities.

12
13 **Q. Does the Company propose to recover all of its capital expenditures as a result of**
14 **the four hurricanes under the Storm Cost Recovery Clause?**

15 **A.** No. Only those capital expenditures above the level of what would have been incurred
16 under normal operating conditions, whether related to labor or materials, will be
17 classified as O&M and charged to the Storm Damage Reserve. All other storm-related
18 capital expenditures will be included in ongoing surveillance reports to the
19 Commission and will be absorbed by the Company in current base rates until the next
20 base rate adjustment.

21 For example, if a pole costs the Company \$100 to install using standard
22 charges for labor, material, and equipment under normal operating conditions, the
23 same pole might cost the Company \$125 to install under the extraordinary

1 circumstances of around-the-clock storm restoration work. In that event, \$25 will be
2 charged to the Storm Damage Reserve as O&M and recovered through the Storm Cost
3 Recovery Clause. The remaining \$100 will be capitalized and included in the
4 Company's surveillance reports until the Company's next base rate adjustment.

5 To explain further the accounting treatment for capital expenditures that are
6 not charged to storm-related O&M costs, the book value of capital investments that
7 have been retired due to storm damage will be charged against the accumulated
8 depreciation reserve. New storm-related capital expenditures will be added to plant in
9 service in an amount equal to the capital expenditure that would have been incurred
10 using a standard cost approach under normal operating conditions. The net effect of
11 this accounting treatment is that capital expenditures will reflect that level of
12 investment necessary to provide adequate and reliable service under normal operating
13 conditions.

14 Those capital expenditures incurred to date as a result of the four hurricanes
15 that will be capitalized and carried by the Company until its next base rate adjustment
16 total \$54.9 million (system).

17
18 **Q. How will the Storm Cost Recovery Clause work?**

19 **A.** The excess storm-related costs above the Company's Storm Reserve balance
20 determined to be reasonable and prudently incurred and recoverable through the
21 Clause will be included as a component of the non-fuel energy charge on the
22 customers' bills. The retail jurisdictional amount of these costs, including interest, is

1 \$132.2 million for 2005, and \$128 million for 2006, based on a commencement date
2 of January 1, 2005.

3 The Company proposes that these costs be allocated among the various rate
4 classes in the same manner as the Company's last approved cost of service study, i.e.,
5 production demand-related costs would be allocated using the 12 Coincident Peak
6 ("CP") and 1/13th Average Demand ("AD") method, production energy-related costs
7 would be allocated based on energy usage, transmission costs would be allocated
8 using the 12 CP method, and distribution costs would be allocated using the Non-
9 Coincident Peak method. In this manner, the allocation and calculation of the charges
10 to customers under the Storm Cost Recovery Clause would mirror the allocation and
11 calculation of costs under PEF's Commission-approved cost of service study and other
12 cost recovery clauses established by the Commission.

13
14 **Q. Does the Company propose any safeguards to ensure that only appropriate
15 storm-related costs are recovered through the Storm Cost Recovery Clause?**

16 **A.** Yes, PEF proposes that the Storm Cost Recovery Clause should operate in the same
17 manner and include the same safeguards as the other cost recovery clauses that have
18 been established by the Commission. The Company's projected storm costs and
19 megawatt-hour sales would be submitted for initial Commission review and approval
20 and would then be subject to subsequent true-up based on actual results. Just as in
21 other cost recovery clauses, PEF's costs would be subject to a determination of
22 reasonableness and prudence, which the Company will have the burden to
23 demonstrate. In conjunction with the true-up process, the storm-related costs

1 recovered through the Clause would be subject to the same periodic Staff audits
2 performed in other clauses. In addition, interest at the Commission-prescribed
3 commercial paper rate will be applied to any over- or under-recovery balances carried
4 forward. These steps will ensure that the Company obtains nothing more than a
5 dollar-for-dollar recovery of its actual storm-related costs and that customers pay no
6 more than reasonable and prudently incurred storm-related costs. As a result, PEF's
7 customers will be afforded the same safeguards and protections under the Storm Cost
8 Recovery Clause that they have traditionally received under the other cost recovery
9 clauses established and administered by the Commission.

10
11 **Q. Why has the Company proposed a clause-based mechanism for the recovery of
12 its storm-related costs?**

13 **A.** First, the costs associated with severe storms are volatile. They depend on where and
14 how long a storm impacts the Company's service territory, the strength of the storm as
15 it moves across the service territory, and the compounding effect of other severe
16 weather systems that precede or follow the storm. Storm-related costs can vary
17 greatly with changes in any one of these factors.

18 Second, the costs associated with severe storms are irregular in their
19 occurrence. These kinds of extraordinary costs are not incurred every year, and often
20 a number of years may pass without a hurricane or similar severe storm striking the
21 Company's service territory. The Company's historical experience bears this out.
22 Never before has the Company's service territory experienced four hurricanes in a
23 single hurricane season, let alone four hurricanes in a span of less than six weeks. In

1 fact, only once in the last eighty years have four hurricanes struck a single state during
2 a hurricane season. A summary of the Company's historical storm experience and
3 costs since 1994 is attached as Exhibit ___ (JP-1) to my testimony.

4 Finally, because severe storm-related costs are volatile and incurred at irregular
5 intervals, they also defy attempts to predict their occurrence. Severe storm-related
6 costs simply cannot be budgeted accurately in advance.

7 Cost recovery clauses are designed to provide utilities recovery for volatile,
8 irregularly occurring costs that are beyond the ability of the utilities to accurately
9 predict or to control when costs are incurred. Indeed, for these same reasons, the costs
10 of severe storms have not been included in the utilities' rates. A Storm Cost Recovery
11 Clause is, therefore, the most suitable recovery mechanism for the extraordinary,
12 volatile, irregular and unpredictable storm-related costs incurred by PEF due to
13 Hurricanes Charley, Frances, Ivan, and Jeanne.

14
15 **Q. Please explain why implementation of a Storm Cost Recovery Clause is consistent**
16 **with the other cost recovery clauses implemented by the Commission.**

17 **A.** The Fuel and Purchased Power Cost Recovery Clause, for example, allows utilities to
18 pass through their reasonable and prudently incurred fuel costs directly to their
19 customers. Fuel costs are volatile and irregular in the sense that, similar to severe
20 storm costs, they vary in amount from year-to-year and even day-to-day with a variety
21 of different factors. Because fuel costs are volatile, irregular, and beyond the
22 Company's control, the Commission has implemented an adjustment clause to provide
23 for the recovery of fuel costs by investor-owned utilities.

1 In fact, the Commission has extended the Fuel and Purchased Power Cost
Recovery Clause to cover other non-fuel costs under extraordinary circumstances
when a utility cannot reasonably anticipate the costs. For example, the Commission
4 has allowed PEF, Florida Power & Light Company, and Tampa Electric Company to
recover security expenditures incurred in response to the terrorist attacks of September
6 11, 2001 through the Fuel Clause even though security costs were traditionally and
7 historically recoverable through base rates. Because “of the extraordinary nature of
8 the costs in question and the unique circumstances under which they arose,” the
9 Commission determined that the costs did not fall within the classification of items
10 recoverable through base rates. Rather, the Commission permitted the recovery of the
11 post-September 11 security costs under the cost recovery clause precisely because they
12 were the “type of cost [that] was a potentially volatile cost, making it appropriate for
13 recovery through a cost recovery clause.” Indeed, the Commission concluded that the
14 recovery of such costs through the fuel clause provided “a good match between the
15 timing of the incurrence and recovery of the cost.”

16 In addition to the applicability of the cost recovery clause to the extraordinary
17 post-September 11 security costs, the Commission made clear that providing for
18 immediate cost recovery under the clause was consistent with the incentives the
19 Commission wanted to create. The Commission pointed out that its decision on cost
20 recovery of the extraordinary security costs sent the “appropriate message” to the
21 investor-owned electric utilities that the Commission encouraged the utilities to
22 protect their generation assets in extraordinary, emergency conditions.

1 The storm-related costs the Company experienced from Hurricanes Charley,
2 Frances, Ivan, and Jeanne warrant similar treatment. Severe storm-related costs have
3 not been traditionally or historically a part of base rates. And, because of the unique
4 circumstances in which the storm costs arose here - four back-to-back major storms in
5 less than six weeks - they are the type of volatile, irregular, extraordinary costs that are
6 well-suited for a cost recovery clause. Moreover, the Company has just incurred these
7 extraordinary costs so the timing of their recovery under the Storm Cost Recovery
8 Clause will closely match when the costs were incurred.

9
10 **V. IMPACT TO CUSTOMER BILLS.**

11 **Q. If your proposal for a Storm Cost Recovery Clause is adopted, what would the**
12 **customer billing factors be?**

13 **A.** The billing factors for each customer class based on the costs and allocation factors
14 discussed above are shown in Exhibit __ (JP-2) to my testimony.

15
16 **Q. What would be the impact on an average residential customer bill?**

17 **A.** The effect on a residential customer using 1,000 kiloWatt-hours would be \$3.81 for
18 2005 and \$3.59 for 2006, excluding gross receipts tax.

19
20 **VI. CONCLUSION.**

21 **Q. Should the Commission adopt the Storm Cost Recovery Clause as the recovery**
22 **mechanism for storm-related costs that exceed the balance in the Company's**
23 **Storm Reserve?**

1 A. Yes. A Storm Cost Recovery Clause most effectively balances the equities between
2 the Company and its ratepayers. Implementation of the Storm Cost Recovery Clause
3 will allow the Company's extraordinary storm-related costs to be allocated directly
4 and proportionately to PEF's customer classes who benefited from the Company's
5 efforts to restore and otherwise maintain electric service during and immediately after
6 the unprecedented hurricanes in 2004.

7

8 **Q. Does this conclude your direct testimony?**

9 A. Yes.

10

PROGRESS ENERGY FLORIDA
SUMMARY OF STORM DAMAGE EXPERIENCE
(Charges Against Storm Damage Reserve)
For the Period of 1994 - 2004
(Dollars in Thousands)

Year	FERC 228.13 Storm Damage Reserve Beg Balance	FERC 924.20 Expense Accrual & Fund Earns	Storm Damage Incurred	Storm Damage Reserve End Balance	Description
1994	346	6,000	1	6,345	
1995	6,345	5,323	4,367	7,301	Hurricane Erin - 8/95 / Hurricane Opal 10/95
1996	7,301	6,000	7	13,294	Expenses from Erin/Opal
1997	13,294	6,000	1,159	18,135	Hurricane Josephine - 10/96
1998	18,135	6,000	0	24,135	
1999	24,135	6,000	4,506	25,629	Hurricane Floyd-9/99/ Hurricane Harvey-9/99/ Hurricane Irene-10/99
2000	25,629	6,000	2,102	29,527	Hurricane Gordan - 9/00
2001	29,527	6,000	5,896	29,631	Hurricane Gabrielle - 9/01
2002	29,631	6,000		35,631	
2003	35,631	6,000	715	40,916	Hurricane Henri - 9/03
2004	40,916	6,000		46,916	Balance Prior to Hurricane Charley, Frances, Ivan and Jeanne

STORM COST RECOVERY CLAUSE

CALCULATION OF PROJECTED PERIOD AMOUNT
JANUARY 2005 - DECEMBER 2005

PROGRESS ENERGY FLORIDA
 Strom Cost Recovery Clause (SCRC)
 Total Jurisdictional Amount to Be Recovered

05 Proj P1

For the Projected Period
JANUARY 2005 - DECEMBER 2005

<u>Line</u>	Production Demand (\$)	Production Energy (\$)	Transmission Demand (\$)	Distribution Demand (\$)	Total (\$)
1 Total Jurisdictional Rev. Req. for the projected period					
a Projected O&M Costs (05 Proj P2, Line 9)	\$447,231	\$2,025,550	\$15,209,023	\$114,476,738	\$132,158,542
b					
c Total Jurisdictional Rev. Req. for the projected period (Lines 1a + 1b)	<u>\$447,231</u>	<u>\$2,025,550</u>	<u>\$15,209,023</u>	<u>\$114,476,738</u>	<u>\$132,158,542</u>
2 True-up for Estimated Over/(Under) Recovery for the current period January 2004 - December 2004 (Ref)	0	0	0	0	\$0
3 Final True-up for the period January 2003 - December 2003 (Ref)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$0</u>
4 Total Jurisdictional Amount to Be Recovered/(Refunded) in the Projection period January 2005 - December 2005 (Line 1 - Line 2 - Line 3)	<u>\$447,231</u>	<u>\$2,025,550</u>	<u>\$15,209,023</u>	<u>\$114,476,738</u>	<u>\$132,158,542</u>
5 Total Projected Jurisdictional Amount Adjusted for Taxes (Line 4 x Revenue Tax Multiplier of 1.00072)	<u>\$447,553</u>	<u>\$2,027,009</u>	<u>\$15,219,974</u>	<u>\$114,559,161</u>	<u>\$132,253,696</u>

PROGRESS ENERGY FLORIDA
Storm Cost Recovery Clause (SCRC)
Total O&M Storm Costs Incurred and Proposed Recovery

Line	Hurricane Charley Aug 2004	Hurricane Frances Sept 2004	Hurricane Ivan Sept 2004	Hurricane Jeanne Sept 2004	Total 2004	Percent of Total
1 Total O&M Storm Costs Incurred by Function						
a Transmission Costs	\$17,229,740	\$16,470,150	\$1,204,105	\$12,412,914	\$47,316,909	15.19%
b Distribution Costs	90,597,076	97,325,702	4,356,426	65,786,624	258,065,827	82.87%
c Production Demand Related - Base	210,000	10,000	0	180,000	400,000	0.13%
d Production Demand Related - Intermediate	0	0	0	0	0	0.00%
e Production Demand Related - Peaking	252,925	564,500	0	16,000	833,425	0.27%
f Production Energy Related	100,000	4,279,000	0	416,315	4,795,315	1.54%
2 Total Costs Incurred	<u>\$ 108,389,741</u>	<u>\$ 118,649,351</u>	<u>\$ 5,560,531</u>	<u>\$ 78,811,852</u>	<u>\$ 311,411,476</u>	100.00%
3 Insurance Proceeds						
a Amount Claimed	0	0	0	0	0	
b Less Deductible	0	0	0	0	0	
c Net Proceeds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
4 Storm Damage Reserve Funds (balance @ 12/31/04)					46,915,219	
5 Total Storm Costs Net of Insurance and Reserve (A)						<u>Sep Factor</u>
a Transmission Costs					\$ 40,190,487	0.72115
b Distribution Costs					219,187,185	0.99529
c Production Demand Related - Base					339,010	0.95957
d Production Demand Related - Intermediate					-	0.86574
e Production Demand Related - Peaking					706,754	0.74562
f Production Energy Related					4,072,821	0.94775
Total					<u>\$ 264,496,257</u>	
6 Jurisdictional Storm Costs						
a Transmission Costs					\$ 28,983,370	11.51%
b Distribution Costs					218,154,813	86.62%
c Production Demand Related - Base					325,304	0.13%
d Production Demand Related - Intermediate					0	0.00%
e Production Demand Related - Peaking					526,970	0.21%
f Production Energy Related					3,860,029	1.53%
Total					<u>\$ 251,850,486</u>	100.00%
7 Recovery Period in Years						2
8 Annual Amortization for 2005						
Amortization prior to interest (Line 6 / Line 7)					\$125,925,243	
Interest Provision					\$6,233,299	
Total Amortization for 2005					<u>\$132,158,542</u>	
9 Annual Amortization for 2005 by Function (B)						
a Transmission Costs					15,209,023	
b Distribution Costs					114,476,738	
c Production Demand Related - Base					170,703	
d Production Demand Related - Intermediate					-	
e Production Demand Related - Peaking					276,528	
f Production Energy Related					2,025,550	
Total					<u>\$ 132,158,542</u>	

Notes: (A) Insurance Proceeds and Reserve Funds allocated to function based on percent of total costs incurred on Line 1
(B) Annual Amortization allocated to function based on percent of jurisdictional costs incurred on Line 6

PROGRESS ENERGY FLORIDA
 Storm Cost Recovery Clause (SCRC)
 Calculation of the Interest Associated with Unrecovered Cost due to 5 Year Amortization
JANUARY 2005 - DECEMBER 2005

Interest Provision
(in Dollars)

Line	Description	Estimated January 05	Estimated February 05	Estimated March 05	Estimated April 05	Estimated May 05	Estimated June 05	Estimated July 05	Estimated August 05	Estimated September 05	Estimated October 05	Estimated November 05	Estimated December 05	End of Period Total	
1	Beginning Deferred Cost	251,850,486	\$251,850,486	\$241,356,716	\$230,862,946	\$220,369,175	\$209,875,405	\$199,381,635	\$188,887,865	\$178,394,094	\$167,900,324	\$157,406,554	\$146,912,784	\$136,419,013	
2	Less Amount Recovered in Current Year		\$10,493,770	\$10,493,770	\$10,493,770	\$10,493,770	\$10,493,770	\$10,493,770	\$10,493,770	\$10,493,770	\$10,493,770	\$10,493,770	\$10,493,770	\$10,493,770	
3	Ending Deferred Costs Line 1 - Line 2		<u>241,356,716</u>	<u>230,862,946</u>	<u>220,369,175</u>	<u>209,875,405</u>	<u>199,381,635</u>	<u>188,887,865</u>	<u>178,394,094</u>	<u>167,900,324</u>	<u>157,406,554</u>	<u>146,912,784</u>	<u>136,419,013</u>	<u>125,925,243</u>	
4	Total of Beginning & Ending Deferred Costs (Lines 1 + 3)		<u>493,207,202</u>	<u>472,219,661</u>	<u>451,232,121</u>	<u>430,244,580</u>	<u>409,257,040</u>	<u>388,269,499</u>	<u>367,281,959</u>	<u>346,294,418</u>	<u>325,306,878</u>	<u>304,319,337</u>	<u>283,331,797</u>	<u>262,344,256</u>	
5	Average Deferred Costs (Line 4 x 1/2)		246,603,601	236,109,831	225,616,061	215,122,290	204,628,520	194,134,750	183,640,980	173,147,209	162,653,439	152,159,669	141,665,899	131,172,128	
6	Interest Rate (First Day of Reporting Business Month)		3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	
7	Interest Rate (First Day of Subsequent Business Month)		3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	
8	Total of Beginning & Ending Interest Rates (Lines 6 + 7)		6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	
9	Average Interest Rate (Line 8 x 1/2)		3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	3.300%	
10	Monthly Average Interest Rate (Line 9 x 1/12)		0.275%	0.275%	0.275%	0.275%	0.275%	0.275%	0.275%	0.275%	0.275%	0.275%	0.275%	0.275%	
11	Interest Provision on Deferred Costs (Line 4 x Line 10)		<u>\$678,160</u>	<u>\$649,302</u>	<u>\$620,444</u>	<u>\$591,586</u>	<u>\$562,728</u>	<u>\$533,871</u>	<u>\$505,013</u>	<u>\$476,155</u>	<u>\$447,297</u>	<u>\$418,439</u>	<u>\$389,581</u>	<u>\$360,723</u>	<u>\$6,233,299</u>

PROGRESS ENERGY FLORIDA
 Storm Cost Recovery Clause (SCRC)
 Calculation of the Energy & Demand Allocation % by Rate Class
 JANUARY 2005 - DECEMBER 2005

Rate Class	(1) Average 12CP Load Factor at Meter (%)	(2) Sales at Meter (mWh)	(3) Avg 12 CP at Meter (MW) <small>(2)/(8760hrsx(1))</small>	(4) NCP Class Max Load Factor	(5) Delivery Efficiency Factor	(6) Sales at Source (Generation) (mWh) <small>(2)/(5)</small>	(7) Avg 12 CP at Source (MW) <small>(3)/(5)</small>	7(a) Sales at Source (Distrib Svc Only) (mWh)	(8) Class Max MW at Source Level (Distrib Svc) <small>(7a)/(8760hrs(4))</small>	(9) mWh Sales at Source Energy Allocator (%)	(10) 12CP Demand Transmission Allocator (%)	(11) 12CP & 1/13 AD Demand Allocator (%)	(12) NCP Distribution Allocator (%)
Residential													
RS-1, RST-1, RSL-1, RSL-2, RSS-1 (Secondary)	0.548	20,046,231	4,175.88	0.40979	0.9421658	21,276,755	4,432.21	21,276,755	5,927.0	49.929%	56.915%	56.377%	58.011%
General Service Non-Demand													
GS-1, GST-1													
Secondary	0.609	1,333,086	249.88	0.43381	0.9421658	1,414,917	265.22	1,414,917	372.3	3.320%	3.406%	3.399%	3.644%
Primary	0.609	9,250	1.73	0.43381	0.9664000	9,572	1.79	9,572	2.5	0.022%	0.023%	0.023%	0.025%
Transmission	0.609	2,205	0.41	0.43381	0.9764000	2,258	0.42	0	0.0	0.005%	0.005%	0.005%	0.000%
General Service													
GS-2 (Secondary)	1.000	85,275	9.73	1.00000	0.9421658	90,510	10.33	90,510	10.3	0.212%	0.133%	0.139%	0.101%
General Service Demand													
GSD-1 Transmission	0.698	156	0.03	0.56422	0.9764000	160	0.03	0	0.0	0.000%	0.000%	0.000%	0.000%
SS-1 Primary	3.733	9,174	0.28	0.18621	0.9664000	9,493	0.29	9,493	5.8	0.022%	0.004%	0.005%	0.057%
Transmission	3.733	8,332	0.25	0.18621	0.9764000	8,533	0.26	0	0.0	0.020%	0.003%	0.005%	0.000%
GSD-1 Secondary	0.698	12,851,526	2,101.82	0.56422	0.9421658	13,640,408	2,230.84	13,640,408	2,759.8	32.009%	28.646%	28.905%	27.012%
Primary	0.698	2,762,073	451.73	0.56422	0.9664000	2,858,105	467.43	2,858,105	578.3	6.707%	6.002%	6.057%	5.660%
Curtable													
CS-1, CST-1, CS-2, CST-2, SS-3													
Secondary	0.779	375	0.05	0.56424	0.9421658	398	0.06	398	0.1	0.001%	0.001%	0.001%	0.001%
Primary	0.779	202,249	29.64	0.56424	0.9664000	209,281	30.67	209,281	42.3	0.491%	0.394%	0.401%	0.414%
SS-3 (Primary)	0.480	4,310	1.03	0.02458	0.9664000	4,460	1.06	4,460	20.7	0.010%	0.014%	0.013%	0.203%
Interruptible													
IS-1, IST-1, IS-2, IST-2													
Secondary	0.940	147,996	17.97	0.67161	0.9421658	157,081	19.08	157,081	26.7	0.369%	0.245%	0.254%	0.261%
Primary	0.940	1,899,879	230.72	0.67161	0.9664000	1,965,934	238.75	1,965,934	334.2	4.613%	3.066%	3.185%	3.271%
Transmission	0.940	451,210	54.80	0.67161	0.9764000	462,116	56.12	0	0.0	1.084%	0.721%	0.749%	0.000%
SS-2 Primary	0.748	80,926	12.35	0.17340	0.9664000	83,740	12.78	83,740	55.1	0.197%	0.164%	0.167%	0.540%
Transmission	0.748	74,811	11.42	0.17340	0.9764000	76,619	11.65	0	0.0	0.180%	0.150%	0.152%	0.000%
Lighting													
LS-1 (Secondary)	4.650	323,633	7.95	0.47900	0.9421658	343,499	8.43	343,499	81.9	0.806%	0.108%	0.162%	0.801%
		40,292,697	7,357.67			42,613,838	7,787.47	42,064,152	10,217.1	100.000%	100.000%	100.000%	100.000%

- Notes:
- (1) Average 12CP load factor based on load research study filed July 31, 2003
 - (2) Projected kWh sales for the period January 2005 to December 2005
 - (3) Calculated: Column 2 / (8,760 hours x Column 1)
 - (4) NCP load factor based on load research study filed July 31, 2003
 - (5) Based on system average line loss analysis for 2003
 - (6) Column 2 / Column 5
 - (7) Column 3 / Column 5
 - (7a) Column 6 excluding transmission service
 - (8) Calculated: Column 7a / (8,760 hours/ Column 4)
 - (9) Column 6/ Total Column 6
 - (10) Column 7/ Total Column 7
 - (11) Column 9 x 1/13 + Column 10 x 12/13
 - (12) Column 8/ Total Column 8

PROGRESS ENERGY FLORIDA
Storm Cost Recovery Clause (SCRC)
Calculation of Storm Cost Recovery Clause Factors by Rate Class
JANUARY 2005 - DECEMBER 2005

05 Proj P4

Rate Class	(1) mWh Sales at Source Energy Allocator (%)	(2) 12CP Demand Transmission Allocator (%)	(3) 12CP & 1/13 AD Demand Allocator (%)	(4) NCP Distribution Allocator (%)	(5) Energy- Related Costs (\$)	(6) Transmission Demand Costs (\$)	(7) Distribution Demand Costs (\$)	(8) Production Demand Costs (\$)	(9) Total Storm Costs (\$)	(10) Projected Effective Sales at Meter Level (mWh)	(11) Storm Cost Recovery Factors (cents/kWh)
Residential											
RS-1, RST-1, RSL-1, RSL-2, RSS-1 (Secondary)	49.929%	56.915%	56.377%	58.011%	\$1,012,069	\$8,662,403	\$66,456,955	\$252,318	\$76,383,746	20,046,231	0.381
General Service Non-Demand											
GS-1, GST-1											
Secondary	3.320%	3.406%	3.399%	3.644%	\$67,303	\$518,355	\$4,174,736	\$15,213	\$4,775,607	1,333,086	0.358
Primary	0.022%	0.023%	0.023%	0.025%	\$455	\$3,507	\$28,241	\$103	\$32,306	9,158	0.354
Transmission	0.005%	0.005%	0.005%	0.000%	\$107	\$827	\$0	\$24	\$959	2,161	0.351
TOTAL GS					\$67,866	\$522,689	\$4,202,977	\$15,340	\$4,808,872	1,344,404	
GS-2 (Secondary)	0.212%	0.133%	0.139%	0.101%	\$4,305	\$20,193	\$115,850	\$621	\$140,969	85,275	0.165
General Service Demand											
GSD-1 Transmission	0.000%	0.000%	0.000%	0.000%	\$8	\$51	\$0	\$2	\$60	153	0.274
SS-1 Primary	0.022%	0.004%	0.005%	0.057%	\$452	\$567	\$65,254	\$23	\$66,296	9,082	0.277
Transmission	0.020%	0.003%	0.005%	0.000%	\$406	\$510	\$0	\$21	\$937	8,165	0.274
GSD-1 Secondary	32.009%	28.646%	28.905%	27.012%	\$648,832	\$4,359,990	\$30,944,265	\$129,366	\$36,082,452	12,851,526	0.280
Primary	6.707%	6.002%	6.057%	5.660%	\$135,951	\$913,568	\$6,483,821	\$27,106	\$7,560,437	2,734,452	0.277
TOTAL GSD					\$785,648	\$5,274,677	\$37,493,340	\$156,518	\$43,710,183	15,603,379	
Curtable											
CS-1, CST-1, CS-2, CST-2, SS-3											
Secondary	0.001%	0.001%	0.001%	0.001%	\$19	\$114	\$903	\$3	\$1,039	375	0.382
Primary	0.491%	0.394%	0.401%	0.414%	\$9,955	\$59,938	\$474,750	\$1,796	\$546,439	200,227	0.378
SS-3 (Primary)	0.010%	0.014%	0.013%	0.203%	\$212	\$2,073	\$232,241	\$60	\$234,586	4,267	0.378
TOTAL CS					\$10,186	\$62,125	\$707,894	\$1,859	\$782,065	204,868	
Interruptible											
IS-1, IST-1, IS-2, IST-2											
Secondary	0.369%	0.245%	0.254%	0.261%	\$7,472	\$37,283	\$299,370	\$1,139	\$345,264	147,996	0.209
Primary	4.613%	3.066%	3.185%	3.271%	\$93,513	\$466,611	\$3,746,752	\$14,254	\$4,321,130	1,880,880	0.207
Transmission	1.084%	0.721%	0.749%	0.000%	\$21,981	\$109,682	\$0	\$3,351	\$135,014	442,186	0.205
SS-2 Primary	0.197%	0.164%	0.167%	0.540%	\$3,983	\$24,977	\$618,134	\$746	\$647,840	80,117	0.207
Transmission	0.180%	0.150%	0.152%	0.000%	\$3,645	\$22,853	\$0	\$682	\$27,180	73,315	0.205
TOTAL IS					\$130,594	\$661,406	\$4,664,256	\$20,171	\$5,476,428	2,624,494	
Lighting											
LS-1 (Secondary)	0.806%	0.108%	0.162%	0.801%	\$16,339	\$16,481	\$917,888	\$725	\$951,433	323,633	0.294
	100.000%	100.000%	100.000%	100.000%	\$2,027,009	\$15,219,974	\$114,559,161	\$447,553	\$132,253,696	40,232,284	0.329

- Notes:
- (1) From 05 Proj P3, Column 9
 - (2) From 05 Proj P3, Column 10
 - (3) From 05 Proj P3, Column 11
 - (4) From 05 Proj P3, Column 12
 - (5) Column 1 x Total Energy Jurisdictional Dollars from 05 Proj P1, line 5
 - (6) Column 2 x Total Transmission Demand Jurisdictional Dollars from 05 Proj P1, line 5
 - (7) Column 4 x Total Distribution Demand Jurisdictional Dollars from 05 Proj P1, line 5
 - (8) Column 3 x Total Production Demand Jurisdictional Dollars from 05 Proj P1, line 5
 - (9) Column 5 + Column 6 + Column 7 + Column 8
 - (10) Projected kWh sales at effective voltage level for the period January 2005 to December 2005
 - (11) Column 7/Column 8 x 100

PROGRESS ENERGY FLORIDA
 Storm Cost Recovery Clause (SCRC)
 Calculation of the Energy & Demand Allocation % by Rate Class
JANUARY 2006 - DECEMBER 2006

Rate Class	(1) Average 12CP Load Factor at Meter (%)	(2) Sales at Meter (mWh)	(3) Avg 12 CP at Meter (MW) <small>(2)/(8760hrs*(1))</small>	(4) NCP Class Max Load Factor	(5) Delivery Efficiency Factor	(6) Sales at Source (Generation) (mWh) <small>(2)/(5)</small>	(7) Avg 12 CP at Source (MW) <small>(3)/(5)</small>	7(a) Sales at Source (Distrib Svc Only) (mWh)	(8) Class Max MW at Source Level (Distrib Svc) <small>(7a)/(8760hrs*(4))</small>	(9) mWh Sales at Source Energy Allocator (%)	(10) 12CP Demand Transmission Allocator (%)	(11) 12CP & 1/13 AD Demand Allocator (%)	(12) NCP Distribution Allocator (%)
Residential													
RS-1, RST-1, RSL-1, RSL-2, RSS-1 (Secondary)	0.548	20,571,963	4,265.40	0.40979	0.9421658	21,834,759	4,548.45	21,834,759	6,082.5	49.750%	56.730%	56.193%	57.832%
General Service Non-Demand													
GS-1, GST-1													
Secondary	0.609	1,382,517	259.15	0.43381	0.9421658	1,467,382	275.06	1,467,382	386.1	3.343%	3.431%	3.424%	3.671%
Primary	0.609	9,593	1.80	0.43381	0.9664000	9,927	1.86	9,927	2.6	0.023%	0.023%	0.023%	0.025%
Transmission	0.609	2,287	0.43	0.43381	0.9764000	2,342	0.44	0	0.0	0.005%	0.005%	0.005%	0.000%
General Service													
GS-2 (Secondary)	1.000	88,489	10.10	1.00000	0.9421658	93,921	10.72	93,921	10.7	0.214%	0.134%	0.140%	0.102%
General Service Demand													
GSD-1 Transmission	0.698	162	0.03	0.56422	0.9764000	166	0.03	0	0.0	0.000%	0.000%	0.000%	0.000%
SS-1 Primary	3.733	9,382	0.29	0.18621	0.9664000	9,708	0.30	9,708	6.0	0.022%	0.004%	0.005%	0.057%
Transmission	3.733	8,521	0.26	0.18621	0.9764000	8,727	0.27	0	0.0	0.020%	0.003%	0.005%	0.000%
SSD-1 Secondary	0.698	13,303,677	2,175.77	0.56422	0.9421658	14,120,314	2,309.32	14,120,314	2,856.9	32.173%	28.803%	29.062%	27.163%
Primary	0.698	2,859,251	467.62	0.56422	0.9664000	2,958,662	483.88	2,958,662	598.6	6.741%	6.035%	6.089%	5.692%
Curtailable													
CS-1, CST-1, CS-2, CST-2, SS-3													
Secondary	0.779	382	0.06	0.56424	0.9421658	405	0.06	405	0.1	0.001%	0.001%	0.001%	0.001%
Primary	0.779	205,865	30.17	0.56424	0.9664000	213,023	31.22	213,023	43.1	0.485%	0.389%	0.397%	0.410%
SS-3 (Primary)	0.480	4,370	1.04	0.02458	0.9664000	4,522	1.08	4,522	21.0	0.010%	0.013%	0.013%	0.200%
Interruptible													
IS-1, IST-1, IS-2, IST-2													
Secondary	0.940	151,561	18.41	0.67161	0.9421658	160,864	19.54	160,864	27.3	0.367%	0.244%	0.253%	0.260%
Primary	0.940	1,945,649	236.28	0.67161	0.9664000	2,013,296	244.50	2,013,296	342.2	4.587%	3.049%	3.168%	3.254%
Transmission	0.940	462,080	56.12	0.67161	0.9764000	473,249	57.47	0	0.0	1.078%	0.717%	0.745%	0.000%
SS-2 Primary	0.748	82,049	12.52	0.17340	0.9664000	84,902	12.96	84,902	55.9	0.193%	0.162%	0.164%	0.531%
Transmission	0.748	75,849	11.58	0.17340	0.9764000	77,682	11.86	0	0.0	0.177%	0.148%	0.150%	0.000%
Lighting													
LS-1 (Secondary)	4.650	334,277	8.21	0.47900	0.9421658	354,796	8.71	354,796	84.6	0.808%	0.108%	0.162%	0.804%
		41,497,924	7,575.21			43,888,647	8,017.70	43,326,481	10,517.6	100.000%	100.000%	100.000%	100.000%

- Notes:
- (1) Average 12CP load factor based on load research study filed July 31, 2003
 - (2) Projected kWh sales for the period January 2005 to December 2005
 - (3) Calculated: Column 2 / (8,760 hours x Column 1)
 - (4) NCP load factor based on load research study filed July 31, 2003
 - (5) Based on system average line loss analysis for 2003
 - (6) Column 2 / Column 5
 - (7) Column 3 / Column 5
 - (7a) Column 6 excluding transmission service
 - (8) Calculated: Column 7a / (8,760 hours/ Column 4)
 - (9) Column 6/ Total Column 6
 - (10) Column 7/ Total Column 7
 - (11) Column 9 x 1/13 + Column 10 x 12/13
 - (12) Column 8/ Total Column 8

PROGRESS ENERGY FLORIDA
 Storm Cost Recovery Clause (SCRC)
 Calculation of Storm Cost Recovery Clause Factors by Rate Class
 JANUARY 2006 - DECEMBER 2006

05 Proj P4

Rate Class	(1) mWh Sales at Source Energy Allocator (%)	(2) 12CP Demand Transmission Allocator (%)	(3) 12CP & 1/13 AD Demand Allocator (%)	(4) NCP Distribution Allocator (%)	(5) Energy- Related Costs (\$)	(6) Transmission Demand Costs (\$)	(7) Distribution Demand Costs (\$)	(8) Production Demand Costs (\$)	(9) Total Storm Costs (\$)	(10) Projected Effective Sales at Meter Level (mWh)	(11) Storm Cost Recovery Factors (cents/kWh)
Residential											
RS-1, RST-1, RSL-1, RSL-2, RSS-1 (Secondary)	49.750%	56.730%	56.193%	57.832%	\$976,735	\$8,362,817	\$64,168,109	\$243,586	\$73,751,247	20,571,963	0.359
General Service Non-Demand											
GS-1, GST-1											
Secondary	3.343%	3.431%	3.424%	3.671%	\$65,640	\$505,721	\$4,073,588	\$14,842	\$4,659,791	1,382,517	0.337
Primary	0.023%	0.023%	0.023%	0.025%	\$444	\$3,421	\$27,557	\$100	\$31,523	9,497	0.334
Transmission	0.005%	0.005%	0.005%	0.000%	\$105	\$807	\$0	\$24	\$936	2,241	0.330
TOTAL GS					\$66,189	\$509,949	\$4,101,145	\$14,966	\$4,692,250	1,394,255	
General Service											
GS-2 (Secondary)	0.214%	0.134%	0.140%	0.102%	\$4,201	\$19,713	\$113,109	\$606	\$137,630	88,489	0.156
General Service Demand											
GSD-1 Transmission	0.000%	0.000%	0.000%	0.000%	\$7	\$50	\$0	\$1	\$59	159	0.259
SS-1 Primary	0.022%	0.004%	0.005%	0.057%	\$434	\$546	\$62,789	\$22	\$63,791	9,288	0.261
Transmission	0.020%	0.003%	0.005%	0.000%	\$390	\$491	\$0	\$20	\$901	8,351	0.259
GSD-1 Secondary	32.173%	28.803%	29.062%	27.163%	\$631,644	\$4,245,938	\$30,139,286	\$125,978	\$35,142,847	13,303,677	0.264
Primary	6.741%	6.035%	6.089%	5.692%	\$132,350	\$889,661	\$6,315,154	\$26,397	\$7,363,562	2,830,658	0.261
TOTAL GSD					\$764,826	\$5,136,686	\$36,517,229	\$152,418	\$42,571,160	\$16,152,133	
Curtailable											
CS-1, CST-1, CS-2, CST-2, SS-3											
Secondary	0.001%	0.001%	0.001%	0.001%	\$18	\$109	\$865	\$3	\$996	382	0.359
Primary	0.485%	0.389%	0.397%	0.410%	\$9,529	\$57,395	\$454,671	\$1,720	\$523,314	203,806	0.355
SS-3 (Primary)	0.010%	0.013%	0.013%	0.200%	\$202	\$1,977	\$221,554	\$57	\$223,790	4,326	0.355
TOTAL CS					\$9,750	\$59,481	\$677,090	\$1,780	\$748,101	208,515	
Interruptible											
IS-1, IST-1, IS-2, IST-2											
Secondary	0.367%	0.244%	0.253%	0.260%	\$7,196	\$35,918	\$288,457	\$1,097	\$332,669	151,561	0.196
Primary	4.587%	3.049%	3.168%	3.254%	\$90,061	\$449,536	\$3,610,184	\$13,732	\$4,163,512	1,926,193	0.194
Transmission	1.078%	0.717%	0.745%	0.000%	\$21,170	\$105,669	\$0	\$3,228	\$130,066	452,838	0.192
SS-2 Primary	0.193%	0.162%	0.164%	0.531%	\$3,798	\$23,823	\$589,663	\$711	\$617,995	81,229	0.194
Transmission	0.177%	0.148%	0.150%	0.000%	\$3,475	\$21,797	\$0	\$651	\$25,923	74,332	0.192
TOTAL IS					\$125,700	\$636,744	\$4,488,304	\$19,418	\$5,270,166	2,686,152	
Lighting											
LS-1 (Secondary)	0.808%	0.109%	0.162%	0.804%	\$15,871	\$16,014	\$892,030	\$704	\$924,619	334,277	0.277
	100.000%	100.000%	100.000%	100.000%	\$1,963,272	\$14,741,404	\$110,957,016	\$433,480	\$128,095,172	41,435,784	0.309

- Notes:
- (1) From 05 Proj P3, Column 9
 - (2) From 05 Proj P3, Column 10
 - (3) From 05 Proj P3, Column 11
 - (4) From 05 Proj P3, Column 12
 - (5) Column 1 x Total Energy Jurisdictional Dollars from 05 Proj P1, line 5
 - (6) Column 2 x Total Transmission Demand Jurisdictional Dollars from 05 Proj P1, line 5
 - (7) Column 4 x Total Distribution Demand Jurisdictional Dollars from 05 Proj P1, line 5
 - (8) Column 3 x Total Production Demand Jurisdictional Dollars from 05 Proj P1, line 5
 - (9) Column 5 + Column 6 + Column 7 + Column 8
 - (10) Projected kWh sales at effective voltage level for the period January 2005 to December 2005
 - (11) Column 7/ Column 8 x 100

PROGRESS ENERGY FLORIDA
 Strom Cost Recovery Clause (SCRC)
 Total Jurisdictional Amount to Be Recovered

05 Proj P1

For the Projected Period
JANUARY 2006 - DECEMBER 2006

<u>Line</u>	Production Demand (\$)	Production Energy (\$)	Transmission Demand (\$)	Distribution Demand (\$)	Total (\$)
1 Total Jurisdictional Rev. Req. for the projected period					
a Projected O&M Costs (05 Proj P2, Line 9)	\$433,168	\$1,961,860	\$14,730,798	\$110,877,184	\$128,003,010
b					
c Total Jurisdictional Rev. Req. for the projected period (Lines 1a + 1b)	<u>\$433,168</u>	<u>\$1,961,860</u>	<u>\$14,730,798</u>	<u>\$110,877,184</u>	<u>\$128,003,010</u>
2 True-up for Estimated Over/(Under) Recovery for the current period January 2004 - December 2004 (Ref)	0	0	0	0	\$0
3 Final True-up for the period January 2003 - December 2003 (Ref)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$0</u>
4 Total Jurisdictional Amount to Be Recovered/(Refunded) in the Projection period January 2005 - December 2005 (Line 1 - Line 2 - Line 3)	<u>\$433,168</u>	<u>\$1,961,860</u>	<u>\$14,730,798</u>	<u>\$110,877,184</u>	<u>\$128,003,010</u>
5 Total Projected Jurisdictional Amount Adjusted for Taxes (Line 4 x Revenue Tax Multiplier of 1.00072)	<u>\$433,480</u>	<u>\$1,963,272</u>	<u>\$14,741,404</u>	<u>\$110,957,016</u>	<u>\$128,095,172</u>

