

BRUDER, GENTILE & MARCOUX, L.L.P.

ATTORNEYS AT LAW

CARMEN L. GENTILE
J. MICHEL MARCOUX
DAVID E. GOROFF
JAMES H. MCGREW
THOMAS L. BLACKBURN
ANTONIA A. FROST

PETER K. MATT
COUNSEL

1701 PENNSYLVANIA AVENUE, N.W.
SUITE 900
WASHINGTON, D.C. 20006-5807

202-296-1500

FACSIMILE 202-296-0627

www.brudergentile.com

gфина@brudergentile.com

GIUSEPPE FINA
NICOLE S. ALLEN
LINDA S. KIZUKA*
JESSE Y. HALPERN*

*NOT ADMITTED IN D.C.

GEORGE F. BRUDER
RETIRED 1997

October 30, 2009

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: *Florida Power Corporation;*
Revisions to OATT Formula Transmission Rate Resulting
From 2009 Annual Update Settlement;
Docket No. ER10-____-000**

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act and Part 35 of the Commission's Regulations, 18 C.F.R. Part 35 (2009), Florida Power Corporation, doing business as Progress Energy Florida, Inc. ("PEF"), hereby tenders for filing revisions to its cost-of-service formula rate for network integration service and point-to-point service ("Formula Rate") taken under PEF's Open Access Transmission Tariff ("OATT"). The revisions result from a settlement between PEF and its customers during the PEF 2009 Annual Update. Consistent with the terms of this settlement, PEF requests that these revisions become effective January 1, 2008 and August 1, 2009, respectively.

I. BACKGROUND

In recent filings, PEF has addressed Unfunded Self-Insurance Medical Reserves in its Formula Rate. In the PEF 2009 Annual Update, PEF had additional types of unfunded reserves. The instant filing provides for global treatment of unfunded reserves so that PEF does not need to amend the Formula Rate each time it has a new type of unfunded reserve.

On May 29, 2009, as amended on August 17, 2009,¹ PEF submitted two sets of revisions to PEF's Formula Rate in Docket No. ER09-1228-000.

The first set of revisions concerned, among others, the deduction of Unfunded Self-Insurance Medical Reserves from the formula calculation of rate base. These revisions resulted in a small reduction to the Formula Rate. PEF requested that the Commission accept these revisions effective January 1, 2008.

The second set of revisions complied with the Internal Revenue Service investment tax credit normalization requirements. These revisions resulted in a small increase to the Formula Rate. PEF requested that the Commission accept these revisions effective August 1, 2009.

On October 13, 2009, the Commission accepted the two sets of revisions in an unpublished letter order.

II. SETTLEMENT PROCESS WITH PEF CUSTOMERS

The instant revisions to the Formula Rate result from a settlement with PEF's customers during the PEF 2009 Annual Update process. The customers include Seminole Electric Cooperative, Inc. ("Seminole"), Florida Municipal Power Agency ("FMPA"), and Gainesville Regional Utilities ("GRU"). PEF circulated the draft filing letter and revised tariff sheets for this filing to its customers for review and comment. Seminole, FMPA and GRU have authorized PEF to state that the instant amendment fully reflects the settlement with PEF. Reedy Creek Improvement District has authorized PEF to state that it does not object to the settlement and instant amendment.

Section III of this filing letter describes the revisions to the Formula Rate. In addition, the settlement provided that the revisions would become effective January 1, 2008, and August 1, 2009, respectively.

III. INSTANT SETTLEMENT AND AMENDMENT

The instant revisions provide for a global treatment of unfunded reserves. The Parties agreed to the Formula Rate revisions as part of the settlement of the PEF 2009 OATT Annual Update. The Formula Rate revisions provide for PEF to deduct all unfunded reserves from the transmission rate base under the Formula Rate instead of requiring the Formula Rate to be revised each time there is a new unfunded reserve. PEF-2, page 2, line 24 reflects these additional offsets.² The offsets will reduce the

¹ The amendment reflected a settlement between PEF and its customers, which resolved all of the customers' issues.

² Commencing on August 1, 2009, Line 24A is designated as Line 24.

Formula Rate commencing on January 1, 2008.³ In Exhibit PEF-5A, page 1 of 1, PEF includes a worksheet in which it will identify its unfunded reserves each year.

IV. WAIVER

PEF respectfully requests waiver of the Commission's sixty-day prior notice requirement to allow the proposed revisions, which reduce the Formula Rate, to become effective January 1, 2008, and August 1, 2009, respectively. Good cause exists to grant the waiver. The Commission generally grants waiver of the sixty-day prior notice requirement for filings that reduce rates.⁴ In addition, the January 1, 2008 and August 1, 2009 effective dates for the 2009 Annual Update-related revisions reflect the agreement of PEF and its customers.

V. MATERIALS SUBMITTED WITH THIS FILING

This filing includes the following information:

- (a) Attachment 1 – Clean and redlined revised OATT sheets reflecting revisions that reduce the Formula Rate effective January 1, 2008;⁵
- (b) Attachment 2 – Clean and redlined revised OATT sheets reflecting the revisions that decrease the Formula Rate effective August 1, 2009.⁶

VI. LIST OF PERSONS ON WHOM THIS FILING IS BEING SERVED

Pursuant to 18 C.F.R. §§ 35.2(e) and 385.2010(a) of the Commission's Regulations, a copy of this filing is being served by electronic means on the Florida Public Service Commission and PEF's and PEC's OATT transmission customers. Specifically, on the date of this filing, PEF will submit an e-mail that notifies the Florida commission and PEF's and PEC's OATT transmission customers that its revisions to

³ Because PEF has agreed to deduct all unfunded reserves, the deduction is based on a settlement with PEF customers, and the rate decrease will be reflected in the PEF 2009 Annual Update, PEF does not provide cost support in this filing for the rate decrease.

⁴ *Cent. Hudson Gas & Elec. Corp.*, 60 FERC ¶ 61,106, at 61,337 (“[W]aiver of notice will generally be appropriate when the filing has no rate impact or reduces the rate”), *reh'g denied*, 61 FERC ¶ 61,089 (1992); *see also S. Co. Servs., Inc.*, 100 FERC ¶ 61,314, at P 19 (2002) (“[T]he Commission generally grants requests for waiver of the prior notice requirement when the filing reduces rates or charges.”); *Pac. Gas & Elec. Co.*, 94 FERC ¶ 61,140, at 61,534 (2001) (granting waiver of the 60-day prior notice requirement because the filings reduced rates).

⁵ PEF and its affiliate, Carolina Power & Light Company, doing business as Progress Energy Carolinas, Inc. (“PEC”), have a joint OATT. Therefore, attached are clean and redlined tariff sheets for the PEF Formula Rate for both the PEF OATT and PEC OATT.

⁶ *Id.*

the PEF Formula Rate are available from PEF's OASIS site at <http://www.oatioasis.com/fpc/info.htm>, on the OATT Information page, as well as Progress Energy's corporate website at <http://www.progress-energy.com/aboutenergy/ferc/index.asp>.

VII. MISCELLANEOUS

There are no costs included in this filing that have been alleged or adjudged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs, nor has any expense or cost been demonstrated to be the product of discriminatory employment practices.

VIII. PERSONS TO WHOM CORRESPONDENCE SHOULD BE ADDRESSED

The following persons should receive communications regarding this filing:

Kendal Bowman, Esq.
Associate General Counsel
Progress Energy Service Company, LLC
P.O. Box 1551, PEB 17B2
Raleigh, NC 27602
Telephone: 919/546-6794
Facsimile: 919/546-2920
E-Mail: kendal.bowman@pgnmail.com

and

Antonia A. Frost, Esq.
Giuseppe Fina, Esq.
Bruder, Gentile & Marcoux, L.L.P.
1701 Pennsylvania Avenue, N.W.
Suite 900
Washington, D.C. 20006-5807
Telephone: 202/296-1500
Facsimile: 202/296-0627
E-Mail: aafrost@brudergentile.com
gfin@brudergentile.com

IX. CONCLUSION

PEF respectfully requests that the Commission accept the revised tariff sheets for the effective dates requested herein.

Please contact the undersigned if you have any questions.

Respectfully submitted,



Antonia A. Frost
Giuseppe Fina
Counsel for Florida Power Corporation

Of Counsel:

Kendal C. Bowman, Esq.
Associate General Counsel
Progress Energy Service Company, LLC
P.O. Box 1551, PEB 17B2
Raleigh, NC 27602
Telephone: 919/546-6794
Facsimile: 919/546-2920
E-mail: kendal.bowman@pgnmail.com

Attachments

ATTACHMENT 1

CLEAN AND REDLINED OATT SHEETS FOR PEF

(REFLECTING REVISIONS THAT REDUCE THE FORMULA RATE,
EFFECTIVE JANUARY 1, 2008)

PROGRESS ENERGY FLORIDA, INC.
 OATT Transmission Non-Levelized Rate Formula Template Using Form-1 Data

Development of Rate Base and Capital Structure

Line	RATE BASE:	Reference	Beginning Balance	Ending Balance	B/E Average	Allocator	OATT Transmission
Gross Plant in Service (Note A):							
1	Production Plant	205.46.b&g	0	0	0	N/A	
2	Transmission Plant (Note V)	207.58.b&g	0	0	0	TP 0.00000	0
3	Distribution Plant	207.75.b&g	0	0	0	N/A	
4	General Plant	207.99.b&g	0	0	0	OATT LABOR 0.00000	0
5	Intangible Plant	205.5.b&g	0	0	0	OATT LABOR 0.00000	0
6	Total Gross Plant				<u>0</u>	GP = 0.00000	<u>0</u>
Accumulated Depreciation:							
7	Production Depr. Reserve	219.21-24.c	0	0	0	N/A	
8	Transmission Depr. Reserve (Note V)	219.25.c	0	0	0	TP 0.00000	0
9	Distribution Depr. Reserve	219.26.c	0	0	0	N/A	
10	General Depr. Reserve	219.27.c	0	0	0	OATT LABOR 0.00000	0
11	Intangible Amort. Reserve	200.21.c	0	0	0	OATT LABOR 0.00000	0
12	Total Accumulated Depr.				<u>0</u>		<u>0</u>
Net Plant in Service							
13	Net Production Plant	Line 1 - Line 7			0		
14	Net Transmission Plant	Line 2 - Line 8			0		0
15	Net Distribution Plant	Line 3 - Line 9			0		
16	Net General Plant	Line 4 - Line 10			0		0
17	Net Intangible Plant	Line 5 - Line 11			0		0
18	Total Net Plant				<u>0</u>	NP = 0.00000	<u>0</u>
Adjustments to Rate Base - Deferred Taxes							
19	ADIT - 190	234.8.b&c	0	0	0	Exhibit PEF - 5	
20	ADIT - 281 (Negative)	273.8.b&k	0	0	0	Exhibit PEF - 5	
21	ADIT - 282 (Negative)	275.2.b&k	0	0	0	Exhibit PEF - 5	
22	ADIT - 283 (Negative)	277.8.b&k	0	0	0	Exhibit PEF - 5	
23	Accum Deferred ITC - 255 (Negative)	267.8.b&h	0	0	0	NP 0.00000	
24	Total Deferred Tax Adjustments				<u>0</u>		<u>0</u>
24A	Unfunded Reserves	Note U	0	0	0	Exhibit PEF-5A	0
25	Net 182.1 (+) / Storm Reserve (-) - Wholesale Transmission (Note B)	230a.5.f	0	0	0	p. 5, l. 16 0.00000	0
26	Plant Held for Future Use	214.47.d	0	0	0	Note C	0
27	Transmission Related CWIP - Identified Projects (Note V)		0	0	0	0.50000	0
Rate Base Adjustments - Network Upgrade Prepayments (Note O):							
28	Outstanding Balance - Network Prepayments (Note T)		0	0	0	D/A (1.00000)	0
29	Interest Accrued/Capitalized on Network Prepayments		0	0	0	D/A 1.00000	0
30	Total Network Upgrade Prepayment Adjustments						<u>0</u>
Working Capital:							
31	Cash Working Capital (1/8 O&M)	Page 3, line 17					
32	M&S - Transmission	227.8.b&c	0	0	0	TP 0.00000	
33	M&S - Stores Expense	227.15.b&c	0	0	0	OATT LABOR 0.00000	
34	Prepayments (Note L)	111.57.c&d	0	0	0	GP 0.00000	
35	Total Working Capital						<u>0</u>
36	Rate Base (Sum of Lines 18, 24 thru 27, 30, and 35)						0
AVERAGE CAPITALIZATION:							
37	Long Term Debt	112.24.c&d	0	0	0		
38	Less Loss on Reacquired Debt	111.81.c&d	0	0	0		
39	Plus Gain on Reacquired Debt	113.61.c&d	0	0	0		
40	Less Securitization Bonds	Note I	0	0	0		
41	Net Long Term Debt				<u>0</u>		
42	Preferred Stock	112.3.c&d	0	0	0		
Common Stock Development:							
43	Proprietary Capital	112.16.c&d	0	0	0		
44	Less Preferred Stock	112.3.c&d	0	0	0		
45	Less Account 216.1	112.12.c&d	0	0	0		
46	Common Stock				<u>0</u>		
47	Total Capitalization (Sum of Lines 41, 42, and 46)				0		

PROGRESS ENERGY FLORIDA, INC.
 OATT Transmission Non-Levelized Rate Formula Template Using Form-1 Data

Wholesale Storm Reserve Funding and Explanatory Notes

Line		Reference	Total	Allocator	OATT Transmission
1	Whlse Extraordinary Property Loss	230a.5.b	0		
2	Trans. Related Pct of Whlse Loss	Note J	0.92011	WEPL-T	
3	Whlse Trans. Extraordinary Property Loss		0	TP 0.00000	0
Components of Storm Amortization/Reserve Funding Adder (2008-2012 Rate Years only - Note N):					
4	Balance 2004 Loss as of Jan 1, 2008	230a.5.f	15,658,702	Fixed 0.84987	13,307,907
Rebuild Reserve Equivalent to \$130MM Retail:					
5	Whlse Portion of \$6MM Funding	ER95-469	434,000	Fixed 0.07233	
6	System Total Reserve Req't = 130MM/(1 - Line 5 %)		140,136,543		
7	Whlse Reserve Needed = Line 6 - \$130MM		10,136,543	Fixed 0.84987	8,614,774
8	Whlse Portion of Existing Storm Accrual	ER95-469	434,000	Fixed 0.84987	368,845
9	Levelized Storm Reserve Funding Rate \$/MW-Month (PEF - 6, page 2)				140
Denominator for Wholesale Transmission:					
10	Firm Network Service for Self	400.17.e	0	0.00000	0
11	Firm Network Service for Others (Note K)	400.17.f	0	1.00000	0
12	Long-Term Firm P-t-P Reservations	400.17.g	0	1.00000	0
13	Other Long-Term Firm Service	400.17.h	0	1.00000	0
14	Contract Demand Adjustment		0	1.00000	0
15	Total System Long Term Firm Transmission Load		0		0
16	Gross-up Factor for OATT Wholesale Reserve - System Basis (Total Load/Whlse Load * 0.84987)				0.00000

- Note A: Excludes Asset Retirement Obligations from plant balances
- Note B: Because the Page 2 Rate Base amounts are total system numbers, the wholesale specific loss/reserve balance is grossed up using the relationship between system and wholesale only transmission demands times the percent of the balance applicable to the OATT. See also Notes H and J.
- Note C: FERC Form 1 page 214 excluding non-transmission related items
- Note D: Analysis of Company books. Regulatory expense excludes charges by FERC pursuant to 18 CFR § 382.201
- Note E: Excludes Retail ECCR and Sebring amortizations from Form-1 reported value
- Note F: Excludes all income and gross receipts taxes. Labor related other taxes include FICA and unemployment taxes. Property related taxes include county and local property, highway use, and intangible taxes.
- Note G: Investment in Transmission Energy Control Center included in Schedule 1 Ancillary Service cost
- Note H: The allocator "TP" is the percent of gross transmission plant that is OATT related, i.e., after removal of ECC, interconnections and generator step-up transformer investment. It also serves as the basis for deriving OATT-related transmission labor from the Form-1 reported value.
- Note I: To the extent PEF is authorized by the Florida Public Service Commission and issues bonds for distribution facilities to secure retail recovery of extraordinary property losses, associated principal and interest expense are excluded in capitalization and return basis.
- Note J: Functionalized Transmission part 182.1 Extraordinary Property Losses balance only, "WEPL-T." Consistent with the process described in Note H above, the OATT-related amount of the transmission loss is then derived using the TP allocation factor
- Note K: Includes Network Integration Service and Network Contract Demand Service
- Note L: Beginning balance excludes \$0 and ending balance excludes \$0 for prepaid pensions from Form-1 A/C 165 balances.
- Note M: If income tax rates change during a calendar year, the income tax rates will be pro-rated based on the number of days each income tax rate was in effect.
- Note N: Pursuant to the settlement agreement, annual amounts included in line 11 will be adjusted and reversed as necessary to ensure no overfunding of the wholesale reserve; i.e., the year-end reserve balance for OATT rates will not exceed the \$8,614,774 shown on line 7
- Note O: Payments by PEF to an Affected System Operator pursuant to Orders 2003 or 2006 (including rehearing orders) are not to be included in the formula rate regardless of the accounting.
- Note P: Target percentages are fixed for 2008 - 2012 and were derived from projected OATT LTF billing MW-months and the MW-month equivalent billings for STF and non-firm transmission revenues in the September 2007 PEF financial forecast.
- Note Q: Actual LTF OATT MW-Months are the sum of Lines 11 and 12 above, as reported in Form-1 for Firm Network Service for Others and Long Term Firm Point-to-Point Service
- Note R: Actual STF/Non-Firm equivalent "MW-Months" are equal to monthly STF/Non-firm transmission service revenue divided by the same "Total Firm Monthly Trans. \$/MW-Month" rate (Page 1, Line 11) from which the STF/Non-firm billing rates were derived
- Note S: Section 2.12 of Schedule 10.3 states "The Formula Rate excludes all costs that are properly directly assigned or assignable to one or more particular customers, including costs directly assigned or assignable to PEF." Per Settlement of 2008 Annual Update, the amount specified excludes directly assignable retail costs/credits booked to Account 935 and retail sales tax portion of Florida sales tax audit expense booked to Account 930.2 from Form-1 reported value.
- Note T: Network prepayments include interest that has been accrued but not yet refunded.
- Note U: The inclusion of Line 24A, "Unfunded Reserves," ensures that identified "Unfunded Reserves" are appropriately excluded from rate base in the Formula Rate calculations. The specific treatment of these "Unfunded Reserves" in no way precludes the Transmission Provider or interested parties from making any argument in any proceeding at the Commission or in any review or challenge proceeding under the Formula Rate as to the appropriate accounting or ratemaking treatment in the Formula Rate of any unfunded reserve.
- Note V: Adjusted to remove AFUDC accruals from CWIP projects that were included in rate base.

PROGRESS ENERGY FLORIDA, INC.

Unfunded Reserves

Account	Description	Beginning Balance	Ending Balance	B/E Average	Allocator	Value	Result
Identified Reserves:							
	Total Reserves	0	0	0			0
Less Externally Funded Amounts:							
	Total Externally Funded Amounts	0	0	0			0
	Net Unfunded Reserves	0	0	0			0

PROGRESS ENERGY FLORIDA, INC.
 OATT Transmission Non-Levelized Rate Formula Template Using Form-1 Data

Development of Rate Base and Capital Structure

Line	RATE BASE:	Reference	Beginning Balance	Ending Balance	B/E Average	Allocator	OATT Transmission
Gross Plant in Service (Note A):							
1	Production Plant	205.46.b&g	0	0	0	N/A	
2	Transmission Plant (Note V)	207.58.b&g	0	0	0	TP 0.00000	0
3	Distribution Plant	207.75.b&g	0	0	0	N/A	
4	General Plant	207.99.b&g	0	0	0	OATT LABOR 0.00000	0
5	Intangible Plant	205.5.b&g	0	0	0	OATT LABOR 0.00000	0
6	Total Gross Plant				<u>0</u>	GP = 0.00000	<u>0</u>
Accumulated Depreciation:							
7	Production Depr. Reserve	219.21-24.c	0	0	0	N/A	
8	Transmission Depr. Reserve (Note V)	219.25.c	0	0	0	TP 0.00000	0
9	Distribution Depr. Reserve	219.26.c	0	0	0	N/A	
10	General Depr. Reserve	219.27.c	0	0	0	OATT LABOR 0.00000	0
11	Intangible Amort. Reserve	200.21.c	0	0	0	OATT LABOR 0.00000	0
12	Total Accumulated Depr.				<u>0</u>		<u>0</u>
Net Plant in Service							
13	Net Production Plant	Line 1 - Line 7			0		
14	Net Transmission Plant	Line 2 - Line 8			0		0
15	Net Distribution Plant	Line 3 - Line 9			0		
16	Net General Plant	Line 4 - Line 10			0		0
17	Net Intangible Plant	Line 5 - Line 11			0		0
18	Total Net Plant				<u>0</u>	NP = 0.00000	<u>0</u>
Adjustments to Rate Base - Deferred Taxes							
19	ADIT - 190	234.8.b&c	0	0	0	Exhibit PEF - 5	
20	ADIT - 281 (Negative)	273.8.b&k	0	0	0	Exhibit PEF - 5	
21	ADIT - 282 (Negative)	275.2.b&k	0	0	0	Exhibit PEF - 5	
22	ADIT - 283 (Negative)	277.8.b&k	0	0	0	Exhibit PEF - 5	
23	Accum Deferred ITC - 255 (Negative)	267.8.b&h	0	0	0	NP 0.00000	
24	Total Deferred Tax Adjustments				<u>0</u>		<u>0</u>
24A	Unfunded Self-Insurance Medical Reserves (Note U)	Exhibit PEF-5A-Note U	0	0	0	OATT LABOR-Exhibit PEF-5A 0.00000	0
25	Net 182.1 (+) / Storm Reserve (-) - Wholesale Transmission (Note B)	230a.5.f	0	0	0	p. 5, l. 16 0.00000	0
26	Plant Held for Future Use	214.47.d	0	0	0	Note C	0
27	Transmission Related CWIP - Identified Projects (Note V)		0	0	0	0.50000	0
Rate Base Adjustments - Network Upgrade Prepayments (Note O):							
28	Outstanding Balance - Network Prepayments (Note T)		0	0	0	D/A (1.00000)	0
29	Interest Accrued/Capitalized on Network Prepayments		0	0	0	D/A 1.00000	0
30	Total Network Upgrade Prepayment Adjustments						<u>0</u>
Working Capital:							
31	Cash Working Capital (1/8 O&M)	Page 3, line 17					
32	M&S - Transmission	227.8.b&c	0	0	0	TP 0.00000	
33	M&S - Stores Expense	227.15.b&c	0	0	0	OATT LABOR 0.00000	
34	Prepayments (Note L)	111.57.c&d	0	0	0	GP 0.00000	
35	Total Working Capital						<u>0</u>
36	Rate Base (Sum of Lines 18, 24 thru 27, 30, and 35)						0
AVERAGE CAPITALIZATION:							
37	Long Term Debt	112.24.c&d	0	0	0		
38	Less Loss on Reacquired Debt	111.81.c&d	0	0	0		
39	Plus Gain on Reacquired Debt	113.61.c&d	0	0	0		
40	Less Securitization Bonds	Note I	0	0	0		
41	Net Long Term Debt				<u>0</u>		
42	Preferred Stock	112.3.c&d	0	0	0		
Common Stock Development:							
43	Proprietary Capital	112.16.c&d	0	0	0		
44	Less Preferred Stock	112.3.c&d	0	0	0		
45	Less Account 216.1	112.12.c&d	0	0	0		
46	Common Stock				<u>0</u>		
47	Total Capitalization (Sum of Lines 41, 42, and 46)				0		

PROGRESS ENERGY FLORIDA, INC.
 OATT Transmission Non-Levelized Rate Formula Template Using Form-1 Data

Wholesale Storm Reserve Funding and Explanatory Notes

Line	Reference	Total	Allocator	OATT Transmission
1	Whise Extraordinary Property Loss	230a.5.b	0	
2	Trans. Related Pct of Whlse Loss	Note J	0.92011	WEPL-T
3	Whise Trans. Extraordinary Property Loss		0	TP 0.00000 0
Components of Storm Amortization/Reserve Funding Adder (2008-2012 Rate Years only - Note N):				
4	Balance 2004 Loss as of Jan 1, 2008	230a.5.f	15,658,702	Fixed 0.84987 13,307,907
Rebuild Reserve Equivalent to \$130MM Retail:				
5	Whlse Portion of \$6MM Funding	ER95-469	434,000	Fixed 0.07233
6	System Total Reserve Req't = 130MM/(1 - Line 5 %)		140,136,543	
7	Whlse Reserve Needed = Line 6 - \$130MM		10,136,543	Fixed 0.84987 8,614,774
8	Whlse Portion of Existing Storm Accrual	ER95-469	434,000	Fixed 0.84987 368,845
9	Levelized Storm Reserve Funding Rate \$/MW-Month (PEF - 6, page 2)			140
Denominator for Wholesale Transmission:				
10	Firm Network Service for Self	400.17.e	0	0.00000 0
11	Firm Network Service for Others (Note K)	400.17.f	0	1.00000 0
12	Long-Term Firm P-T-P Reservations	400.17.g	0	1.00000 0
13	Other Long-Term Firm Service	400.17.h	0	1.00000 0
14	Contract Demand Adjustment		0	1.00000 0
15	Total System Long Term Firm Transmission Load		0	0
16	Gross-up Factor for OATT Wholesale Reserve - System Basis (Total Load/Whlse Load * 0.84987)			0.00000

- Note A: Excludes Asset Retirement Obligations from plant balances
- Note B: Because the Page 2 Rate Base amounts are total system numbers, the wholesale specific loss/reserve balance is grossed up using the relationship between system and wholesale only transmission demands times the percent of the balance applicable to the OATT. See also Notes H and J.
- Note C: FERC Form 1 page 214 excluding non-transmission related items
- Note D: Analysis of Company books. Regulatory expense excludes charges by FERC pursuant to 18 CFR § 382.201
- Note E: Excludes Retail ECCR and Sebring amortizations from Form-1 reported value
- Note F: Excludes all income and gross receipts taxes. Labor related other taxes include FICA and unemployment taxes. Property related taxes include county and local property, highway use, and intangible taxes.
- Note G: Investment in Transmission Energy Control Center included in Schedule 1 Ancillary Service cost
- Note H: The allocator "TP" is the percent of gross transmission plant that is OATT related, i.e., after removal of ECC, interconnections and generator step-up transformer investment. It also serves as the basis for deriving OATT-related transmission labor from the Form-1 reported value.
- Note I: To the extent PEF is authorized by the Florida Public Service Commission and issues bonds for distribution facilities to securitize retail recovery of extraordinary property losses, associated principal and interest expense are excluded in capitalization and return basis.
- Note J: Functionalized Transmission part 182.1 Extraordinary Property Losses balance only, "WEPL-T." Consistent with the process described in Note H above, the OATT-related amount of the transmission loss is then derived using the TP allocation factor
- Note K: Includes Network Integration Service and Network Contract Demand Service
- Note L: Beginning balance excludes \$0 and ending balance excludes \$0 for prepaid pensions from Form-1 A/C 165 balances.
- Note M: If income tax rates change during a calendar year, the income tax rates will be pro-rated based on the number of days each income tax rate was in effect.
- Note N: Pursuant to the settlement agreement, annual amounts included in line 11 will be adjusted and reversed as necessary to ensure no overfunding of the wholesale reserve; i.e., the year-end reserve balance for OATT rates will not exceed the \$8,614,774 shown on line 7
- Note O: Payments by PEF to an Affected System Operator pursuant to Orders 2003 or 2006 (including rehearing orders) are not to be included in the formula rate regardless of the accounting.
- Note P: Target percentages are fixed for 2008 - 2012 and were derived from projected OATT LTF billing MW-months and the MW-month equivalent billings for STF and non-firm transmission revenues in the September 2007 PEF financial forecast.
- Note Q: Actual LTF OATT MW-Months are the sum of Lines 11 and 12 above, as reported in Form-1 for Firm Network Service for Others and Long Term Firm Point-to-Point Service
- Note R: Actual STF/Non-Firm equivalent "MW-Months" are equal to monthly STF/Non-firm transmission service revenue divided by the same "Total Firm Monthly Trans. \$/MW-Month" rate (Page 1, Line 11) from which the STF/Non-firm billing rates were derived
- Note S: Section 2.12 of Schedule 10.3 states "The Formula Rate excludes all costs that are properly directly assigned or assignable to one or more particular customers, including costs directly assigned or assignable to PEF." Per Settlement of 2008 Annual Update, the amount specified excludes directly assignable retail costs/credits booked to Account 935 and retail sales tax portion of Florida sales tax audit expense booked to Account 930.2 from Form-1 reported value.
- Note T: Network prepayments include interest that has been accrued but not yet refunded.
- Note U: The inclusion of Line 24A, "Unfunded Self-Insurance-Medical Reserves," ensures that identified "Unfunded Self-Insurance-Medical Reserves" are appropriately excluded from rate base in the Formula Rate calculations. The specific treatment of these "Unfunded Self-Insurance-Medical Reserves" in no way precludes the Transmission Provider or interested parties from making any argument in any proceeding at the Commission or in any review or challenge proceeding under the Formula Rate as to the appropriate accounting or ratemaking treatment in the Formula Rate of any other unfunded reserve.
- Note V: Adjusted to remove AFUDC accruals from CWIP projects that were included in rate base.

PROGRESS ENERGY FLORIDA, INC.

Unfunded ~~Medical~~ Reserves
 2008 OATT Settlement – SECI Preliminary Challenge Issue 2

Account	Description	Beginning Balance	Ending Balance	<u>B/E Average</u>	<u>Allocator</u>	<u>Value</u>	<u>Result</u>
Identified Reserves:							
2282141	Medical/Life Res Postemp Retail	0	0				
2282142	Medical/Life Res Postemp Wholesale	0	0				
2282143	Funded Med/Life Res Postemp - Wholesale	0	0				
2282510	Salary Continuation	0	0				
2282520	Medical/Dental/Life	0	0				
2282540	Salary Continuation Loading	0	0				
2282550	Medical/Dental/Life Loading	0	0				
	Total Reserves	0	0	<u>0</u>			0
	Less Externally Funded Amounts:	0	0				
	<u>Total Externally Funded Amounts</u>	<u>0</u>	<u>0</u>	<u>0</u>			0
	Net Unfunded Medical Reserves	0	0	<u>0</u>			0

CLEAN AND REDLINED OATT SHEETS FOR PEC

(REFLECTING REVISIONS THAT REDUCE THE FORMULA RATE,
EFFECTIVE JANUARY 1, 2008)

PROGRESS ENERGY FLORIDA, INC.
 OATT Transmission Non-Levelized Rate Formula Template Using Form-1 Data

Development of Rate Base and Capital Structure

Line	RATE BASE:	Reference	Beginning Balance	Ending Balance	B/E Average	Allocator	OATT Transmission
Gross Plant in Service (Note A):							
1	Production Plant	205.46.b&g	0	0	0	N/A	
2	Transmission Plant (Note V)	207.58.b&g	0	0	0	TP 0.00000	0
3	Distribution Plant	207.75.b&g	0	0	0	N/A	
4	General Plant	207.99.b&g	0	0	0	OATT LABOR 0.00000	0
5	Intangible Plant	205.5.b&g	0	0	0	OATT LABOR 0.00000	0
6	Total Gross Plant				<u>0</u>	GP = 0.00000	<u>0</u>
Accumulated Depreciation:							
7	Production Depr. Reserve	219.21-24.c	0	0	0	N/A	
8	Transmission Depr. Reserve (Note V)	219.25.c	0	0	0	TP 0.00000	0
9	Distribution Depr. Reserve	219.26.c	0	0	0	N/A	
10	General Depr. Reserve	219.27.c	0	0	0	OATT LABOR 0.00000	0
11	Intangible Amort. Reserve	200.21.c	0	0	0	OATT LABOR 0.00000	0
12	Total Accumulated Depr.				<u>0</u>		<u>0</u>
Net Plant in Service							
13	Net Production Plant	Line 1 - Line 7			0		
14	Net Transmission Plant	Line 2 - Line 8			0		0
15	Net Distribution Plant	Line 3 - Line 9			0		
16	Net General Plant	Line 4 - Line 10			0		0
17	Net Intangible Plant	Line 5 - Line 11			0		0
18	Total Net Plant				<u>0</u>	NP = 0.00000	<u>0</u>
Adjustments to Rate Base - Deferred Taxes							
19	ADIT - 190	234.8.b&c	0	0	0	Exhibit PEF - 5	
20	ADIT - 281 (Negative)	273.8.b&k	0	0	0	Exhibit PEF - 5	
21	ADIT - 282 (Negative)	275.2.b&k	0	0	0	Exhibit PEF - 5	
22	ADIT - 283 (Negative)	277.8.b&k	0	0	0	Exhibit PEF - 5	
23	Accum Deferred ITC - 255 (Negative)	267.8.b&h	0	0	0	NP 0.00000	
24	Total Deferred Tax Adjustments				<u>0</u>		<u>0</u>
24A	Unfunded Reserves	Note U	0	0	0	Exhibit PEF-5A	0
25	Net 182.1 (+) / Storm Reserve (-) - Wholesale Transmission (Note B)	230a.5.f	0	0	0	p. 5, l. 16 0.00000	0
26	Plant Held for Future Use	214.47.d	0	0	0	Note C	0
27	Transmission Related CWIP - Identified Projects (Note V)		0	0	0	0.50000	0
Rate Base Adjustments - Network Upgrade Prepayments (Note O):							
28	Outstanding Balance - Network Prepayments (Note T)		0	0	0	D/A (1.00000)	0
29	Interest Accrued/Capitalized on Network Prepayments		0	0	0	D/A 1.00000	0
30	Total Network Upgrade Prepayment Adjustments						<u>0</u>
Working Capital:							
31	Cash Working Capital (1/8 O&M)	Page 3, line 17					
32	M&S - Transmission	227.8.b&c	0	0	0	TP 0.00000	
33	M&S - Stores Expense	227.15.b&c	0	0	0	OATT LABOR 0.00000	
34	Prepayments (Note L)	111.57.c&d	0	0	0	GP 0.00000	
35	Total Working Capital						<u>0</u>
36	Rate Base (Sum of Lines 18, 24 thru 27, 30, and 35)						0
AVERAGE CAPITALIZATION:							
37	Long Term Debt	112.24.c&d	0	0	0		
38	Less Loss on Reacquired Debt	111.81.c&d	0	0	0		
39	Plus Gain on Reacquired Debt	113.61.c&d	0	0	0		
40	Less Securitization Bonds	Note I	0	0	0		
41	Net Long Term Debt				<u>0</u>		
42	Preferred Stock	112.3.c&d	0	0	0		
Common Stock Development:							
43	Proprietary Capital	112.16.c&d	0	0	0		
44	Less Preferred Stock	112.3.c&d	0	0	0		
45	Less Account 216.1	112.12.c&d	0	0	0		
46	Common Stock				<u>0</u>		
47	Total Capitalization (Sum of Lines 41, 42, and 46)				0		

PROGRESS ENERGY FLORIDA, INC.
 OATT Transmission Non-Levelized Rate Formula Template Using Form-1 Data

Wholesale Storm Reserve Funding and Explanatory Notes

Line	Reference	Total	Allocator	OATT Transmission
1	Whlse Extraordinary Property Loss	230a.5.b 0		
2	Trans. Related Pct of Whlse Loss	Note J 0.92011	WEPL-T	
3	Whlse Trans. Extraordinary Property Loss	0	TP 0.00000	0
Components of Storm Amortization/Reserve Funding Adder (2008-2012 Rate Years only - Note N):				
4	Balance 2004 Loss as of Jan 1, 2008	230a.5.f 15,658,702	Fixed 0.84987	13,307,907
Rebuild Reserve Equivalent to \$130MM Retail:				
5	Whlse Portion of \$6MM Funding	ER95-469 434,000	Fixed 0.07233	
6	System Total Reserve Req't = 130MM/(1 - Line 5 %)	140,136,543		
7	Whlse Reserve Needed = Line 6 - \$130MM	10,136,543	Fixed 0.84987	8,614,774
8	Whlse Portion of Existing Storm Accrual	ER95-469 434,000	Fixed 0.84987	368,845
9	Levelized Storm Reserve Funding Rate \$/MW-Month (PEF - 6, page 2)			140
Denominator for Wholesale Transmission:				
10	Firm Network Service for Self	400.17.e 0	0.00000	0
11	Firm Network Service for Others (Note K)	400.17.f 0	1.00000	0
12	Long-Term Firm P-t-P Reservations	400.17.g 0	1.00000	0
13	Other Long-Term Firm Service	400.17.h 0	1.00000	0
14	Contract Demand Adjustment	0	1.00000	0
15	Total System Long Term Firm Transmission Load	0		0
16	Gross-up Factor for OATT Wholesale Reserve - System Basis (Total Load/Whlse Load * 0.84987)			0.00000

- Note A: Excludes Asset Retirement Obligations from plant balances
 Note B: Because the Page 2 Rate Base amounts are total system numbers, the wholesale specific loss/reserve balance is grossed up using the relationship between system and wholesale only transmission demands times the percent of the balance applicable to the OATT. See also Notes H and J.
 Note C: FERC Form 1 page 214 excluding non-transmission related items
 Note D: Analysis of Company books. Regulatory expense excludes charges by FERC pursuant to 18 CFR § 382.201
 Note E: Excludes Retail ECCR and Sebring amortizations from Form-1 reported value
 Note F: Excludes all income and gross receipts taxes. Labor related other taxes include FICA and unemployment taxes. Property related taxes include county and local property, highway use, and intangible taxes.
 Note G: Investment in Transmission Energy Control Center included in Schedule 1 Ancillary Service cost
 Note H: The allocator "TP" is the percent of gross transmission plant that is OATT related, i.e., after removal of ECC, interconnections and generator step-up transformer investment. It also serves as the basis for deriving OATT-related transmission labor from the Form-1 reported value.
 Note I: To the extent PEF is authorized by the Florida Public Service Commission and issues bonds for distribution facilities to secure retail recovery of extraordinary property losses, associated principal and interest expense are excluded in capitalization and return basis.
 Note J: Functionalized Transmission part 182.1 Extraordinary Property Losses balance only, "WEPL-T." Consistent with the process described in Note H above, the OATT-related amount of the transmission loss is then derived using the TP allocation factor
 Note K: Includes Network Integration Service and Network Contract Demand Service
 Note L: Beginning balance excludes \$0 and ending balance excludes \$0 for prepaid pensions from Form-1 A/C 165 balances.
 Note M: If income tax rates change during a calendar year, the income tax rates will be pro-rated based on the number of days each income tax rate was in effect.
 Note N: Pursuant to the settlement agreement, annual amounts included in line 11 will be adjusted and reversed as necessary to ensure no overfunding of the wholesale reserve; i.e., the year-end reserve balance for OATT rates will not exceed the \$8,614,774 shown on line 7
 Note O: Payments by PEF to an Affected System Operator pursuant to Orders 2003 or 2006 (including rehearing orders) are not to be included in the formula rate regardless of the accounting.
 Note P: Target percentages are fixed for 2008 - 2012 and were derived from projected OATT LTF billing MW-months and the MW-month equivalent billings for STF and non-firm transmission revenues in the September 2007 PEF financial forecast.
 Note Q: Actual LTF OATT MW-Months are the sum of Lines 11 and 12 above, as reported in Form-1 for Firm Network Service for Others and Long Term Firm Point-to-Point Service
 Note R: Actual STF/Non-Firm equivalent "MW-Months" are equal to monthly STF/Non-firm transmission service revenue divided by the same "Total Firm Monthly Trans. \$/MW-Month" rate (Page 1, Line 11) from which the STF/Non-firm billing rates were derived
 Note S: Section 2.12 of Schedule 10.3 states "The Formula Rate excludes all costs that are properly directly assigned or assignable to one or more particular customers, including costs directly assigned or assignable to PEF." Per Settlement of 2008 Annual Update, the amount specified excludes directly assignable retail costs/credits booked to Account 935 and retail sales tax portion of Florida sales tax audit expense booked to Account 930.2 from Form-1 reported value.
 Note T: Network prepayments include interest that has been accrued but not yet refunded.
 Note U: The inclusion of Line 24A, "Unfunded Reserves," ensures that identified "Unfunded Reserves" are appropriately excluded from rate base in the Formula Rate calculations. The specific treatment of these "Unfunded Reserves" in no way precludes the Transmission Provider or interested parties from making any argument in any proceeding at the Commission or in any review or challenge proceeding under the Formula Rate as to the appropriate accounting or ratemaking treatment in the Formula Rate of any unfunded reserve.
 Note V: Adjusted to remove AFUDC accruals from CWIP projects that were included in rate base.

PROGRESS ENERGY FLORIDA, INC.

Unfunded Reserves

Account	Description	Beginning Balance	Ending Balance	B/E Average	Allocator	Value	Result
Identified Reserves:							
	Total Reserves	0	0	<u>0</u>			0
Less Externally Funded Amounts:							
	Total Externally Funded Amounts	0	0	<u>0</u>			0
	Net Unfunded Reserves	0	0	0			0

PROGRESS ENERGY FLORIDA, INC.
 OATT Transmission Non-Levelized Rate Formula Template Using Form-1 Data

Development of Rate Base and Capital Structure

Line	RATE BASE:	Reference	Beginning Balance	Ending Balance	B/E Average	Allocator	OATT Transmission
Gross Plant in Service (Note A):							
1	Production Plant	205.46.b&g	0	0	0	N/A	
2	Transmission Plant (Note V)	207.58.b&g	0	0	0	TP 0.00000	0
3	Distribution Plant	207.75.b&g	0	0	0	N/A	
4	General Plant	207.99.b&g	0	0	0	OATT LABOR 0.00000	0
5	Intangible Plant	205.5.b&g	0	0	0	OATT LABOR 0.00000	0
6	Total Gross Plant				<u>0</u>	GP = 0.00000	<u>0</u>
Accumulated Depreciation:							
7	Production Depr. Reserve	219.21-24.c	0	0	0	N/A	
8	Transmission Depr. Reserve (Note V)	219.25.c	0	0	0	TP 0.00000	0
9	Distribution Depr. Reserve	219.26.c	0	0	0	N/A	
10	General Depr. Reserve	219.27.c	0	0	0	OATT LABOR 0.00000	0
11	Intangible Amort. Reserve	200.21.c	0	0	0	OATT LABOR 0.00000	0
12	Total Accumulated Depr.				<u>0</u>		<u>0</u>
Net Plant in Service							
13	Net Production Plant	Line 1 - Line 7			0		
14	Net Transmission Plant	Line 2 - Line 8			0		0
15	Net Distribution Plant	Line 3 - Line 9			0		
16	Net General Plant	Line 4 - Line 10			0		0
17	Net Intangible Plant	Line 5 - Line 11			0		0
18	Total Net Plant				<u>0</u>	NP = 0.00000	<u>0</u>
Adjustments to Rate Base - Deferred Taxes							
19	ADIT - 190	234.8.b&c	0	0	0	Exhibit PEF - 5	
20	ADIT - 281 (Negative)	273.8.b&k	0	0	0	Exhibit PEF - 5	
21	ADIT - 282 (Negative)	275.2.b&k	0	0	0	Exhibit PEF - 5	
22	ADIT - 283 (Negative)	277.8.b&k	0	0	0	Exhibit PEF - 5	
23	Accum Deferred ITC - 255 (Negative)	267.8.b&h	0	0	0	NP 0.00000	
24	Total Deferred Tax Adjustments				<u>0</u>		<u>0</u>
24A	Unfunded Self-Insurance Medical Reserves (Note U)	Exhibit PEF-5A- Note U	0	0	0	OATT LABOR- Exhibit PEF-5A	0
25	Net 182.1 (+) / Storm Reserve (-) - Wholesale Transmission (Note B)	230a.5.f	0	0	0	p. 5, l. 16 0.00000	0
26	Plant Held for Future Use	214.47.d	0	0	0	Note C	0
27	Transmission Related CWIP - Identified Projects (Note V)		0	0	0	0.50000	0
Rate Base Adjustments - Network Upgrade Prepayments (Note O):							
28	Outstanding Balance - Network Prepayments (Note T)		0	0	0	D/A (1.00000)	0
29	Interest Accrued/Capitalized on Network Prepayments		0	0	0	D/A 1.00000	0
30	Total Network Upgrade Prepayment Adjustments						<u>0</u>
Working Capital:							
31	Cash Working Capital (1/8 O&M)	Page 3, line 17					
32	M&S - Transmission	227.8.b&c	0	0	0	TP 0.00000	
33	M&S - Stores Expense	227.15.b&c	0	0	0	OATT LABOR 0.00000	
34	Prepayments (Note L)	111.57.c&d	0	0	0	GP 0.00000	
35	Total Working Capital						<u>0</u>
36	Rate Base (Sum of Lines 18, 24 thru 27, 30, and 35)						0
AVERAGE CAPITALIZATION:							
37	Long Term Debt	112.24.c&d	0	0	0		
38	Less Loss on Reacquired Debt	111.81.c&d	0	0	0		
39	Plus Gain on Reacquired Debt	113.61.c&d	0	0	0		
40	Less Securitization Bonds	Note I	0	0	0		
41	Net Long Term Debt				<u>0</u>		
42	Preferred Stock	112.3.c&d	0	0	0		
Common Stock Development:							
43	Proprietary Capital	112.16.c&d	0	0	0		
44	Less Preferred Stock	112.3.c&d	0	0	0		
45	Less Account 216.1	112.12.c&d	0	0	0		
46	Common Stock				<u>0</u>		
47	Total Capitalization (Sum of Lines 41, 42, and 46)				0		

PROGRESS ENERGY FLORIDA, INC.
 OATT Transmission Non-Levelized Rate Formula Template Using Form-1 Data

Wholesale Storm Reserve Funding and Explanatory Notes

Line	Reference	Total	Allocator	OATT Transmission
1	Whise Extraordinary Property Loss	230a.5.b	0	
2	Trans. Related Pct of Whlse Loss	Note J	0.92011	WEPL-T
3	Whise Trans. Extraordinary Property Loss		0	TP 0.00000 0
Components of Storm Amortization/Reserve Funding Adder (2008-2012 Rate Years only - Note N):				
4	Balance 2004 Loss as of Jan 1, 2008	230a.5.f	15,658,702	Fixed 0.84987 13,307,907
Rebuild Reserve Equivalent to \$130MM Retail:				
5	Whlse Portion of \$6MM Funding	ER95-469	434,000	Fixed 0.07233
6	System Total Reserve Req't = 130MM/(1 - Line 5 %)		140,136,543	
7	Whlse Reserve Needed = Line 6 - \$130MM		10,136,543	Fixed 0.84987 8,614,774
8	Whlse Portion of Existing Storm Accrual	ER95-469	434,000	Fixed 0.84987 368,845
9	Levelized Storm Reserve Funding Rate \$/MW-Month (PEF - 6, page 2)			140
Denominator for Wholesale Transmission:				
10	Firm Network Service for Self	400.17.e	0	0.00000 0
11	Firm Network Service for Others (Note K)	400.17.f	0	1.00000 0
12	Long-Term Firm P-t-P Reservations	400.17.g	0	1.00000 0
13	Other Long-Term Firm Service	400.17.h	0	1.00000 0
14	Contract Demand Adjustment		0	1.00000 0
15	Total System Long Term Firm Transmission Load		0	0
16	Gross-up Factor for OATT Wholesale Reserve - System Basis (Total Load/Whlse Load * 0.84987)			0.00000

- Note A: Excludes Asset Retirement Obligations from plant balances
- Note B: Because the Page 2 Rate Base amounts are total system numbers, the wholesale specific loss/reserve balance is grossed up using the relationship between system and wholesale only transmission demands times the percent of the balance applicable to the OATT. See also Notes H and J.
- Note C: FERC Form 1 page 214 excluding non-transmission related items
- Note D: Analysis of Company books. Regulatory expense excludes charges by FERC pursuant to 18 CFR § 382.201
- Note E: Excludes Retail ECCR and Sebring amortizations from Form-1 reported value
- Note F: Excludes all income and gross receipts taxes. Labor related other taxes include FICA and unemployment taxes. Property related taxes include county and local property, highway use, and intangible taxes.
- Note G: Investment in Transmission Energy Control Center included in Schedule 1 Ancillary Service cost
- Note H: The allocator "TP" is the percent of gross transmission plant that is OATT related, i.e., after removal of ECC, interconnections and generator step-up transformer investment. It also serves as the basis for deriving OATT-related transmission labor from the Form-1 reported value.
- Note I: To the extent PEF is authorized by the Florida Public Service Commission and issues bonds for distribution facilities to securitize retail recovery of extraordinary property losses, associated principal and interest expense are excluded in capitalization and return basis.
- Note J: Functionalized Transmission part 182.1 Extraordinary Property Losses balance only, "WEPL-T." Consistent with the process described in Note H above, the OATT-related amount of the transmission loss is then derived using the TP allocation factor
- Note K: Includes Network Integration Service and Network Contract Demand Service
- Note L: Beginning balance excludes \$0 and ending balance excludes \$0 for prepaid pensions from Form-1 A/C 165 balances.
- Note M: If income tax rates change during a calendar year, the income tax rates will be pro-rated based on the number of days each income tax rate was in effect.
- Note N: Pursuant to the settlement agreement, annual amounts included in line 11 will be adjusted and reversed as necessary to ensure no overfunding of the wholesale reserve; i.e., the year-end reserve balance for OATT rates will not exceed the \$8,614,774 shown on line 7
- Note O: Payments by PEF to an Affected System Operator pursuant to Orders 2003 or 2006 (including rehearing orders) are not to be included in the formula rate regardless of the accounting.
- Note P: Target percentages are fixed for 2008 - 2012 and were derived from projected OATT LTF billing MW-months and the MW-month equivalent billings for STF and non-firm transmission revenues in the September 2007 PEF financial forecast.
- Note Q: Actual LTF OATT MW-Months are the sum of Lines 11 and 12 above, as reported in Form-1 for Firm Network Service for Others and Long Term Firm Point-to-Point Service
- Note R: Actual STF/Non-Firm equivalent "MW-Months" are equal to monthly STF/Non-firm transmission service revenue divided by the same "Total Firm Monthly Trans. \$/MW-Month" rate (Page 1, Line 11) from which the STF/Non-firm billing rates were derived
- Note S: Section 2.12 of Schedule 10.3 states "The Formula Rate excludes all costs that are properly directly assigned or assignable to one or more particular customers, including costs directly assigned or assignable to PEF." Per Settlement of 2008 Annual Update, the amount specified excludes directly assignable retail costs/credits booked to Account 935 and retail sales tax portion of Florida sales tax audit expense booked to Account 930.2 from Form-1 reported value.
- Note T: Network prepayments include interest that has been accrued but not yet refunded.
- Note U: The inclusion of Line 24A, "Unfunded Self-Insurance-Medical Reserves," ensures that identified "Unfunded Self-Insurance-Medical Reserves" are appropriately excluded from rate base in the Formula Rate calculations. The specific treatment of these "Unfunded Self-Insurance-Medical Reserves" in no way precludes the Transmission Provider or interested parties from making any argument in any proceeding at the Commission or in any review or challenge proceeding under the Formula Rate as to the appropriate accounting or ratemaking treatment in the Formula Rate of any other unfunded reserve.
- Note V: Adjusted to remove AFUDC accruals from CWIP projects that were included in rate base.

PROGRESS ENERGY FLORIDA, INC.

Unfunded ~~Medical~~ Reserves
 2008 OATT Settlement - SECI Preliminary Challenge Issue 2

Account	Description	Beginning Balance	Ending Balance	<u>B/E Average</u>	<u>Allocator</u>	<u>Value</u>	<u>Result</u>
Identified Reserves:							
2282141	Medical/Life Res Postemp Retail	0	0				
2282142	Medical/Life Res Postemp Wholesale	0	0				
2282143	Funded Med/Life Res Postemp - Wholesale	0	0				
2282510	Salary Continuation	0	0				
2282520	Medical/Dental/Life	0	0				
2282540	Salary Continuation Loading	0	0				
2282550	Medical/Dental/Life Loading	0	0				
	Total Reserves	0	0	<u>0</u>			0
	Less Externally Funded Amounts:	0	0				
	<u>Total Externally Funded Amounts</u>	<u>0</u>	<u>0</u>	<u>0</u>			0
	Net Unfunded Medical Reserves	0	0	<u>0</u>			0

ATTACHMENT 2

CLEAN AND REDLINED OATT SHEETS FOR PEF

(REFLECTING THE REVISIONS THAT REDUCE THE FORMULA RATE,
EFFECTIVE AUGUST 1, 2009)

PROGRESS ENERGY FLORIDA, INC.
 OATT Transmission Non-Levelized Rate Formula Template Using Form-1 Data

Development of Rate Base and Capital Structure

Line	RATE BASE:	Reference	Beginning Balance	Ending Balance	B/E Average	Allocator	OATT Transmission
Gross Plant in Service (Note A):							
1	Production Plant	205.46.b&g	0	0	0	N/A	
2	Transmission Plant (Note V)	207.58.b&g	0	0	0	TP 0.00000	0
3	Distribution Plant	207.75.b&g	0	0	0	N/A	
4	General Plant	207.99.b&g	0	0	0	OATT LABOR 0.00000	0
5	Intangible Plant	205.5.b&g	0	0	0	OATT LABOR 0.00000	0
6	Total Gross Plant				<u>0</u>	GP = 0.00000	<u>0</u>
Accumulated Depreciation:							
7	Production Depr. Reserve	219.21-24.c	0	0	0	N/A	
8	Transmission Depr. Reserve (Note V)	219.25.c	0	0	0	TP 0.00000	0
9	Distribution Depr. Reserve	219.26.c	0	0	0	N/A	
10	General Depr. Reserve	219.27.c	0	0	0	OATT LABOR 0.00000	0
11	Intangible Amort. Reserve	200.21.c	0	0	0	OATT LABOR 0.00000	0
12	Total Accumulated Depr.				<u>0</u>		<u>0</u>
Net Plant in Service							
13	Net Production Plant	Line 1 - Line 7			0		
14	Net Transmission Plant	Line 2 - Line 8			0		0
15	Net Distribution Plant	Line 3 - Line 9			0		
16	Net General Plant	Line 4 - Line 10			0		0
17	Net Intangible Plant	Line 5 - Line 11			0		0
18	Total Net Plant				<u>0</u>	NP = 0.00000	<u>0</u>
Adjustments to Rate Base - Deferred Taxes							
19	ADIT - 190	234.8.b&c	0	0	0	Exhibit PEF - 5	
20	ADIT - 281 (Negative)	273.8.b&k	0	0	0	Exhibit PEF - 5	
21	ADIT - 282 (Negative)	275.2.b&k	0	0	0	Exhibit PEF - 5	
22	ADIT - 283 (Negative)	277.8.b&k	0	0	0	Exhibit PEF - 5	
23	Total Deferred Tax Adjustments				<u>0</u>		<u>0</u>
24	Unfunded Reserves	Note U	0	0	0	Exhibit PEF-5A	0
25	Net 182.1 (+) / Storm Reserve (-) - Wholesale Transmission (Note B)	230a.5.f	0	0	0	p. 5, l. 16 0.00000	0
26	Plant Held for Future Use	214.47.d	0	0	0	Note C	0
27	Transmission Related CWIP - Identified Projects (Note V)		0	0	0	0.50000	0
Rate Base Adjustments - Network Upgrade Prepayments (Note O):							
28	Outstanding Balance - Network Prepayments (Note T)		0	0	0	D/A (1.00000)	0
29	Interest Accrued/Capitalized on Network Prepayments		0	0	0	D/A 1.00000	0
30	Total Network Upgrade Prepayment Adjustments						<u>0</u>
Working Capital:							
31	Cash Working Capital (1/8 O&M)	Page 3, line 17					
32	M&S - Transmission	227.8.b&c	0	0	0	TP 0.00000	
33	M&S - Stores Expense	227.15.b&c	0	0	0	OATT LABOR 0.00000	
34	Prepayments (Note L)	111.57.c&d	0	0	0	GP 0.00000	
35	Total Working Capital						<u>0</u>
36	Rate Base (Sum of Lines 18, 23 thru 27, 30, and 35)						0
AVERAGE CAPITALIZATION:							
37	Long Term Debt	112.24.c&d	0	0	0		
38	Less Loss on Reacquired Debt	111.81.c&d	0	0	0		
39	Plus Gain on Reacquired Debt	113.61.c&d	0	0	0		
40	Less Securitization Bonds	Note I	0	0	0		
41	Net Long Term Debt				<u>0</u>		
42	Preferred Stock	112.3.c&d	0	0	0		
Common Stock Development:							
43	Proprietary Capital	112.16.c&d	0	0	0		
44	Less Preferred Stock	112.3.c&d	0	0	0		
45	Less Account 216.1	112.12.c&d	0	0	0		
46	Common Stock				<u>0</u>		
47	Total Capitalization (Sum of Lines 41, 42, and 46)				0		

PROGRESS ENERGY FLORIDA, INC.
 OATT Transmission Non-Levelized Rate Formula Template Using Form-1 Data

Wholesale Storm Reserve Funding and Explanatory Notes

Line	Reference	Total	Allocator	OATT Transmission
1	Whlse Extraordinary Property Loss	230a.5.b	0	
2	Trans. Related Pct of Whlse Loss	Note J	0.92011	WEPL-T
3	Whlse Trans. Extraordinary Property Loss		0	TP 0.00000
Components of Storm Amortization/Reserve Funding Adder (2008-2012 Rate Years only - Note N):				
4	Balance 2004 Loss as of Jan 1, 2008	230a.5.f	15,658,702	Fixed 0.84987
Rebuild Reserve Equivalent to \$130MM Retail:				
5	Whlse Portion of \$6MM Funding	ER95-469	434,000	Fixed 0.07233
6	System Total Reserve Req't = 130MM/(1 - Line 5 %)		140,136,543	
7	Whlse Reserve Needed = Line 6 - \$130MM		10,136,543	Fixed 0.84987
8	Whlse Portion of Existing Storm Accrual	ER95-469	434,000	Fixed 0.84987
9	Levelized Storm Reserve Funding Rate \$/MW-Month (PEF - 6, page 2)			140
Denominator for Wholesale Transmission:				
10	Firm Network Service for Self	400.17.e	0	0.00000
11	Firm Network Service for Others (Note K)	400.17.f	0	1.00000
12	Long-Term Firm P-t-P Reservations	400.17.g	0	1.00000
13	Other Long-Term Firm Service	400.17.h	0	1.00000
14	Contract Demand Adjustment		0	1.00000
15	Total System Long Term Firm Transmission Load		0	0
16	Gross-up Factor for OATT Wholesale Reserve - System Basis (Total Load/Whlse Load * 0.84987)			0.00000

- Note A: Excludes Asset Retirement Obligations from plant balances
 Note B: Because the Page 2 Rate Base amounts are total system numbers, the wholesale specific loss/reserve balance is grossed up using the relationship between system and wholesale only transmission demands times the percent of the balance applicable to the OATT. See also Notes H and J.
 Note C: FERC Form 1 page 214 excluding non-transmission related items
 Note D: Analysis of Company books. Regulatory expense excludes charges by FERC pursuant to 18 CFR § 382.201
 Note E: Excludes Retail ECCR and Sebring amortizations from Form-1 reported value
 Note F: Excludes all income and gross receipts taxes. Labor related other taxes include FICA and unemployment taxes. Property related taxes include county and local property, highway use, and intangible taxes.
 Note G: Investment in Transmission Energy Control Center included in Schedule 1 Ancillary Service cost
 Note H: The allocator "TP" is the percent of gross transmission plant that is OATT related, i.e., after removal of ECC, interconnections and generator step-up transformer investment. It also serves as the basis for deriving OATT-related transmission labor from the Form-1 reported value.
 Note I: To the extent PEF is authorized by the Florida Public Service Commission and issues bonds for distribution facilities to securitize retail recovery of extraordinary property losses, associated principal and interest expense are excluded in capitalization and return basis.
 Note J: Functionalized Transmission part 182.1 Extraordinary Property Losses balance only, "WEPL-T." Consistent with the process described in Note H above, the OATT-related amount of the transmission loss is then derived using the TP allocation factor
 Note K: Includes Network Integration Service and Network Contract Demand Service
 Note L: Beginning balance excludes \$0 and ending balance excludes \$0 for prepaid pensions from Form-1 A/C 165 balances.
 Note M: If income tax rates change during a calendar year, the income tax rates will be pro-rated based on the number of days each income tax rate was in effect.
 Note N: Pursuant to the settlement agreement, annual amounts included in line 11 will be adjusted and reversed as necessary to ensure no overfunding of the wholesale reserve; i.e., the year-end reserve balance for OATT rates will not exceed the \$8,614,774 shown on line 7
 Note O: Payments by PEF to an Affected System Operator pursuant to Orders 2003 or 2006 (including rehearing orders) are not to be included in the formula rate regardless of the accounting.
 Note P: Target percentages are fixed for 2008 - 2012 and were derived from projected OATT LTF billing MW-months and the MW-month equivalent billings for STF and non-firm transmission revenues in the September 2007 PEF financial forecast.
 Note Q: Actual LTF OATT MW-Months are the sum of Lines 11 and 12 above, as reported in Form-1 for Firm Network Service for Others and Long Term Firm Point-to-Point Service
 Note R: Actual STF/Non-Firm equivalent "MW-Months" are equal to monthly STF/Non-firm transmission service revenue divided by the same "Total Firm Monthly Trans. \$/MW-Month" rate (Page 1, Line 11) from which the STF/Non-firm billing rates were derived
 Note S: Section 2.12 of Schedule 10.3 states "The Formula Rate excludes all costs that are properly directly assigned or assignable to one or more particular customers, including costs directly assigned or assignable to PEF." Per Settlement of 2008 Annual Update, the amount specified excludes directly assignable retail costs/credits booked to Account 935 and retail sales tax portion of Florida sales tax audit expense booked to Account 930.2 from Form-1 reported value.
 Note T: Network prepayments include interest that has been accrued but not yet refunded.
 Note U: The inclusion of Line 24, "Unfunded Reserves," ensures that identified "Unfunded Reserves" are appropriately excluded from rate base in the Formula Rate calculations. The specific treatment of these "Unfunded Reserves" in no way precludes the Transmission Provider or interested parties from making any argument in any proceeding at the Commission or in any review or challenge proceeding under the Formula Rate as to the appropriate accounting or ratemaking treatment in the Formula Rate of any unfunded reserve.
 Note V: Adjusted to remove AFUDC accruals from CWIP projects that were included in rate base.

PROGRESS ENERGY FLORIDA, INC.
 OATT Transmission Non-Levelized Rate Formula Template Using Form-1 Data

Development of Rate Base and Capital Structure

Line	RATE BASE:	Reference	Beginning Balance	Ending Balance	B/E Average	Allocator	OATT Transmission
Gross Plant in Service (Note A):							
1	Production Plant	205.46.b&g	0	0	0	N/A	
2	Transmission Plant (Note V)	207.58.b&g	0	0	0	TP 0.00000	0
3	Distribution Plant	207.75.b&g	0	0	0	N/A	
4	General Plant	207.99.b&g	0	0	0	OATT LABOR 0.00000	0
5	Intangible Plant	205.5.b&g	0	0	0	OATT LABOR 0.00000	0
6	Total Gross Plant				<u>0</u>	GP = 0.00000	<u>0</u>
Accumulated Depreciation:							
7	Production Depr. Reserve	219.21-24.c	0	0	0	N/A	
8	Transmission Depr. Reserve (Note V)	219.25.c	0	0	0	TP 0.00000	0
9	Distribution Depr. Reserve	219.26.c	0	0	0	N/A	
10	General Depr. Reserve	219.27.c	0	0	0	OATT LABOR 0.00000	0
11	Intangible Amort. Reserve	200.21.c	0	0	0	OATT LABOR 0.00000	0
12	Total Accumulated Depr.				<u>0</u>		<u>0</u>
Net Plant in Service							
13	Net Production Plant	Line 1 - Line 7			0		
14	Net Transmission Plant	Line 2 - Line 8			0		0
15	Net Distribution Plant	Line 3 - Line 9			0		
16	Net General Plant	Line 4 - Line 10			0		0
17	Net Intangible Plant	Line 5 - Line 11			0		0
18	Total Net Plant				<u>0</u>	NP = 0.00000	<u>0</u>
Adjustments to Rate Base - Deferred Taxes							
19	ADIT - 190	234.8.b&c	0	0	0	Exhibit PEF - 5	
20	ADIT - 281 (Negative)	273.8.b&k	0	0	0	Exhibit PEF - 5	
21	ADIT - 282 (Negative)	275.2.b&k	0	0	0	Exhibit PEF - 5	
22	ADIT - 283 (Negative)	277.8.b&k	0	0	0	Exhibit PEF - 5	
23	Total Deferred Tax Adjustments				<u>0</u>		<u>0</u>
24	Unfunded Self-Insurance-Medical-Reserves (Note U)	Exhibit PEF-5A-Note U	0	0	0	OATT LABOR-Exhibit PEF-5A 0.00000	0
25	Net 182.1 (+) / Storm Reserve (-) - Wholesale Transmission (Note B)	230a.5.f	0	0	0	p. 5, l. 16 0.00000	0
26	Plant Held for Future Use	214.47.d	0	0	0	Note C	0
27	Transmission Related CWIP - Identified Projects (Note V)		0	0	0	0.50000	0
Rate Base Adjustments - Network Upgrade Prepayments (Note O):							
28	Outstanding Balance - Network Prepayments (Note T)		0	0	0	D/A (1.00000)	0
29	Interest Accrued/Capitalized on Network Prepayments		0	0	0	D/A 1.00000	0
30	Total Network Upgrade Prepayment Adjustments						<u>0</u>
Working Capital:							
31	Cash Working Capital (1/8 O&M)	Page 3, line 17					
32	M&S - Transmission	227.8.b&c	0	0	0	TP 0.00000	
33	M&S - Stores Expense	227.15.b&c	0	0	0	OATT LABOR 0.00000	
34	Prepayments (Note L)	111.57.c&d	0	0	0	GP 0.00000	
35	Total Working Capital						<u>0</u>
36	Rate Base (Sum of Lines 18, 23 thru 27, 30, and 35)						<u>0</u>
AVERAGE CAPITALIZATION:							
37	Long Term Debt	112.24.c&d	0	0	0		
38	Less Loss on Reacquired Debt	111.81.c&d	0	0	0		
39	Plus Gain on Reacquired Debt	113.61.c&d	0	0	0		
40	Less Securitization Bonds	Note I	0	0	0		
41	Net Long Term Debt				<u>0</u>		
42	Preferred Stock	112.3.c&d	0	0	0		
Common Stock Development:							
43	Proprietary Capital	112.16.c&d	0	0	0		
44	Less Preferred Stock	112.3.c&d	0	0	0		
45	Less Account 216.1	112.12.c&d	0	0	0		
46	Common Stock				<u>0</u>		
47	Total Capitalization (Sum of Lines 41, 42, and 46)				0		

PROGRESS ENERGY FLORIDA, INC.
 OATT Transmission Non-Levelized Rate Formula Template Using Form-1 Data

Wholesale Storm Reserve Funding and Explanatory Notes

Line	Reference	Total	Allocator	OATT Transmission
1	Whlse Extraordinary Property Loss	230a.5.b	0	
2	Trans. Related Pct of Whlse Loss	Note J	0.92011	
3	Whlse Trans. Extraordinary Property Loss		0	0.00000
Components of Storm Amortization/Reserve Funding Adder (2008-2012 Rate Years only - Note N):				
4	Balance 2004 Loss as of Jan 1, 2008	230a.5.f	15,658,702	13,307,907
Rebuild Reserve Equivalent to \$130MM Retail:				
5	Whlse Portion of \$6MM Funding	ER95-469	434,000	0.07233
6	System Total Reserve Req't = 130MM/(1 - Line 5 %)		140,136,543	
7	Whlse Reserve Needed = Line 6 - \$130MM		10,136,543	8,614,774
8	Whlse Portion of Existing Storm Accrual	ER95-469	434,000	368,845
9	Levelized Storm Reserve Funding Rate \$/MW-Month (PEF - 6, page 2)			140
Denominator for Wholesale Transmission:				
10	Firm Network Service for Self	400.17.e	0	0.00000
11	Firm Network Service for Others (Note K)	400.17.f	0	1.00000
12	Long-Term Firm P-t-P Reservations	400.17.g	0	1.00000
13	Other Long-Term Firm Service	400.17.h	0	1.00000
14	Contract Demand Adjustment		0	1.00000
15	Total System Long Term Firm Transmission Load		0	0
16	Gross-up Factor for OATT Wholesale Reserve - System Basis (Total Load/Whlse Load * 0.84987)			0.00000

- Note A: Excludes Asset Retirement Obligations from plant balances
- Note B: Because the Page 2 Rate Base amounts are total system numbers, the wholesale specific loss/reserve balance is grossed up using the relationship between system and wholesale only transmission demands times the percent of the balance applicable to the OATT. See also Notes H and J.
- Note C: FERC Form 1 page 214 excluding non-transmission related items
- Note D: Analysis of Company books. Regulatory expense excludes charges by FERC pursuant to 18 CFR § 382.201
- Note E: Excludes Retail ECCR and Sebring amortizations from Form-1 reported value
- Note F: Excludes all income and gross receipts taxes. Labor related other taxes include FICA and unemployment taxes. Property related taxes include county and local property, highway use, and intangible taxes.
- Note G: Investment in Transmission Energy Control Center included in Schedule 1 Ancillary Service cost
- Note H: The allocator "TP" is the percent of gross transmission plant that is OATT related, i.e., after removal of ECC, interconnections and generator step-up transformer investment. It also serves as the basis for deriving OATT-related transmission labor from the Form-1 reported value.
- Note I: To the extent PEF is authorized by the Florida Public Service Commission and issues bonds for distribution facilities to securitize retail recovery of extraordinary property losses, associated principal and interest expense are excluded in capitalization and return basis.
- Note J: Functionalized Transmission part 182.1 Extraordinary Property Losses balance only, "WEPL-T." Consistent with the process described in Note H above, the OATT-related amount of the transmission loss is then derived using the TP allocation factor
- Note K: Includes Network Integration Service and Network Contract Demand Service
- Note L: Beginning balance excludes \$0 and ending balance excludes \$0 for prepaid pensions from Form-1 A/C 165 balances.
- Note M: If income tax rates change during a calendar year, the income tax rates will be pro-rated based on the number of days each income tax rate was in effect.
- Note N: Pursuant to the settlement agreement, annual amounts included in line 11 will be adjusted and reversed as necessary to ensure no overfunding of the wholesale reserve; i.e., the year-end reserve balance for OATT rates will not exceed the \$8,614,774 shown on line 7
- Note O: Payments by PEF to an Affected System Operator pursuant to Orders 2003 or 2006 (including rehearing orders) are not to be included in the formula rate regardless of the accounting.
- Note P: Target percentages are fixed for 2008 - 2012 and were derived from projected OATT LTF billing MW-months and the MW-month equivalent billings for STF and non-firm transmission revenues in the September 2007 PEF financial forecast.
- Note Q: Actual LTF OATT MW-Months are the sum of Lines 11 and 12 above, as reported in Form-1 for Firm Network Service for Others and Long Term Firm Point-to-Point Service
- Note R: Actual STF/Non-Firm equivalent "MW-Months" are equal to monthly STF/Non-firm transmission service revenue divided by the same "Total Firm Monthly Trans. \$/MW-Month" rate (Page 1, Line 11) from which the STF/Non-firm billing rates were derived
- Note S: Section 2.12 of Schedule 10.3 states "The Formula Rate excludes all costs that are properly directly assigned or assignable to one or more particular customers, including costs directly assigned or assignable to PEF." Per Settlement of 2008 Annual Update, the amount specified excludes directly assignable retail costs/credits booked to Account 935 and retail sales tax portion of Florida sales tax audit expense booked to Account 930.2 from Form-1 reported value.
- Note T: Network prepayments include interest that has been accrued but not yet refunded.
- Note U: The inclusion of Line 24, "Unfunded Self-Insurance Medical Reserves," ensures that identified "Unfunded Self-Insurance Medical Reserves" are appropriately excluded from rate base in the Formula Rate calculations. The specific treatment of these "Unfunded Self-Insurance Medical Reserves" in no way precludes the Transmission Provider or interested parties from making any argument in any proceeding at the Commission or in any review or challenge proceeding under the Formula Rate as to the appropriate accounting or ratemaking treatment in the Formula Rate of any other-unfunded reserve.
- Note V: Adjusted to remove AFUDC accruals from CWIP projects that were included in rate base.

CLEAN AND REDLINED OATT SHEETS FOR PEC

(REFLECTING THE REVISIONS THAT REDUCE THE FORMULA RATE,
EFFECTIVE AUGUST 1, 2009)

PROGRESS ENERGY FLORIDA, INC.
 OATT Transmission Non-Levelized Rate Formula Template Using Form-1 Data

Development of Rate Base and Capital Structure

Line	RATE BASE:	Reference	Beginning Balance	Ending Balance	B/E Average	Allocator	OATT Transmission
Gross Plant in Service (Note A):							
1	Production Plant	205.46.b&g	0	0	0	N/A	
2	Transmission Plant (Note V)	207.58.b&g	0	0	0	TP 0.00000	0
3	Distribution Plant	207.75.b&g	0	0	0	N/A	
4	General Plant	207.99.b&g	0	0	0	OATT LABOR 0.00000	0
5	Intangible Plant	205.5.b&g	0	0	0	OATT LABOR 0.00000	0
6	Total Gross Plant				<u>0</u>	GP = 0.00000	<u>0</u>
Accumulated Depreciation:							
7	Production Depr. Reserve	219.21-24.c	0	0	0	N/A	
8	Transmission Depr. Reserve (Note V)	219.25.c	0	0	0	TP 0.00000	0
9	Distribution Depr. Reserve	219.26.c	0	0	0	N/A	
10	General Depr. Reserve	219.27.c	0	0	0	OATT LABOR 0.00000	0
11	Intangible Amort. Reserve	200.21.c	0	0	0	OATT LABOR 0.00000	0
12	Total Accumulated Depr.				<u>0</u>		<u>0</u>
Net Plant in Service							
13	Net Production Plant	Line 1 - Line 7			0		
14	Net Transmission Plant	Line 2 - Line 8			0		0
15	Net Distribution Plant	Line 3 - Line 9			0		
16	Net General Plant	Line 4 - Line 10			0		0
17	Net Intangible Plant	Line 5 - Line 11			0		0
18	Total Net Plant				<u>0</u>	NP = 0.00000	<u>0</u>
Adjustments to Rate Base - Deferred Taxes							
19	ADIT - 190	234.8.b&c	0	0	0	Exhibit PEF - 5	
20	ADIT - 281 (Negative)	273.8.b&k	0	0	0	Exhibit PEF - 5	
21	ADIT - 282 (Negative)	275.2.b&k	0	0	0	Exhibit PEF - 5	
22	ADIT - 283 (Negative)	277.8.b&k	0	0	0	Exhibit PEF - 5	
23	Total Deferred Tax Adjustments				<u>0</u>		<u>0</u>
24	Unfunded Reserves	Note U	0	0	0	Exhibit PEF-5A	0
25	Net 182.1 (+) / Storm Reserve (-) - Wholesale Transmission (Note B)	230a.5.f	0	0	0	p. 5, l. 16 0.00000	0
26	Plant Held for Future Use	214.47.d	0	0	0	Note C	0
27	Transmission Related CWIP - Identified Projects (Note V)		0	0	0	0.50000	0
Rate Base Adjustments - Network Upgrade Prepayments (Note O):							
28	Outstanding Balance - Network Prepayments (Note T)		0	0	0	D/A (1.00000)	0
29	Interest Accrued/Capitalized on Network Prepayments		0	0	0	D/A 1.00000	0
30	Total Network Upgrade Prepayment Adjustments						<u>0</u>
Working Capital:							
31	Cash Working Capital (1/8 O&M)	Page 3, line 17					
32	M&S - Transmission	227.8.b&c	0	0	0	TP 0.00000	
33	M&S - Stores Expense	227.15.b&c	0	0	0	OATT LABOR 0.00000	
34	Prepayments (Note L)	111.57.c&d	0	0	0	GP 0.00000	
35	Total Working Capital						<u>0</u>
36	Rate Base (Sum of Lines 18, 23 thru 27, 30, and 35)						0
AVERAGE CAPITALIZATION:							
37	Long Term Debt	112.24.c&d	0	0	0		
38	Less Loss on Reacquired Debt	111.81.c&d	0	0	0		
39	Plus Gain on Reacquired Debt	113.61.c&d	0	0	0		
40	Less Securitization Bonds	Note I	0	0	0		
41	Net Long Term Debt				<u>0</u>		
42	Preferred Stock	112.3.c&d	0	0	0		
Common Stock Development:							
43	Proprietary Capital	112.16.c&d	0	0	0		
44	Less Preferred Stock	112.3.c&d	0	0	0		
45	Less Account 216.1	112.12.c&d	0	0	0		
46	Common Stock				<u>0</u>		
47	Total Capitalization (Sum of Lines 41, 42, and 46)				0		

PROGRESS ENERGY FLORIDA, INC.
 OATT Transmission Non-Levelized Rate Formula Template Using Form-1 Data

Wholesale Storm Reserve Funding and Explanatory Notes

Line	Reference	Total	Allocator	OATT Transmission
1	Whlse Extraordinary Property Loss	230a.5.b	0	
2	Trans. Related Pct of Whlse Loss	Note J	0.92011	WEPL-T
3	Whlse Trans. Extraordinary Property Loss		0	TP 0.00000 0
Components of Storm Amortization/Reserve Funding Adder (2008-2012 Rate Years only - Note N):				
4	Balance 2004 Loss as of Jan 1, 2008	230a.5.f	15,658,702	Fixed 0.84987 13,307,907
Rebuild Reserve Equivalent to \$130MM Retail:				
5	Whlse Portion of \$6MM Funding	ER95-469	434,000	Fixed 0.07233
6	System Total Reserve Req't = 130MM/(1 - Line 5 %)		140,136,543	
7	Whlse Reserve Needed = Line 6 - \$130MM		10,136,543	Fixed 0.84987 8,614,774
8	Whlse Portion of Existing Storm Accrual	ER95-469	434,000	Fixed 0.84987 368,845
9	Levelized Storm Reserve Funding Rate \$/MW-Month (PEF - 6, page 2)			140
Denominator for Wholesale Transmission:				
10	Firm Network Service for Self	400.17.e	0	0.00000 0
11	Firm Network Service for Others (Note K)	400.17.f	0	1.00000 0
12	Long-Term Firm P-t-P Reservations	400.17.g	0	1.00000 0
13	Other Long-Term Firm Service	400.17.h	0	1.00000 0
14	Contract Demand Adjustment		0	1.00000 0
15	Total System Long Term Firm Transmission Load		0	0
16	Gross-up Factor for OATT Wholesale Reserve - System Basis (Total Load/Whlse Load * 0.84987)			0.00000

- Note A: Excludes Asset Retirement Obligations from plant balances
- Note B: Because the Page 2 Rate Base amounts are total system numbers, the wholesale specific loss/reserve balance is grossed up using the relationship between system and wholesale only transmission demands times the percent of the balance applicable to the OATT. See also Notes H and J.
- Note C: FERC Form 1 page 214 excluding non-transmission related items
- Note D: Analysis of Company books. Regulatory expense excludes charges by FERC pursuant to 18 CFR § 382.201
- Note E: Excludes Retail ECCR and Sebring amortizations from Form-1 reported value
- Note F: Excludes all income and gross receipts taxes. Labor related other taxes include FICA and unemployment taxes. Property related taxes include county and local property, highway use, and intangible taxes.
- Note G: Investment in Transmission Energy Control Center included in Schedule 1 Ancillary Service cost
- Note H: The allocator "TP" is the percent of gross transmission plant that is OATT related, i.e., after removal of ECC, interconnections and generator step-up transformer investment. It also serves as the basis for deriving OATT-related transmission labor from the Form-1 reported value.
- Note I: To the extent PEF is authorized by the Florida Public Service Commission and issues bonds for distribution facilities to securitize retail recovery of extraordinary property losses, associated principal and interest expense are excluded in capitalization and return basis.
- Note J: Functionalized Transmission part 182.1 Extraordinary Property Losses balance only, "WEPL-T." Consistent with the process described in Note H above, the OATT-related amount of the transmission loss is then derived using the TP allocation factor
- Note K: Includes Network Integration Service and Network Contract Demand Service
- Note L: Beginning balance excludes \$0 and ending balance excludes \$0 for prepaid pensions from Form-1 A/C 165 balances.
- Note M: If income tax rates change during a calendar year, the income tax rates will be pro-rated based on the number of days each income tax rate was in effect.
- Note N: Pursuant to the settlement agreement, annual amounts included in line 11 will be adjusted and reversed as necessary to ensure no overfunding of the wholesale reserve; i.e., the year-end reserve balance for OATT rates will not exceed the \$8,614,774 shown on line 7
- Note O: Payments by PEF to an Affected System Operator pursuant to Orders 2003 or 2006 (including rehearing orders) are not to be included in the formula rate regardless of the accounting.
- Note P: Target percentages are fixed for 2008 - 2012 and were derived from projected OATT LTF billing MW-months and the MW-month equivalent billings for STF and non-firm transmission revenues in the September 2007 PEF financial forecast.
- Note Q: Actual LTF OATT MW-Months are the sum of Lines 11 and 12 above, as reported in Form-1 for Firm Network Service for Others and Long Term Firm Point-to-Point Service
- Note R: Actual STF/Non-Firm equivalent "MW-Months" are equal to monthly STF/Non-firm transmission service revenue divided by the same "Total Firm Monthly Trans. \$/MW-Month" rate (Page 1, Line 11) from which the STF/Non-firm billing rates were derived
- Note S: Section 2.12 of Schedule 10.3 states "The Formula Rate excludes all costs that are properly directly assigned or assignable to one or more particular customers, including costs directly assigned or assignable to PEF." Per Settlement of 2008 Annual Update, the amount specified excludes directly assignable retail costs/credits booked to Account 935 and retail sales tax portion of Florida sales tax audit expense booked to Account 930.2 from Form-1 reported value.
- Note T: Network prepayments include interest that has been accrued but not yet refunded.
- Note U: The inclusion of Line 24, "Unfunded Reserves," ensures that identified "Unfunded Reserves" are appropriately excluded from rate base in the Formula Rate calculations. The specific treatment of these "Unfunded Reserves" in no way precludes the Transmission Provider or other interested parties from making any argument in any proceeding at the Commission or in any review or challenge proceeding under the Formula Rate as to the appropriate accounting or ratemaking treatment in the Formula Rate of any unfunded reserve.
- Note V: Adjusted to remove AFUDC accruals from CWIP projects that were included in rate base.

PROGRESS ENERGY FLORIDA, INC.
 OATT Transmission Non-Levelized Rate Formula Template Using Form-1 Data

Development of Rate Base and Capital Structure

Line	RATE BASE:	Reference	Beginning Balance	Ending Balance	B/E Average	Allocator	OATT Transmission
Gross Plant in Service (Note A):							
1	Production Plant	205.46.b&g	0	0	0	N/A	
2	Transmission Plant (Note V)	207.58.b&g	0	0	0	TP 0.00000	0
3	Distribution Plant	207.75.b&g	0	0	0	N/A	
4	General Plant	207.99.b&g	0	0	0	OATT LABOR 0.00000	0
5	Intangible Plant	205.5.b&g	0	0	0	OATT LABOR 0.00000	0
6	Total Gross Plant				<u>0</u>	GP = 0.00000	<u>0</u>
Accumulated Depreciation:							
7	Production Depr. Reserve	219.21-24.c	0	0	0	N/A	
8	Transmission Depr. Reserve (Note V)	219.25.c	0	0	0	TP 0.00000	0
9	Distribution Depr. Reserve	219.26.c	0	0	0	N/A	
10	General Depr. Reserve	219.27.c	0	0	0	OATT LABOR 0.00000	0
11	Intangible Amort. Reserve	200.21.c	0	0	0	OATT LABOR 0.00000	0
12	Total Accumulated Depr.				<u>0</u>		<u>0</u>
Net Plant in Service							
13	Net Production Plant	Line 1 - Line 7			0		
14	Net Transmission Plant	Line 2 - Line 8			0		0
15	Net Distribution Plant	Line 3 - Line 9			0		
16	Net General Plant	Line 4 - Line 10			0		0
17	Net Intangible Plant	Line 5 - Line 11			0		0
18	Total Net Plant				<u>0</u>	NP = 0.00000	<u>0</u>
Adjustments to Rate Base - Deferred Taxes							
19	ADIT - 190	234.8.b&c	0	0	0	Exhibit PEF - 5	
20	ADIT - 281 (Negative)	273.8.b&k	0	0	0	Exhibit PEF - 5	
21	ADIT - 282 (Negative)	275.2.b&k	0	0	0	Exhibit PEF - 5	
22	ADIT - 283 (Negative)	277.8.b&k	0	0	0	Exhibit PEF - 5	
23	Total Deferred Tax Adjustments				<u>0</u>		<u>0</u>
24	Unfunded Self-Insurance Medical Reserves (Note U)	Exhibit PEF-5A-Note U	0	0	0	OATT LABOR-Exhibit PEF-5A 0.00000	0
25	Net 182.1 (+) / Storm Reserve (-) - Wholesale Transmission (Note B)	230a.5.f	0	0	0	p. 5, l. 16 0.00000	0
26	Plant Held for Future Use	214.47.d	0	0	0	Note C	0
27	Transmission Related CWIP - Identified Projects (Note V)		0	0	0	0.50000	0
Rate Base Adjustments - Network Upgrade Prepayments (Note O):							
28	Outstanding Balance - Network Prepayments (Note T)		0	0	0	D/A (1.00000)	0
29	Interest Accrued/Capitalized on Network Prepayments		0	0	0	D/A 1.00000	0
30	Total Network Upgrade Prepayment Adjustments						<u>0</u>
Working Capital:							
31	Cash Working Capital (1/8 O&M)	Page 3, line 17					
32	M&S - Transmission	227.8.b&c	0	0	0	TP 0.00000	
33	M&S - Stores Expense	227.15.b&c	0	0	0	OATT LABOR 0.00000	
34	Prepayments (Note L)	111.57.c&d	0	0	0	GP 0.00000	
35	Total Working Capital						<u>0</u>
36	Rate Base (Sum of Lines 18, 23 thru 27, 30, and 35)						0
AVERAGE CAPITALIZATION:							
37	Long Term Debt	112.24.c&d	0	0	0		
38	Less Loss on Reacquired Debt	111.81.c&d	0	0	0		
39	Plus Gain on Reacquired Debt	113.61.c&d	0	0	0		
40	Less Securitization Bonds	Note I	0	0	0		
41	Net Long Term Debt				<u>0</u>		
42	Preferred Stock	112.3.c&d	0	0	0		
Common Stock Development:							
43	Proprietary Capital	112.16.c&d	0	0	0		
44	Less Preferred Stock	112.3.c&d	0	0	0		
45	Less Account 216.1	112.12.c&d	0	0	0		
46	Common Stock				<u>0</u>		
47	Total Capitalization (Sum of Lines 41, 42, and 46)				0		

PROGRESS ENERGY FLORIDA, INC.
 OATT Transmission Non-Levelized Rate Formula Template Using Form-1 Data

Wholesale Storm Reserve Funding and Explanatory Notes

Line	Reference	Total	Allocator	OATT Transmission
1	Whlse Extraordinary Property Loss	230a.5.b	0	
2	Trans. Related Pct of Whlse Loss	Note J	0.92011	
3	Whlse Trans. Extraordinary Property Loss		0	0.00000
Components of Storm Amortization/Reserve Funding Adder (2008-2012 Rate Years only - Note N):				
4	Balance 2004 Loss as of Jan 1, 2008	230a.5.f	15,658,702	13,307,907
Rebuild Reserve Equivalent to \$130MM Retail:				
5	Whlse Portion of \$6MM Funding	ER95-469	434,000	0.07233
6	System Total Reserve Req't = 130MM/(1 - Line 5 %)		140,136,543	
7	Whlse Reserve Needed = Line 6 - \$130MM		10,136,543	8,614,774
8	Whlse Portion of Existing Storm Accrual	ER95-469	434,000	368,845
9	Levelized Storm Reserve Funding Rate \$/MW-Month (PEF - 6, page 2)			140
Denominator for Wholesale Transmission:				
10	Firm Network Service for Self	400.17.e	0	0.00000
11	Firm Network Service for Others (Note K)	400.17.f	0	1.00000
12	Long-Term Firm P-t-P Reservations	400.17.g	0	1.00000
13	Other Long-Term Firm Service	400.17.h	0	1.00000
14	Contract Demand Adjustment		0	1.00000
15	Total System Long Term Firm Transmission Load		0	0
16	Gross-up Factor for OATT Wholesale Reserve - System Basis (Total Load/Whlse Load * 0.84987)			0.00000

- Note A: Excludes Asset Retirement Obligations from plant balances
- Note B: Because the Page 2 Rate Base amounts are total system numbers, the wholesale specific loss/reserve balance is grossed up using the relationship between system and wholesale only transmission demands times the percent of the balance applicable to the OATT. See also Notes H and J.
- Note C: FERC Form 1 page 214 excluding non-transmission related items
- Note D: Analysis of Company books. Regulatory expense excludes charges by FERC pursuant to 18 CFR § 382.201
- Note E: Excludes Retail ECCR and Sebring amortizations from Form-1 reported value
- Note F: Excludes all income and gross receipts taxes. Labor related other taxes include FICA and unemployment taxes. Property related taxes include county and local property, highway use, and intangible taxes.
- Note G: Investment in Transmission Energy Control Center included in Schedule 1 Ancillary Service cost
- Note H: The allocator "TP" is the percent of gross transmission plant that is OATT related, i.e., after removal of ECC, interconnections and generator step-up transformer investment. It also serves as the basis for deriving OATT-related transmission labor from the Form-1 reported value.
- Note I: To the extent PEF is authorized by the Florida Public Service Commission and issues bonds for distribution facilities to securitize retail recovery of extraordinary property losses, associated principal and interest expense are excluded in capitalization and return basis.
- Note J: Functionalized Transmission part 182.1 Extraordinary Property Losses balance only, "WEPL-T." Consistent with the process described in Note H above, the OATT-related amount of the transmission loss is then derived using the TP allocation factor
- Note K: Includes Network Integration Service and Network Contract Demand Service
- Note L: Beginning balance excludes \$0 and ending balance excludes \$0 for prepaid pensions from Form-1 A/C 165 balances.
- Note M: If income tax rates change during a calendar year, the income tax rates will be pro-rated based on the number of days each income tax rate was in effect.
- Note N: Pursuant to the settlement agreement, annual amounts included in line 11 will be adjusted and reversed as necessary to ensure no overfunding of the wholesale reserve; i.e., the year-end reserve balance for OATT rates will not exceed the \$8,614,774 shown on line 7
- Note O: Payments by PEF to an Affected System Operator pursuant to Orders 2003 or 2006 (including rehearing orders) are not to be included in the formula rate regardless of the accounting.
- Note P: Target percentages are fixed for 2008 - 2012 and were derived from projected OATT LTF billing MW-months and the MW-month equivalent billings for STF and non-firm transmission revenues in the September 2007 PEF financial forecast.
- Note Q: Actual LTF OATT MW-Months are the sum of Lines 11 and 12 above, as reported in Form-1 for Firm Network Service for Others and Long Term Firm Point-to-Point Service
- Note R: Actual STF/Non-Firm equivalent "MW-Months" are equal to monthly STF/Non-firm transmission service revenue divided by the same "Total Firm Monthly Trans. \$/MW-Month" rate (Page 1, Line 11) from which the STF/Non-firm billing rates were derived
- Note S: Section 2.12 of Schedule 10.3 states "The Formula Rate excludes all costs that are properly directly assigned or assignable to one or more particular customers, including costs directly assigned or assignable to PEF." Per Settlement of 2008 Annual Update, the amount specified excludes directly assignable retail costs/credits booked to Account 935 and retail sales tax portion of Florida sales tax audit expense booked to Account 930.2 from Form-1 reported value.
- Note T: Network prepayments include interest that has been accrued but not yet refunded.
- Note U: The inclusion of Line 24, "Unfunded Self-Insurance Medical Reserves," ensures that identified "Unfunded Self-Insurance Medical Reserves" are appropriately excluded from rate base in the Formula Rate calculations. The specific treatment of these "Unfunded Self-Insurance Medical Reserves" in no way precludes the Transmission Provider or interested parties from making any argument in any proceeding at the Commission or in any review or challenge proceeding under the Formula Rate as to the appropriate accounting or ratemaking treatment in the Formula Rate of any other-unfunded reserve.
- Note V: Adjusted to remove AFUDC accruals from CWIP projects that were included in rate base.