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August 17, 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 to Reflect  
Settlement with Customers;  
Docket No. ER09-1228-\_\_\_\_\_**

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 (2008), Florida Power Corporation, doing business as Progress Energy Florida, Inc. ("PEF"), hereby amends the May 29, 2009 filing in this proceeding ("May 29 Filing"). The amendment reflects a settlement between PEF and its customers, which resolves all of the customers' issues concerning the May 29 Filing. Consistent with the terms of this settlement, PEF requests that these amendments become effective January 1, 2008, and August 1, 2009, respectively.

## I. BACKGROUND

The May 29 Filing proposed two sets of revisions to PEF's 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 first set of revisions concerns Construction Work In Progress ("CWIP"), rate base treatment for customer prepayments for network upgrades, and the resolution of issues raised to PEF's 2008 Annual Update.<sup>1</sup> These revisions result in a small

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<sup>1</sup> The 2008 Annual Update was filed on May 15, 2008 in Docket No. ER08-959-000.

reduction to the Formula Rate. PEF requested that the Commission accept these revisions effective January 1, 2008.

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

On June 19, 2009, Florida Municipal Power Agency ("FMPA") and Seminole Electric Cooperative, Inc. ("SECI") filed motions to intervene indicating that they had issues with the May 29 Filing. They requested that the Commission extend the comment due date to June 26, 2009. PEF supported the extension of the comment date to permit it additional time to discuss issues with its customers before the comments due date. On June 24, 2009, the Commission issued a notice granting the extension.

On June 26, 2009, PEF notified the Commission that it had entered in a settlement in principle concerning the customers' issues with the May 29 Filing. Also, in order to conserve the resources of the parties and the Commission, PEF requested that the Commission suspend this proceeding from further action pending PEF's submittal of an amendment to the May 29 Filing, which reflects the settlement with its customers.

## **II. SETTLEMENT PROCESS WITH PEF CUSTOMERS**

The instant amendment of the May 29 Filing settles all of FMPA's and SECI's issues concerning the May 29, 2009 Filing. PEF circulated the draft filing letter and tariff sheets for this amendment to its customers for review and comment. FMPA and SECI have authorized PEF to state that the instant amendment fully reflects the settlement with PEF. In addition, Reedy Creek Improvement District and Tampa Electric Company, who each filed document-less motions to intervene in this proceeding, have authorized PEF to state that they either support or do not object to the settlement and instant amendment.

Section 3 of this filing letter describes the amendments to the May 29 Filing to reflect the settlement. In addition, the settlement provided that the amendments would become effective January 1, 2008 and August 29, 2009, respectively, as originally requested in the May 29 Filing.

## **III. INSTANT SETTLEMENT AND AMENDMENT**

### **A. NETWORK PAYMENTS**

In the May 29 Filing, PEF proposed to clarify Exhibit PEF-2, page 2 of 6, line 28, labeled "Cash Network Prepayments," by striking the word "cash" to recognize that the appropriate amount is the total unrefunded liability balance, which in conjunction with

the rate base addition for unrefunded accrued interest shown in line 29, nets to a rate base reduction exactly equal to the outstanding balance for customer monies advanced.

For further clarification, the parties have agreed to add a new Note T on Exhibit PEF-2, page 5 of 6, to state, "Network prepayments include interest that has been accrued and has not yet been refunded." In addition, PEF proposes to delete the reference to Account No. 252 on Exhibit PEF-2, page 2 of 6, line 28, and to include a reference to new Note T.

## **B. RETAIL EXPENSES**

The parties have agreed to revise Note S of the Formula Rate to clarify that the Formula Rate excludes certain retail costs, credits and sales tax. New Note S reads as follows:

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.

## **C. UNFUNDED MEDICAL RESERVES**

In the May 29 Filing, PEF proposed to add line 24A to Exhibit PEF-2, page 2 of 6.<sup>2</sup> This addition was made to accommodate the calculation to reduce the Formula Rate base calculation by a labor allocation portion of PEF's unfunded self-insured medical reserves.

As a result of the settlement, PEF has agreed to add a footnote to line 24A which states as follows:

The inclusion of Line 24A, "Unfunded Self-Insurance Medical Reserves," ensures that "Unfunded Self-Insurance Medical Reserves" are appropriately excluded from rate base in the Formula Rate calculations. The specific treatment of the "Unfunded Self-Insurance Medical Reserves" in no way precludes the Transmission Provider or interested parties from making any argument in any proceeding at the

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<sup>2</sup> Commencing on August 1, 2009, Line 24A will be designated as Line 24.

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.

In addition, PEF will add the term “medical” to line 24A, which was inadvertently omitted.<sup>3</sup>

#### **D. CLARIFICATION TO ADJUSTED ITEMS**

The parties have agreed to add notes to the Formula Rate template for each of the items that have been adjusted, which would state, “Adjusted to remove AFUDC accruals from CWIP projects that were included in rate base.” In addition, the parties have agreed to remove any specific references as to how those adjustments would be made in the Formula Rate template. The adjustments will be developed by the parties in the 2009 Annual Update process and then filed at the Commission.

#### **E. REVISIONS TO PROTOCOLS**

To clarify the effects of revisions to the Formula Rate that become effective within a calendar year, the parties have agreed to add the following language to the Protocols:

In the event that the Formula Rate shall have changed one or more times during a calendar year, the Annual True-Up for that year shall have multiple parts, one part for each period in which a different Formula Rate was in effect. Each part shall accomplish the true-up of charges for the portion of the year during which the respective Formula Rate was in effect. For purposes of such true-up, (1) the annual revenue requirements for the entire year shall be determined as if the respective Formula Rate was in effect for the entire year, (2) the resulting per-unit rates shall be determined from those revenue requirements and billing determinants for the entire year in accordance with the respective Formula Rate, and (3) the resulting unit prices shall be applied to Transmission Customers' billing determinants for the same portion of the year during which the respective Formula Rate was in effect in order to determine the trued-up charges for that time period (i.e., what the charges reflecting actual costs should have been for such time period). Each set of trued-up charges shall be compared to the actual monthly charges for

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<sup>3</sup> See footnote 2 herein.

respective Customers during the corresponding time periods to determine refunds or additional charges, along with appropriate interest determined in accordance with the Formula Rate.

#### **IV. EFFECTIVE DATE**

Consistent with the terms of the settlement, PEF requests that the amended Formula Rate tariff sheets become effective January 1, 2008, and August 1, 2009, respectively, as originally requested in the May 29 Filing.

#### **V. MATERIALS SUBMITTED WITH THIS FILING**

This filing includes the following information:<sup>4</sup>

- (a) Attachment 1 – Clean and redlined revised OATT sheets reflecting revisions that reduce the Formula Rate, as well as the revision to the Protocols;<sup>5</sup>
- (b) Attachment 2 – Clean and redlined revised OATT sheets reflecting the revisions that increase the Formula Rate.<sup>6</sup>

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

Pursuant to 18 C.F.R. § 385.2010(f)(i) 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 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>.

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<sup>4</sup> PEF notes that the settlement and instant amendment do not affect the cost support submitted in the May 29 Filing.

<sup>5</sup> PEF and its affiliate, Carolina Power & Light Company, doing business as Progress Energy Carolinas, Inc. ("PEC"), have a joint OATT. Therefore, PEF is submitting clean and redlined tariff sheets for the PEF Formula Rate for both the PEF OATT and PEC OATT.

<sup>6</sup> *Id.*

## VII. MISCELLANEOUS

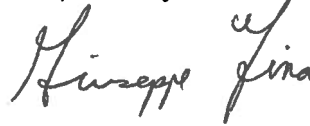
There are no costs included in this filing that have been alleged or adjudged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs, nor has any expense or cost been demonstrated to be the product of discriminatory employment practices.

## VIII. CONCLUSION

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

Please contact the undersigned if you have any questions.

Respectfully submitted,



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Attachments

# **ATTACHMENT 1**

# CLEAN AND REDLINED OATT SHEETS FOR PEF

(REFLECTING REVISIONS THAT REDUCE THE FORMULA RATE,  
AS WELL AS THE REVISION TO THE PROTOCOLS)

all twelve months of such prior calendar year (i.e., the year being true-up) shall be recomputed using the transmission unit charges reflecting actual costs and demands, as determined in the Annual Update. (2) The resulting recomputed monthly amounts to each such Transmission Customer shall be compared to the amounts that had been included in that Transmission Customer's monthly billings for service during that calendar year (which shall have been determined using the transmission unit charges that shall have been in effect pursuant to Sections 1.a(i) and 1.a(ii) above). (3) The difference between the recomputed amounts and the previously billed amounts, together with interest determined in accordance with 18 C.F.R. § 35.19, shall, as appropriate, be refunded to the Transmission Customer within 30 days, or charged to the Transmission Customer on the next monthly bill to that Transmission Customer, following the Publication Date (as hereinafter defined) of the Annual Update.

- (iv) In the event that the Formula Rate shall have changed one or more times during a calendar year, the Annual True-Up for that year shall have multiple parts, one part for each period in which a different Formula Rate was in effect. Each part shall accomplish the true-up of charges for the portion of the year during which the respective Formula Rate was in effect. For purposes of such true-up, (1) the annual revenue requirements for the entire year shall be determined as if the respective Formula Rate was in effect for the entire year, (2) the resulting per-unit rates shall be determined from those revenue requirements and billing determinants for the entire year in accordance with the respective Formula Rate, and (3) the resulting unit

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prices shall be applied to Transmission Customers' billing determinants for the same portion of the year during which the respective Formula Rate was in effect in order to determine the trued-up charges for that time period (i.e., what the charges reflecting actual costs should have been for such time period). Each set of trued-up charges shall be compared to the actual monthly charges for respective Customers during the corresponding time periods to determine refunds or additional charges, along with appropriate interest determined in accordance with the Formula Rate.

- b. Promptly after preparing each Annual Update, but in no event later than May 15 of the year in which the Annual Update is performed (except as provided in Section 1.c below), the Transmission Provider shall:
- (i) post the results of such Annual Update on Transmission Provider's Internet website via link to the Transmission Services page or a similar successor page in both a Portable Document Format and fully-functioning Excel file; and
  - (ii) file the results of such Annual Update with the Federal Energy Regulatory Commission ("FERC" or "Commission") as an informational filing ("Informational Filing"). Consistent with FERC procedures concerning

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
<b>Gross Plant in Service (Note A):</b>							
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	<b>Total Gross Plant</b>				<u>0</u>	GP = 0.00000	<u>0</u>
<b>Accumulated Depreciation:</b>							
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	<b>Total Accumulated Depr.</b>				<u>0</u>		<u>0</u>
<b>Net Plant in Service</b>							
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	<b>Total Net Plant</b>				<u>0</u>	NP = 0.00000	<u>0</u>
<b>Adjustments to Rate Base - Deferred Taxes</b>							
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	<b>Total Deferred Tax Adjustments</b>				<u>0</u>		<u>0</u>
24A	<b>Unfunded Self-Insurance Medical Reserves (Note U)</b>	Exhibit PEF-5A	0	0	0	OATT LABOR 0.00000	0
25	<b>Net 182.1 (+) / Storm Reserve (-) - Wholesale Transmission (Note B)</b>	230a.5.f	0	0	0	p. 5, l. 16 0.00000	0
26	<b>Plant Held for Future Use</b>	214.47.d	0	0	0	Note C	0
27	<b>Transmission Related CWIP - Identified Projects (Note V)</b>		0	0	0	0.50000	0
<b>Rate Base Adjustments - Network Upgrade Prepayments (Note O):</b>							
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	<b>Total Network Upgrade Prepayment Adjustments</b>						<u>0</u>
<b>Working Capital:</b>							
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	<b>Total Working Capital</b>						<u>0</u>
36	<b>Rate Base (Sum of Lines 18, 24 thru 27, 30, and 35)</b>						0
<b>AVERAGE CAPITALIZATION:</b>							
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	<b>Net Long Term Debt</b>				<u>0</u>		
42	Preferred Stock	112.3.c&d	0	0	0		
<b>Common Stock Development:</b>							
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	<b>Common Stock</b>				<u>0</u>		
47	<b>Total Capitalization (Sum of Lines 41, 42, and 46)</b>				0		

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

Development of Revenue Requirements

Line	EXPENSES:	Reference	Total	Allocator	OATT Transmission
<b>O&amp;M Expense</b>					
1	TOTAL Transmission Expenses	321.112.b	0		
2	Less Account 561	321.84-92.b	0		
3	Less Account 565	321.96.b	0		
4	Net Transmission O&M	Note H	<u>0</u>	TExp 0.00000	<u>0</u>
5	Total Admin & General Expenses (Note S)	323.197.b	0		
6	Less (924) Property Insurance	323.185.b	0		
7	Less (928) Regulatory Commission Expenses	323.189.b	0		
8	Less (930.1) General Advertising Expenses	323.191.b	0		
9	Less Industry Dues and R&D Expense	335.1-3.b	0		
10	Net Labor Related A&G		<u>0</u>	OATT LABOR 0.00000	0
11	(924) Property Insurance	323.185.b	0		
12	Less system storm reserve funding		0		
13	Net Allocated Property Insurance		<u>0</u>	GP 0.00000	0
14	Trans. Related Regulatory Expense	Note D		D/A 1.00000	0
15	Trans. Related Advertising Exp.	Note D		D/A 1.00000	0
16	Adj. to Imputed Whlse PBOP Exp. - System	Page 6	0	OATT LABOR 0.00000	0
17	<b>Total O&amp;M (Sum of Lines 4, 10, and 13 thru 16)</b>				<u>0</u>
<b>Depreciation Expense</b>					
18	Transmission Depr. Expense (Note V)	336.7.f	0	TP 0.00000	
19	General Depr. Expense	336.9.f	0	OATT LABOR 0.00000	
20	Intangible Amortization (Note E)	336.1.f	0	OATT LABOR 0.00000	
21	<b>Total Depreciation</b>		<u>0</u>		<u>0</u>
<b>Taxes Other Than Income (Note F)</b>					
22	Labor Related	263.i	0	OATT LABOR 0.00000	
23	Property Related	263.i	0	GP 0.00000	
24	<b>Total Other Taxes</b>		<u>0</u>		<u>0</u>
<b>Return:</b>					
25	Rate Base (Page 2, Line 36) * Rate of Return (Page 4, Line 27)				0
<b>Income Taxes:</b>					
26	State of Florida	Note M	0.00%		
27	Federal	Note M	<u>0.00%</u>		
28	Composite T = State + Federal * (1 - State)		0.00%		
29	Tax Rev.Req't Factor = T / (1 - T) * (1 - Wtd.Debt.Cost/R <sub>0</sub> )		0.00%		
30	ITC Gross Up Factor = 1 / (1 - T)		0.000		
31	Amortized ITC (Negative)	266.8.f	0		
32	Income Taxes Calculated (Line 25 * Line 29)				0
33	ITC Adjustment (Line 30 * Line 31)		0	NP 0.00000	0
34	<b>Total Income Taxes</b>				<u>0</u>
35	<b>TOTAL REVENUE REQUIREMENT (Sum of Lines 17, 21, 24, 25, and 34)</b>				<u>0</u>

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

Supporting Allocation Factor and Return Calculations

Line	Reference	Total	
<b>B/E Avg. Transmission Plant Included in OATT Rate:</b>			
1	Total Transmission Plant (Note V) p 2, line 2	0	
2	Less Gen. Step-up Transformers in 353 Exhibit PEF - 4	0	
3	Less Interconnection Facilities (Order 2003) Exhibit PEF - 4	0	
4	Less Energy Control Center Note G	0	
5	Avg. Trans Plant for OATT Rate	0	
6	<b>TP Allocator (Line 5 / Line 1)</b> Note H	0.00000	
7	Add Back ECC (Line 4 + Line 5)	0	
8	<b>TExp Allocator (Expenses excluding 561 and 565) (Line 7 / Line 1)</b>	0.00000	
<b>Labor Allocation Factor</b>			
9	Total Direct Payroll - O&M Labor 354.28.b	0	
10	A&G Labor 354.27.b	0	
11	Adj. - RCO Labor in A&G Labor	0	
12	Adjusted Labor w/o A&G (Line 9 - Line 10 + Line 11)	0	
13	Transmission O&M Labor 354.21.b	0	
14	<b>Trans Labor Factor (Line 13 / Line 12)</b>	0.00000	
15	<b>OATT LABOR Allocator (Line 6 * Line 14)</b> Note H	0.00000	
<b>Return and Average Capitalization:</b>			
16	Long Term Interest Expense 117.62-67.c	0	
17	Less Interest on Securitization Bonds Note I	0	
18	Net Long Term Interest Expense	0	
19	Preferred Dividends (positive) 118.29.c	0	
20	Long Term Debt p.2, line 41	0	
21	Preferred Stock p.2, line 42	0	
22	Common Stock p.2, line 46	0	
23	Total Capitalization (sum Lines 20, 21, 22)	0	
<b>SUMMARY CAP STRUCTURE</b>			
	<u>Weight</u>	<u>Cost</u>	<u>Weighted Cost</u>
24	Long term Debt 0.00%	0.00%	0.00%
25	Preferred Stock 0.00%	0.00%	0.00%
26	Common Equity 0.00%	<b>10.80%</b>	0.00%
27	<b>Overall Return: R<sub>0</sub> =</b>		<b>0.00%</b>

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	<b>Whlse Extraordinary Property Loss</b>	230a.5.b	0	
2	Trans. Related Pct of Whlse Loss	Note J	0.92011	WEPL-T
3	<b>Whlse Trans. Extraordinary Property Loss</b>		0	TP 0.00000 0
<b>Components of Storm Amortization/Reserve Funding Adder (2008-2012 Rate Years only - Note N):</b>				
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	<b>Whlse Portion of Existing Storm Accrual</b>	ER95-469	434,000	Fixed 0.84987 368,845
9	<b>Levelized Storm Reserve Funding Rate \$/MW-Month (PEF - 6, page 2)</b>			<b>140</b>
<b>Denominator for Wholesale Transmission:</b>				
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	<b>Gross-up Factor for OATT Wholesale Reserve - System Basis (Total Load/Whlse Load * 0.84987)</b>			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 and has not yet been refunded.
- Note U: The inclusion of Line 24A, "Unfunded Self-Insurance Medical Reserves," ensures that "Unfunded Self-Insurance Medical Reserves" are appropriately excluded from rate base in the Formula Rate calculations. The specific treatment of the "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.

**Exhibit PEF - 5A**  
**Page 1 of 1**  
Year Ending 12/31/yyyy

**PROGRESS ENERGY FLORIDA, INC.**

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

<b>Account</b>	<b>Description</b>	<b>Beginning Balance</b>	<b>Ending Balance</b>
2283141	Medical/Life Res Postemp Retail	0	0
2283142	Medical/Life Res Postemp Whlse	0	0
2283143	Funded Med/Life Res Postemp -W	0	0
2283510	Salary Continuation	0	0
2283520	Medical/Dental/Life	0	0
2283540	Salary Continuation Loading	0	0
2283550	Medical/Dental/Life Loading	0	0
	Total Reserve	0	0
	Less Externally Funded Amounts	0	0
	Net Unfunded Medical Reserve	0	0

all twelve months of such prior calendar year (i.e., the year being trued-up) shall be recomputed using the transmission unit charges reflecting actual costs and demands, as determined in the Annual Update. (2) The resulting recomputed monthly amounts to each such Transmission Customer shall be compared to the amounts that had been included in that Transmission Customer's monthly billings for service during that calendar year (which shall have been determined using the transmission unit charges that shall have been in effect pursuant to Sections 1.a(i) and 1.a(ii) above). (3) The difference between the recomputed amounts and the previously billed amounts, together with interest determined in accordance with 18 C.F.R. § 35.19, shall, as appropriate, be refunded to the Transmission Customer within 30 days, or charged to the Transmission Customer on the next monthly bill to that Transmission Customer, following the Publication Date (as hereinafter defined) of the Annual Update.

(iv) In the event that the Formula Rate shall have changed one or more times during a calendar year, the Annual True-Up for that year shall have multiple parts, one part for each period in which a different Formula Rate was in effect. Each part shall accomplish the true-up of charges for the portion of the year during which the respective Formula Rate was in effect. For purposes of such true-up, (1) the annual revenue requirements for the entire year shall be determined as if the respective Formula Rate was in effect for the entire year, (2) the resulting per-unit rates shall be determined from those revenue requirements and billing determinants for the entire year in accordance with the respective Formula Rate, and (3) the resulting unit

prices shall be applied to Transmission Customers' billing determinants for the same portion of the year during which the respective Formula Rate was in effect in order to determine the trued-up charges for that time period (i.e., what the charges reflecting actual costs should have been for such time period). Each set of trued-up charges shall be compared to the actual monthly charges for respective Customers during the corresponding time periods to determine refunds or additional charges, along with appropriate interest determined in accordance with the Formula Rate.

- b. Promptly after preparing each Annual Update, but in no event later than May 15 of the year in which the Annual Update is performed (except as provided in Section 1.c below), the Transmission Provider shall:
- (i) post the results of such Annual Update on Transmission Provider's Internet website via link to the Transmission Services page or a similar successor page in both a Portable Document Format and fully-functioning Excel file; and
  - (ii) file the results of such Annual Update with the Federal Energy Regulatory Commission ("FERC" or "Commission") as an informational filing ("Informational Filing"). Consistent with FERC procedures concerning

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
<b>Gross Plant in Service (Note A):</b>							
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	<b>Total Gross Plant</b>				<u>0</u>	GP = 0.00000	<u>0</u>
<b>Accumulated Depreciation:</b>							
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	<b>Total Accumulated Depr.</b>				<u>0</u>		<u>0</u>
<b>Net Plant in Service</b>							
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			<u>0</u>		<u>0</u>
18	<b>Total Net Plant</b>				<u>0</u>	NP = 0.00000	<u>0</u>
<b>Adjustments to Rate Base - Deferred Taxes</b>							
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	<b>Total Deferred Tax Adjustments</b>				<u>0</u>		<u>0</u>
24A	<b>Unfunded Self-Insurance Medical Reserves (Note U)</b>	Exhibit PEF-5A	0	0	0	OATT LABOR 0.00000	0
25	<b>Net 182.1 (+) / Storm Reserve (-) - Wholesale Transmission (Note B)</b>	230a.5.f	0	0	0	p. 5, l. 16 0.00000	0
26	<b>Plant Held for Future Use</b>	214.47.d	0	0	0	Note C	0
27	<b>Transmission Related CWIP - Identified Projects (Note V)</b>		0	0	0	0.50000	0
27A	<b>OATT CWIP Contra</b>		<u>0</u>	<u>0</u>	<u>0</u>	<u>p. 5, l. 18 0.00000</u>	<u>0</u>
<b>Rate Base Adjustments - Network Upgrade Prepayments (Note O):</b>							
28	Outstanding Balance - Cash-Network Prepayments (262) (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	<b>Total Network Upgrade Prepayment Adjustments</b>						<u>0</u>
<b>Working Capital:</b>							
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	<b>Total Working Capital</b>						<u>0</u>
36	<b>Rate Base (Sum of Lines 18, 24 thru 27A, 30, and 35)</b>						<u>0</u>
<b>AVERAGE CAPITALIZATION:</b>							
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		
<b>Common Stock Development:</b>							
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	<b>Total Capitalization (Sum of Lines 41, 42, and 46)</b>				<u>0</u>		

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

Development of Revenue Requirements

Line	EXPENSES:	Reference	Total	Allocator		OATT Transmission
<b>O&amp;M Expense</b>						
1	TOTAL Transmission Expenses	321.112.b	0			
2	Less Account 561	321.84-92.b	0			
3	Less Account 565	321.96.b	0			
4	Net Transmission O&M	Note H	0	TExp	0.00000	0
5	Total Admin & General Expenses (Note S)	323.197.b	0			
6	Less (924) Property Insurance	323.185.b	0			
7	Less (928) Regulatory Commission Expenses	323.189.b	0			
8	Less (930.1) General Advertising Expenses	323.191.b	0			
9	Less Industry Dues and R&D Expense	335.1-3.b	0			
10	Net Labor Related A&G		0	OATT LABOR	0.00000	0
11	(924) Property Insurance	323.185.b	0			
12	Less system storm reserve funding		0			
13	Net Allocated Property Insurance		0	GP	0.00000	0
14	Trans. Related Regulatory Expense	Note D		D/A	1.00000	0
15	Trans. Related Advertising Exp.	Note D		D/A	1.00000	0
16	Adj. to Imputed Whlse PBOP Exp. - System	Page 6	0	OATT LABOR	0.00000	0
17	<b>Total O&amp;M (Sum of Lines 4, 10, and 13 thru 16)</b>					<b>0</b>
<b>Depreciation Expense</b>						
18	Transmission Depr. Expense (Note V)	336.7.f	0	TP	0.00000	
19	General Depr. Expense	336.9.f	0	OATT LABOR	0.00000	
20	Intangible Amortization (Note E)	336.1.f	0	OATT LABOR	0.00000	
21	<b>Total Depreciation</b>		0			<b>0</b>
<b>Taxes Other Than Income (Note F)</b>						
22	Labor Related	263.i	0	OATT LABOR	0.00000	
23	Property Related	263.i	0	GP	0.00000	
24	<b>Total Other Taxes</b>		0			<b>0</b>
<b>Return:</b>						
25	Rate Base (Page 2, Line 36) * Rate of Return (Page 4, Line 27)					0
<b>Income Taxes:</b>						
26	State of Florida	Note M	0.00%			
27	Federal	Note M	0.00%			
28	Composite T = State + Federal * (1 - State)		0.00%			
29	Tax Rev.Req't Factor = T / (1 - T) * (1 - Wtd.Debt.Cost/R <sub>0</sub> )		0.00%			
30	ITC Gross Up Factor = 1 / (1 - T)		0.000			
31	Amortized ITC (Negative)	266.8.f	0			
32	Income Taxes Calculated (Line 25 * Line 29)					0
33	ITC Adjustment (Line 30 * Line 31)		0	NP	0.00000	0
34	<b>Total Income Taxes</b>					<b>0</b>
35	<b>TOTAL REVENUE REQUIREMENT (Sum of Lines 17, 21, 24, 25, and 34)</b>					<b>0</b>

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

Supporting Allocation Factor and Return Calculations

Line	Reference	Total	
<b>B/E Avg. Transmission Plant Included in OATT Rate:</b>			
1	Total Transmission Plant (Note V) p 2, line 2	0	
<del>1A</del>	<del>Less OATT Contra - EPIS p 5, line 17</del>	<del>0</del>	
2	Less Gen. Step-up Transformers in 353 Exhibit PEF - 4	0	
3	Less Interconnection Facilities (Order 2003) Exhibit PEF - 4	0	
4	Less Energy Control Center Note G	0	
5	Avg. Trans Plant for OATT Rate	0	
6	<b>TP Allocator (Line 5 / Line 1)</b> Note H	0.00000	
7	Add Back ECC (Line 4 + Line 5)	0	
8	<b>TExp Allocator (Expenses excluding 561 and 565) (Line 7 / Line 1)</b>	0.00000	
<b>Labor Allocation Factor</b>			
9	Total Direct Payroll - O&M Labor 354.28.b	0	
10	A&G Labor 354.27.b	0	
11	Adj. - RCO Labor in A&G Labor	0	
12	Adjusted Labor w/o A&G (Line 9 - Line 10 + Line 11)	0	
13	Transmission O&M Labor 354.21.b	0	
14	<b>Trans Labor Factor (Line 13 / Line 12)</b>	0.00000	
15	<b>OATT LABOR Allocator (Line 6 * Line 14)</b> Note H	0.00000	
<b>Return and Average Capitalization:</b>			
16	Long Term Interest Expense 117.62-67.c	0	
17	Less Interest on Securitization Bonds Note I	0	
18	Net Long Term Interest Expense	0	
19	Preferred Dividends (positive) 118.29.c	0	
20	Long Term Debt p.2, line 41	0	
21	Preferred Stock p.2, line 42	0	
22	Common Stock p.2, line 46	0	
23	Total Capitalization (sum Lines 20, 21, 22)	0	
<b>SUMMARY CAP STRUCTURE</b>			
	<u>Weight</u>	<u>Cost</u>	<u>Weighted Cost</u>
24	Long term Debt 0.00%	0.00%	0.00%
25	Preferred Stock 0.00%	0.00%	0.00%
26	Common Equity 0.00%	<b>10.80%</b>	<b>0.00%</b>
27	<b>Overall Return: R<sub>0</sub> =</b>		<b>0.00%</b>

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
<b>Components of Storm Amortization/Reserve Funding Adder (2008-2012 Rate Years only - Note N):</b>				
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
<b>Denominator for Wholesale Transmission:</b>				
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
<b>Memo: OATT Contra Account Balances (B/E Avg): Gross-up Factor - Total Load/Whlse Load</b>				
17	OATT Contra - Plant in Service		0	0.00000 0
18	OATT Contra - CWIP		0	0.00000 0

- 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 \$152,819,535.0 and ending balance excludes \$115,008,399.0 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 and has not yet been refunded.
- Note U: The inclusion of Line 24A, "Unfunded Self-Insurance Medical Reserves," ensures that "Unfunded Self-Insurance Medical Reserves" are appropriately excluded from rate base in the Formula Rate calculations. The specific treatment of the "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.

**Exhibit PEF - 5A**

**Page 1 of 1**

Year Ended 12/31/yyyy

**PROGRESS ENERGY FLORIDA, INC.**

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

<u>Account</u>	<u>Description</u>	<u>Beginning Balance</u>	<u>Ending Balance</u>
<u>2283141</u>	<u>Medical/Life Res Postemp Retail</u>	<u>0</u>	<u>0</u>
<u>2283142</u>	<u>Medical/Life Res Postemp Whlse</u>	<u>0</u>	<u>0</u>
<u>2283143</u>	<u>Funded Med/Life Res Postemp -W</u>	<u>0</u>	<u>0</u>
<u>2283510</u>	<u>Salary Continuation</u>	<u>0</u>	<u>0</u>
<u>2283520</u>	<u>Medical/Dental/Life</u>	<u>0</u>	<u>0</u>
<u>2283540</u>	<u>Salary Continuation Loading</u>	<u>0</u>	<u>0</u>
<u>2283550</u>	<u>Medical/Dental/Life Loading</u>	<u>0</u>	<u>0</u>
	<u>Total Reserve</u>	<u>0</u>	<u>0</u>
	<u>Less Externally Funded Amounts</u>	<u>0</u>	<u>0</u>
	<u>Net Unfunded Medical Reserve</u>	<u>0</u>	<u>0</u>

# CLEAN AND REDLINED OATT SHEETS FOR PEC

(REFLECTING REVISIONS THAT REDUCE THE FORMULA RATE,  
AS WELL AS THE REVISION TO THE PROTOCOLS)

all twelve months of such prior calendar year (i.e., the year being trued-up) shall be recomputed using the transmission unit charges reflecting actual costs and demands, as determined in the Annual Update. (2) The resulting recomputed monthly amounts to each such Transmission Customer shall be compared to the amounts that had been included in that Transmission Customer's monthly billings for service during that calendar year (which shall have been determined using the transmission unit charges that shall have been in effect pursuant to Sections 1.a(i) and 1.a(ii) above). (3) The difference between the recomputed amounts and the previously billed amounts, together with interest determined in accordance with 18 C.F.R. § 35.19, shall, as appropriate, be refunded to the Transmission Customer within 30 days, or charged to the Transmission Customer on the next monthly bill to that Transmission Customer, following the Publication Date (as hereinafter defined) of the Annual Update.

- (iv) In the event that the Formula Rate shall have changed one or more times during a calendar year, the Annual True-Up for that year shall have multiple parts, one part for each period in which a different Formula Rate was in effect. Each part shall accomplish the true-up of charges for the portion of the year during which the respective Formula Rate was in effect. For purposes of such true-up, (1) the annual revenue requirements for the entire year shall be determined as if the respective Formula Rate was in effect for the entire year, (2) the resulting per-unit rates shall be determined from those revenue requirements and billing determinants for the entire year in accordance with the respective Formula Rate, and (3) the resulting unit

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prices shall be applied to Transmission Customers' billing determinants for the same portion of the year during which the respective Formula Rate was in effect in order to determine the trued-up charges for that time period (i.e., what the charges reflecting actual costs should have been for such time period). Each set of trued-up charges shall be compared to the actual monthly charges for respective Customers during the corresponding time periods to determine refunds or additional charges, along with appropriate interest determined in accordance with the Formula Rate.

- b. Promptly after preparing each Annual Update, but in no event later than May 15 of the year in which the Annual Update is performed (except as provided in Section 1.c below), the Transmission Provider shall:
- (i) post the results of such Annual Update on Transmission Provider's Internet website via link to the Transmission Services page or a similar successor page in both a Portable Document Format and fully-functioning Excel file; and
  - (ii) file the results of such Annual Update with the Federal Energy Regulatory Commission ("FERC" or "Commission") as an informational filing ("Informational Filing"). Consistent with FERC procedures concerning

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
<b>Gross Plant in Service (Note A):</b>							
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	<b>Total Gross Plant</b>				<u>0</u>	GP = 0.00000	<u>0</u>
<b>Accumulated Depreciation:</b>							
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	<b>Total Accumulated Depr.</b>				<u>0</u>		<u>0</u>
<b>Net Plant in Service</b>							
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	<b>Total Net Plant</b>				<u>0</u>	NP = 0.00000	<u>0</u>
<b>Adjustments to Rate Base - Deferred Taxes</b>							
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	<b>Total Deferred Tax Adjustments</b>				<u>0</u>		<u>0</u>
24A	<b>Unfunded Self-Insurance Medical Reserves (Note U)</b>	Exhibit PEF-5A	0	0	0	OATT LABOR 0.00000	0
25	<b>Net 182.1 (+) / Storm Reserve (-) - Wholesale Transmission (Note B)</b>	230a.5.f	0	0	0	p. 5, l. 16 0.00000	0
26	<b>Plant Held for Future Use</b>	214.47.d	0	0	0	Note C	0
27	<b>Transmission Related CWIP - Identified Projects (Note V)</b>		0	0	0	0.50000	0
<b>Rate Base Adjustments - Network Upgrade Prepayments (Note O):</b>							
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	<b>Total Network Upgrade Prepayment Adjustments</b>						<u>0</u>
<b>Working Capital:</b>							
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	<b>Total Working Capital</b>						<u>0</u>
36	<b>Rate Base (Sum of Lines 18, 24 thru 27, 30, and 35)</b>						0
<b>AVERAGE CAPITALIZATION:</b>							
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	<b>Net Long Term Debt</b>				<u>0</u>		
42	Preferred Stock	112.3.c&d	0	0	0		
<b>Common Stock Development:</b>							
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	<b>Common Stock</b>				<u>0</u>		
47	<b>Total Capitalization (Sum of Lines 41, 42, and 46)</b>				0		

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

Development of Revenue Requirements

Line	EXPENSES:	Reference	Total	Allocator	OATT Transmission
<b>O&amp;M Expense</b>					
1	TOTAL Transmission Expenses	321.112.b	0		
2	Less Account 561	321.84-92.b	0		
3	Less Account 565	321.96.b	0		
4	Net Transmission O&M	Note H	<u>0</u>	TExp 0.00000	<u>0</u>
5	Total Admin & General Expenses (Note S)	323.197.b	0		
6	Less (924) Property Insurance	323.185.b	0		
7	Less (928) Regulatory Commission Expenses	323.189.b	0		
8	Less (930.1) General Advertising Expenses	323.191.b	0		
9	Less Industry Dues and R&D Expense	335.1-3.b	0		
10	Net Labor Related A&G		<u>0</u>	OATT LABOR 0.00000	0
11	(924) Property Insurance	323.185.b	0		
12	Less system storm reserve funding		0		
13	Net Allocated Property Insurance		<u>0</u>	GP 0.00000	0
14	Trans. Related Regulatory Expense	Note D		D/A 1.00000	0
15	Trans. Related Advertising Exp.	Note D		D/A 1.00000	0
16	Adj. to Imputed Whlse PBOP Exp. - System	Page 6	0	OATT LABOR 0.00000	0
17	<b>Total O&amp;M (Sum of Lines 4, 10, and 13 thru 16)</b>				<u>0</u>
<b>Depreciation Expense</b>					
18	Transmission Depr. Expense (Note V)	336.7.f	0	TP 0.00000	
19	General Depr. Expense	336.9.f	0	OATT LABOR 0.00000	
20	Intangible Amortization (Note E)	336.1.f	0	OATT LABOR 0.00000	
21	<b>Total Depreciation</b>		<u>0</u>		<u>0</u>
<b>Taxes Other Than Income (Note F)</b>					
22	Labor Related	263.i	0	OATT LABOR 0.00000	
23	Property Related	263.i	0	GP 0.00000	
24	<b>Total Other Taxes</b>		<u>0</u>		<u>0</u>
<b>Return:</b>					
25	Rate Base (Page 2, Line 36) * Rate of Return (Page 4, Line 27)				0
<b>Income Taxes:</b>					
26	State of Florida	Note M	0.00%		
27	Federal	Note M	<u>0.00%</u>		
28	Composite T = State + Federal * (1 - State)		0.00%		
29	Tax Rev.Req't Factor = T / (1 - T) * (1 - Wtd.Debt.Cost/R <sub>0</sub> )		0.00%		
30	ITC Gross Up Factor = 1 / (1 - T)		0.000		
31	Amortized ITC (Negative)	266.8.f	0		
32	Income Taxes Calculated (Line 25 * Line 29)				0
33	ITC Adjustment (Line 30 * Line 31)		0	NP 0.00000	0
34	<b>Total Income Taxes</b>				<u>0</u>
35	<b>TOTAL REVENUE REQUIREMENT (Sum of Lines 17, 21, 24, 25, and 34)</b>				<u>0</u>

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

Supporting Allocation Factor and Return Calculations

Line	Reference	Total
<b>B/E Avg. Transmission Plant Included in OATT Rate:</b>		
1	Total Transmission Plant (Note V) p 2, line 2	0
2	Less Gen. Step-up Transformers in 353 Exhibit PEF - 4	0
3	Less Interconnection Facilities (Order 2003) Exhibit PEF - 4	0
4	Less Energy Control Center Note G	0
5	Avg.Trans Plant for OATT Rate	<u>0</u>
6	<b>TP Allocator (Line 5 / Line 1)</b> Note H	0.00000
7	Add Back ECC (Line 4 + Line 5)	0
8	<b>TExp Allocator (Expenses excluding 561 and 565) (Line 7 / Line 1)</b>	0.00000
<b>Labor Allocation Factor</b>		
9	Total Direct Payroll - O&M Labor 354.28.b	0
10	A&G Labor 354.27.b	0
11	Adj. - RCO Labor in A&G Labor	0
12	Adjusted Labor w/o A&G (Line 9 - Line 10 + Line 11)	<u>0</u>
13	Transmission O&M Labor 354.21.b	0
14	<b>Trans Labor Factor (Line 13 / Line 12)</b>	0.00000
15	<b>OATT LABOR Allocator (Line 6 * Line 14)</b> Note H	0.00000
<b>Return and Average Capitalization:</b>		
16	Long Term Interest Expense 117.62-67.c	0
17	Less Interest on Securitization Bonds Note I	0
18	Net Long Term Interest Expense	<u>0</u>
19	Preferred Dividends (positive) 118.29.c	0
20	Long Term Debt p.2, line 41	0
21	Preferred Stock p.2, line 42	0
22	Common Stock p.2, line 46	0
23	Total Capitalization (sum Lines 20, 21, 22)	<u>0</u>
<b>SUMMARY CAP STRUCTURE</b>		
	<u>Weight</u>	<u>Cost</u>
24	Long term Debt 0.00%	0.00%
25	Preferred Stock 0.00%	0.00%
26	Common Equity 0.00%	<b>10.80%</b>
27	<b>Overall Return: R<sub>0</sub> =</b>	<u><b>0.00%</b></u>

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	<b>Whlse Extraordinary Property Loss</b>	230a.5.b	0	
2	Trans. Related Pct of Whlse Loss	Note J	0.92011	WEPL-T
3	<b>Whlse Trans. Extraordinary Property Loss</b>		0	TP 0.00000 0
<b>Components of Storm Amortization/Reserve Funding Adder (2008-2012 Rate Years only - Note N):</b>				
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	<b>Whlse Portion of Existing Storm Accrual</b>	ER95-469	434,000	Fixed 0.84987 368,845
9	<b>Levelized Storm Reserve Funding Rate \$/MW-Month (PEF - 6, page 2)</b>			<b>140</b>
<b>Denominator for Wholesale Transmission:</b>				
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	<b>Gross-up Factor for OATT Wholesale Reserve - System Basis (Total Load/Whlse Load * 0.84987)</b>			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 and has not yet been refunded.
- Note U: The inclusion of Line 24A, "Unfunded Self-Insurance Medical Reserves," ensures that "Unfunded Self-Insurance Medical Reserves" are appropriately excluded from rate base in the Formula Rate calculations. The specific treatment of the "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.

**Exhibit PEF - 5A**  
**Page 1 of 1**  
Year Ending 12/31/yyyy

**PROGRESS ENERGY FLORIDA, INC.**

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

<b>Account</b>	<b>Description</b>	<b>Beginning Balance</b>	<b>Ending Balance</b>
2283141	Medical/Life Res Postemp Retail	0	0
2283142	Medical/Life Res Postemp Whlse	0	0
2283143	Funded Med/Life Res Postemp -W	0	0
2283510	Salary Continuation	0	0
2283520	Medical/Dental/Life	0	0
2283540	Salary Continuation Loading	0	0
2283550	Medical/Dental/Life Loading	0	0
	Total Reserve	0	0
	Less Externally Funded Amounts	0	0
	Net Unfunded Medical Reserve	0	0

all twelve months of such prior calendar year (i.e., the year being trued-up) shall be recomputed using the transmission unit charges reflecting actual costs and demands, as determined in the Annual Update. (2) The resulting recomputed monthly amounts to each such Transmission Customer shall be compared to the amounts that had been included in that Transmission Customer's monthly billings for service during that calendar year (which shall have been determined using the transmission unit charges that shall have been in effect pursuant to Sections 1.a(i) and 1.a(ii) above). (3) The difference between the recomputed amounts and the previously billed amounts, together with interest determined in accordance with 18 C.F.R. § 35.19, shall, as appropriate, be refunded to the Transmission Customer within 30 days, or charged to the Transmission Customer on the next monthly bill to that Transmission Customer, following the Publication Date (as hereinafter defined) of the Annual Update.

(iv) In the event that the Formula Rate shall have changed one or more times during a calendar year, the Annual True-Up for that year shall have multiple parts, one part for each period in which a different Formula Rate was in effect. Each part shall accomplish the true-up of charges for the portion of the year during which the respective Formula Rate was in effect. For purposes of such true-up, (1) the annual revenue requirements for the entire year shall be determined as if the respective Formula Rate was in effect for the entire year, (2) the resulting per-unit rates shall be determined from those revenue requirements and billing determinants for the entire year in accordance with the respective Formula Rate, and (3) the resulting unit

prices shall be applied to Transmission Customers' billing determinants for the same portion of the year during which the respective Formula Rate was in effect in order to determine the trued-up charges for that time period (i.e., what the charges reflecting actual costs should have been for such time period). Each set of trued-up charges shall be compared to the actual monthly charges for respective Customers during the corresponding time periods to determine refunds or additional charges, along with appropriate interest determined in accordance with the Formula Rate.

- b. Promptly after preparing each Annual Update, but in no event later than May 15 of the year in which the Annual Update is performed (except as provided in Section 1.c below), the Transmission Provider shall:
- (i) post the results of such Annual Update on Transmission Provider's Internet website via link to the Transmission Services page or a similar successor page in both a Portable Document Format and fully-functioning Excel file; and
  - (ii) file the results of such Annual Update with the Federal Energy Regulatory Commission ("FERC" or "Commission") as an informational filing ("Informational Filing"). Consistent with FERC procedures concerning

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
<b>Gross Plant in Service (Note A):</b>							
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	<b>Total Gross Plant</b>				<u>0</u>	GP = 0.00000	<u>0</u>
<b>Accumulated Depreciation:</b>							
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	<b>Total Accumulated Depr.</b>				<u>0</u>		<u>0</u>
<b>Net Plant in Service</b>							
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			<u>0</u>		<u>0</u>
18	<b>Total Net Plant</b>				<u>0</u>	NP = 0.00000	<u>0</u>
<b>Adjustments to Rate Base - Deferred Taxes</b>							
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	<b>Total Deferred Tax Adjustments</b>				<u>0</u>		<u>0</u>
24A	<b>Unfunded Self-Insurance Medical Reserves (Note U)</b>	Exhibit PEF-5A	0	0	0	OATT LABOR 0.00000	0
25	<b>Net 182.1 (+) / Storm Reserve (-) - Wholesale Transmission (Note B)</b>	230a.5.f	0	0	0	p. 5, l. 16 0.00000	0
26	<b>Plant Held for Future Use</b>	214.47.d	0	0	0	Note C	0
27	<b>Transmission Related CWIP - Identified Projects (Note V)</b>		0	0	0	0.50000	0
27A	<b>OATT CWIP Contra</b>		0	0	0	<u>p. 5, l. 18 0.00000</u>	<u>0</u>
<b>Rate Base Adjustments - Network Upgrade Prepayments (Note O):</b>							
28	Outstanding Balance - Cash-Network Prepayments (262) (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	<b>Total Network Upgrade Prepayment Adjustments</b>						<u>0</u>
<b>Working Capital:</b>							
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	<b>Total Working Capital</b>						<u>0</u>
36	<b>Rate Base (Sum of Lines 18, 24 thru 27A, 30, and 35)</b>						<u>0</u>
<b>AVERAGE CAPITALIZATION:</b>							
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		
<b>Common Stock Development:</b>							
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	<b>Total Capitalization (Sum of Lines 41, 42, and 46)</b>				<u>0</u>		

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

Development of Revenue Requirements

Line	EXPENSES:	Reference	Total	Allocator		OATT Transmission
<b>O&amp;M Expense</b>						
1	TOTAL Transmission Expenses	321.112.b	0			
2	Less Account 561	321.84-92.b	0			
3	Less Account 565	321.96.b	0			
4	Net Transmission O&M	Note H	0	TExp	0.00000	0
5	Total Admin & General Expenses (Note S)	323.197.b	0			
6	Less (924) Property Insurance	323.185.b	0			
7	Less (928) Regulatory Commission Expenses	323.189.b	0			
8	Less (930.1) General Advertising Expenses	323.191.b	0			
9	Less Industry Dues and R&D Expense	335.1-3.b	0			
10	Net Labor Related A&G		0	OATT LABOR	0.00000	0
11	(924) Property Insurance	323.185.b	0			
12	Less system storm reserve funding		0			
13	Net Allocated Property Insurance		0	GP	0.00000	0
14	Trans. Related Regulatory Expense	Note D		D/A	1.00000	0
15	Trans. Related Advertising Exp.	Note D		D/A	1.00000	0
16	Adj. to Imputed Whlse PBOP Exp. - System	Page 6	0	OATT LABOR	0.00000	0
17	<b>Total O&amp;M (Sum of Lines 4, 10, and 13 thru 16)</b>					<b>0</b>
<b>Depreciation Expense</b>						
18	Transmission Depr. Expense (Note V)	336.7.f	0	TP	0.00000	
19	General Depr. Expense	336.9.f	0	OATT LABOR	0.00000	
20	Intangible Amortization (Note E)	336.1.f	0	OATT LABOR	0.00000	
21	<b>Total Depreciation</b>		0			<b>0</b>
<b>Taxes Other Than Income (Note F)</b>						
22	Labor Related	263.i	0	OATT LABOR	0.00000	
23	Property Related	263.i	0	GP	0.00000	
24	<b>Total Other Taxes</b>		0			<b>0</b>
<b>Return:</b>						
25	Rate Base (Page 2, Line 36) * Rate of Return (Page 4, Line 27)					0
<b>Income Taxes:</b>						
26	State of Florida	Note M	0.00%			
27	Federal	Note M	0.00%			
28	Composite T = State + Federal * (1 - State)		0.00%			
29	Tax Rev.Req't Factor = T / (1 - T) * (1 - Wtd.Debt.Cost/R <sub>0</sub> )		0.00%			
30	ITC Gross Up Factor = 1 / (1 - T)		0.000			
31	Amortized ITC (Negative)	266.8.f	0			
32	Income Taxes Calculated (Line 25 * Line 29)					0
33	ITC Adjustment (Line 30 * Line 31)		0	NP	0.00000	0
34	<b>Total Income Taxes</b>					<b>0</b>
35	<b>TOTAL REVENUE REQUIREMENT (Sum of Lines 17, 21, 24, 25, and 34)</b>					<b>0</b>

PROGRESS ENERGY FLORIDA, INC.  
 OATT Transmission Non-Levelized Rate Formula Template Using Form-1 Data  
 Supporting Allocation Factor and Return Calculations

Line		Reference	Total	
	<b>B/E Avg. Transmission Plant Included in OATT Rate:</b>			
1	Total Transmission Plant (Note V)	p 2, line 2	0	
<del>1A</del>	<del>Less OATT Contra - EPIS</del>	<del>p 5, line 17</del>	<del>0</del>	
2	Less Gen. Step-up Transformers in 353	Exhibit PEF - 4	0	
3	Less Interconnection Facilities (Order 2003)	Exhibit PEF - 4	0	
4	Less Energy Control Center	Note G	0	
5	Avg. Trans Plant for OATT Rate		0	
6	<b>TP Allocator (Line 5 / Line 1)</b>	Note H	0.00000	
7	Add Back ECC (Line 4 + Line 5)		0	
8	<b>TExp Allocator (Expenses excluding 561 and 565) (Line 7 / Line 1)</b>		0.00000	
	<b>Labor Allocation Factor</b>			
9	Total Direct Payroll - O&M Labor	354.28.b	0	
10	A&G Labor	354.27.b	0	
11	Adj. - RCO Labor in A&G Labor		0	
12	Adjusted Labor w/o A&G (Line 9 - Line 10 + Line 11)		0	
13	Transmission O&M Labor	354.21.b	0	
14	<b>Trans Labor Factor (Line 13 / Line 12)</b>		0.00000	
15	<b>OATT LABOR Allocator (Line 6 * Line 14)</b>	Note H	0.00000	
	<b>Return and Average Capitalization:</b>			
16	Long Term Interest Expense	117.62-67.c	0	
17	Less Interest on Securitization Bonds	Note I	0	
18	Net Long Term Interest Expense		0	
19	Preferred Dividends (positive)	118.29.c	0	
20	Long Term Debt	p.2, line 41	0	
21	Preferred Stock	p.2, line 42	0	
22	Common Stock	p.2, line 46	0	
23	Total Capitalization (sum Lines 20, 21, 22)		0	
	<b>SUMMARY CAP STRUCTURE</b>			
		<u>Weight</u>	<u>Cost</u>	<u>Weighted Cost</u>
24	Long term Debt	0.00%	0.00%	0.00%
25	Preferred Stock	0.00%	0.00%	0.00%
26	Common Equity	0.00%	<b>10.80%</b>	<b>0.00%</b>
27	<b>Overall Return: R<sub>0</sub> =</b>			<b>0.00%</b>

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
<b>Components of Storm Amortization/Reserve Funding Adder (2008-2012 Rate Years only - Note N):</b>				
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
<b>Denominator for Wholesale Transmission:</b>				
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
<b>Memo: OATT Contra Account Balances (B/E Avg): Gross-up Factor - Total Load/Whlse Load</b>				
17	OATT Contra - Plant in Service		0	0.00000 0
18	OATT Contra - CWIP		0	0.00000 0

- 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 \$152,819,535.0 and ending balance excludes \$115,008,399.0 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 and has not yet been refunded.
- Note U: The inclusion of Line 24A, "Unfunded Self-Insurance Medical Reserves," ensures that "Unfunded Self-Insurance Medical Reserves" are appropriately excluded from rate base in the Formula Rate calculations. The specific treatment of the "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.

**Exhibit PEF - 5A**

**Page 1 of 1**

Year Ended 12/31/yyyy

**PROGRESS ENERGY FLORIDA, INC.**

Unfunded Medical Reserves

2008 OATT Settlement - SECI Preliminary Challenge Issue 2

<u>Account</u>	<u>Description</u>	<u>Beginning Balance</u>	<u>Ending Balance</u>
<u>2283141</u>	<u>Medical/Life Res Postemp Retail</u>	<u>0</u>	<u>0</u>
<u>2283142</u>	<u>Medical/Life Res Postemp Whlse</u>	<u>0</u>	<u>0</u>
<u>2283143</u>	<u>Funded Med/Life Res Postemp -W</u>	<u>0</u>	<u>0</u>
<u>2283510</u>	<u>Salary Continuation</u>	<u>0</u>	<u>0</u>
<u>2283520</u>	<u>Medical/Dental/Life</u>	<u>0</u>	<u>0</u>
<u>2283540</u>	<u>Salary Continuation Loading</u>	<u>0</u>	<u>0</u>
<u>2283550</u>	<u>Medical/Dental/Life Loading</u>	<u>0</u>	<u>0</u>
	<u>Total Reserve</u>	<u>0</u>	<u>0</u>
	<u>Less Externally Funded Amounts</u>	<u>0</u>	<u>0</u>
	<u>Net Unfunded Medical Reserve</u>	<u>0</u>	<u>0</u>

## **ATTACHMENT 2**

# CLEAN AND REDLINED OATT SHEETS FOR PEF

(REFLECTING THE REVISIONS THAT INCREASE THE FORMULA RATE)

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
<b>Gross Plant in Service (Note A):</b>							
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	<b>Total Gross Plant</b>				<u>0</u>	GP = 0.00000	<u>0</u>
<b>Accumulated Depreciation:</b>							
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	<b>Total Accumulated Depr.</b>				<u>0</u>		<u>0</u>
<b>Net Plant in Service</b>							
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	<b>Total Net Plant</b>				<u>0</u>	NP = 0.00000	<u>0</u>
<b>Adjustments to Rate Base - Deferred Taxes</b>							
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	<b>Total Deferred Tax Adjustments</b>				<u>0</u>		<u>0</u>
24	<b>Unfunded Self-Insurance Medical Reserves (Note U)</b>	Exhibit PEF-5A	0	0	0	OATT LABOR 0.00000	0
25	<b>Net 182.1 (+) / Storm Reserve (-) - Wholesale Transmission (Note B)</b>	230a.5.f	0	0	0	p. 5, l. 16 0.00000	0
26	<b>Plant Held for Future Use</b>	214.47.d	0	0	0	Note C	0
27	<b>Transmission Related CWIP - Identified Projects (Note V)</b>		0	0	0	0.50000	0
<b>Rate Base Adjustments - Network Upgrade Prepayments (Note O):</b>							
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	<b>Total Network Upgrade Prepayment Adjustments</b>						<u>0</u>
<b>Working Capital:</b>							
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	<b>Total Working Capital</b>						<u>0</u>
36	<b>Rate Base (Sum of Lines 18, 23 thru 27, 30, and 35)</b>						0
<b>AVERAGE CAPITALIZATION:</b>							
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	<b>Net Long Term Debt</b>				<u>0</u>		
42	Preferred Stock	112.3.c&d	0	0	0		
<b>Common Stock Development:</b>							
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	<b>Common Stock</b>				<u>0</u>		
47	<b>Total Capitalization (Sum of Lines 41, 42, and 46)</b>				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	<b>Whlse Extraordinary Property Loss</b>	230a.5.b	0	
2	Trans. Related Pct of Whlse Loss	Note J	0.92011	WEPL-T
3	<b>Whlse Trans. Extraordinary Property Loss</b>		0	TP 0.00000 0
<b>Components of Storm Amortization/Reserve Funding Adder (2008-2012 Rate Years only - Note N):</b>				
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	<b>Whlse Portion of Existing Storm Accrual</b>	ER95-469	434,000	Fixed 0.84987 368,845
9	<b>Levelized Storm Reserve Funding Rate \$/MW-Month (PEF - 6, page 2)</b>			<b>140</b>
<b>Denominator for Wholesale Transmission:</b>				
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	<b>Gross-up Factor for OATT Wholesale Reserve - System Basis (Total Load/Whlse Load * 0.84987)</b>			<b>0.00000</b>

- 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 and has not yet been refunded.
- Note U: The inclusion of Line 24, "Unfunded Self-Insurance Medical Reserves," ensures that "Unfunded Self-Insurance Medical Reserves" are appropriately excluded from rate base in the Formula Rate calculations. The specific treatment of the "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.  
 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
<b>Gross Plant in Service (Note A):</b>							
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	<b>Total Gross Plant</b>				<u>0</u>	GP = 0.00000	<u>0</u>
<b>Accumulated Depreciation:</b>							
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	<b>Total Accumulated Depr.</b>				<u>0</u>		<u>0</u>
<b>Net Plant in Service</b>							
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	<b>Total Net Plant</b>				<u>0</u>	NP = 0.00000	<u>0</u>
<b>Adjustments to Rate Base - Deferred Taxes</b>							
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 23	<b>Total Deferred Tax Adjustments</b>				<u>0</u>		<u>0</u>
24A	<b>Unfunded Self-Insurance Medical Reserves (Note U)</b>	Exhibit PEF-5A	0	0	0	OATT LABOR 0.00000	0
25	<b>Net 182.1 (+) / Storm Reserve (-) - Wholesale Transmission (Note B)</b>	230a.5.f	0	0	0	p. 5, l. 16 0.00000	0
26	<b>Plant Held for Future Use</b>	214.47.d	0	0	0	Note C	0
27	<b>Transmission Related CWIP - Identified Projects (Note V)</b>		0	0	0	0.50000	0
<b>Rate Base Adjustments - Network Upgrade Prepayments (Note O):</b>							
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	<b>Total Network Upgrade Prepayment Adjustments</b>						<u>0</u>
<b>Working Capital:</b>							
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	<b>Total Working Capital</b>						<u>0</u>
36	<b>Rate Base (Sum of Lines 18, -24 23 thru 27, 30, and 35)</b>						0
<b>AVERAGE CAPITALIZATION:</b>							
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		
<b>Common Stock Development:</b>							
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	<b>Total Capitalization (Sum of Lines 41, 42, and 46)</b>				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	<b>Whlse Extraordinary Property Loss</b>	230a.5.b	0	
2	Trans. Related Pct of Whlse Loss	Note J	0.92011	
3	<b>Whlse Trans. Extraordinary Property Loss</b>		<u>0</u>	0
<b>Components of Storm Amortization/Reserve Funding Adder (2008-2012 Rate Years only - Note N):</b>				
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	<b>Whlse Portion of Existing Storm Accrual</b>	ER95-469	434,000	368,845
9	<b>Levelized Storm Reserve Funding Rate \$/MW-Month (PEF - 6, page 2)</b>			<b>140</b>
<b>Denominator for Wholesale Transmission:</b>				
10	Firm Network Service for Self	400.17.e	0	0
11	Firm Network Service for Others (Note K)	400.17.f	0	0
12	Long-Term Firm P-t-P Reservations	400.17.g	0	0
13	Other Long-Term Firm Service	400.17.h	0	0
14	Contract Demand Adjustment		0	0
15	<b>Total System Long Term Firm Transmission Load</b>		<u>0</u>	<u>0</u>
16	<b>Gross-up Factor for OATT Wholesale Reserve - System Basis (Total Load/Whlse Load * 0.84987)</b>			<b>0.00000</b>

- 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 and has not yet been refunded.
- Note U: The inclusion of Line 24A, "Unfunded Self-Insurance Medical Reserves," ensures that "Unfunded Self-insurance Medical Reserves" are appropriately excluded from rate base in the Formula Rate calculations. The specific treatment of the "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 INCREASE THE FORMULA RATE)

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
<b>Gross Plant in Service (Note A):</b>							
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	<b>Total Gross Plant</b>				<u>0</u>	GP = 0.00000	<u>0</u>
<b>Accumulated Depreciation:</b>							
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	<b>Total Accumulated Depr.</b>				<u>0</u>		<u>0</u>
<b>Net Plant in Service</b>							
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	<b>Total Net Plant</b>				<u>0</u>	NP = 0.00000	<u>0</u>
<b>Adjustments to Rate Base - Deferred Taxes</b>							
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	<b>Total Deferred Tax Adjustments</b>				<u>0</u>		<u>0</u>
24	<b>Unfunded Self-Insurance Medical Reserves (Note U)</b>	Exhibit PEF-5A	0	0	0	OATT LABOR 0.00000	0
25	<b>Net 182.1 (+) / Storm Reserve (-) - Wholesale Transmission (Note B)</b>	230a.5.f	0	0	0	p. 5, l. 16 0.00000	0
26	<b>Plant Held for Future Use</b>	214.47.d	0	0	0	Note C	0
27	<b>Transmission Related CWIP - Identified Projects (Note V)</b>		0	0	0	0.50000	0
<b>Rate Base Adjustments - Network Upgrade Prepayments (Note O):</b>							
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	<b>Total Network Upgrade Prepayment Adjustments</b>						<u>0</u>
<b>Working Capital:</b>							
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	<b>Total Working Capital</b>						<u>0</u>
36	<b>Rate Base (Sum of Lines 18, 23 thru 27, 30, and 35)</b>						0
<b>AVERAGE CAPITALIZATION:</b>							
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	<b>Net Long Term Debt</b>				<u>0</u>		
42	Preferred Stock	112.3.c&d	0	0	0		
<b>Common Stock Development:</b>							
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	<b>Common Stock</b>				<u>0</u>		
47	<b>Total Capitalization (Sum of Lines 41, 42, and 46)</b>				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	<b>Whlse Extraordinary Property Loss</b>	230a.5.b	0	
2	Trans. Related Pct of Whlse Loss	Note J	0.92011	WEPL-T
3	<b>Whlse Trans. Extraordinary Property Loss</b>		0	TP 0.00000 0
<b>Components of Storm Amortization/Reserve Funding Adder (2008-2012 Rate Years only - Note N):</b>				
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	<b>Whlse Portion of Existing Storm Accrual</b>	ER95-469	434,000	Fixed 0.84987 368,845
9	<b>Levelized Storm Reserve Funding Rate \$/MW-Month (PEF - 6, page 2)</b>			<b>140</b>
<b>Denominator for Wholesale Transmission:</b>				
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	<b>Gross-up Factor for OATT Wholesale Reserve - System Basis (Total Load/Whlse Load * 0.84987)</b>			<b>0.00000</b>

- 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 and has not yet been refunded.
- Note U: The inclusion of Line 24, "Unfunded Self-Insurance Medical Reserves," ensures that "Unfunded Self-Insurance Medical Reserves" are appropriately excluded from rate base in the Formula Rate calculations. The specific treatment of the "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.  
 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
<b>Gross Plant in Service (Note A):</b>							
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	<b>Total Gross Plant</b>				<u>0</u>	GP = 0.00000	<u>0</u>
<b>Accumulated Depreciation:</b>							
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	<b>Total Accumulated Depr.</b>				<u>0</u>		<u>0</u>
<b>Net Plant in Service</b>							
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	<b>Total Net Plant</b>				<u>0</u>	NP = 0.00000	<u>0</u>
<b>Adjustments to Rate Base - Deferred Taxes</b>							
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 23	<b>Total Deferred Tax Adjustments</b>				<u>0</u>		<u>0</u>
24A	<b>Unfunded Self-Insurance Medical Reserves (Note U)</b>	Exhibit PEF-5A	0	0	0	OATT LABOR 0.00000	0
25	<b>Net 182.1 (+) / Storm Reserve (-) - Wholesale Transmission (Note B)</b>	230a.5.f	0	0	0	p. 5, l. 16 0.00000	0
26	<b>Plant Held for Future Use</b>	214.47.d	0	0	0	Note C	0
27	<b>Transmission Related CWIP - Identified Projects (Note V)</b>		0	0	0	0.50000	0
<b>Rate Base Adjustments - Network Upgrade Prepayments (Note O):</b>							
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	<b>Total Network Upgrade Prepayment Adjustments</b>						<u>0</u>
<b>Working Capital:</b>							
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	<b>Total Working Capital</b>						<u>0</u>
36	<b>Rate Base (Sum of Lines 18, -24 23 thru 27, 30, and 35)</b>						0
<b>AVERAGE CAPITALIZATION:</b>							
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		
<b>Common Stock Development:</b>							
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	<b>Total Capitalization (Sum of Lines 41, 42, and 46)</b>				0		

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

Wholesale Storm Reserve Funding and Explanatory Notes

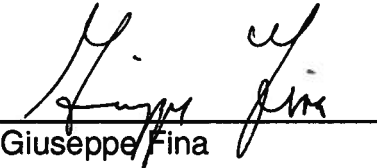
Line	Reference	Total	Allocator	OATT Transmission
1	<b>Whlse Extraordinary Property Loss</b>	230a.5.b	0	
2	Trans. Related Pct of Whlse Loss	Note J	0.92011	
3	<b>Whlse Trans. Extraordinary Property Loss</b>		0	
			WEPL-T	
			TP	0.00000
				0
<b>Components of Storm Amortization/Reserve Funding Adder (2008-2012 Rate Years only - Note N):</b>				
4	Balance 2004 Loss as of Jan 1, 2008	230a.5.f	15,658,702	Fixed
	Rebuild Reserve Equivalent to \$130MM Retail:			
5	Whlse Portion of \$6MM Funding	ER95-469	434,000	Fixed
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	<b>Whlse Portion of Existing Storm Accrual</b>	ER95-469	434,000	Fixed
				0.84987
				368,845
9	<b>Levelized Storm Reserve Funding Rate \$/MW-Month (PEF - 6, page 2)</b>			
				<b>140</b>
<b>Denominator for Wholesale Transmission:</b>				
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	<b>Total System Long Term Firm Transmission Load</b>		<b>0</b>	<b>0</b>
16	<b>Gross-up Factor for OATT Wholesale Reserve - System Basis (Total Load/Whlse Load * 0.84987)</b>			<b>0.00000</b>

- 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
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- 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
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- 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 and has not yet been refunded.
- Note U: The inclusion of Line 24A, "Unfunded Self-Insurance Medical Reserves," ensures that "Unfunded Self-insurance Medical Reserves" are appropriately excluded from rate base in the Formula Rate calculations. The specific treatment of the "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.

## CERTIFICATE OF SERVICE

I hereby certify that I have served this day copies of the foregoing on the official service list compiled by the Office of the Secretary in accordance with Rule 2010 of the Commission Rules of Practice and Procedure.

Dated at Washington, D.C. this 17<sup>th</sup> day of August, 2009.

  
Giuseppe Fina

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Counsel for  
Florida Power Corporation