



February 15, 2007

Blanca S. Bayò, Director
Division of the Commission Clerk
And Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

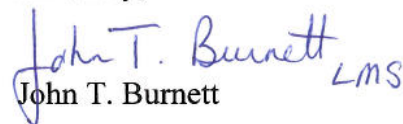
*Re: Proposed amendment of Rule 25-6.0143, F.A.C., Use of Accumulated
Provision Accounts 228.1, 228.2, and 228.4; Docket No. 070011-EI*

Dear Ms. Bayò:

Please find attached for filing Progress Energy Florida, Inc.'s and Florida Power & Light Company's joint redline comments regarding Rule 25-6.0143, FAC. We look forward to discussing these comments with Staff at the February 21, 2007 Rule Development Workshop.

Please call me at (727) 820-5184 should you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "John T. Burnett" with the initials "LMS" written to the right. Below the signature is the printed name "John T. Burnett".
John T. Burnett

JTB/lms
Enclosure

25-6.0143 Use of Accumulated Provision Accounts 228.1, 228.2, and 228.4.

(1) Account No. 228.1 Accumulated Provision for Property Insurance.

(a) This account may be established to provide for losses through accident, fire, flood, storms, nuclear accidents and similar type hazards to the utility's own property or property leased from others, which is not covered by insurance. This account would also include provisions for the deductible amounts contained in property loss insurance policies held by the utility as well as retrospective premium assessments stemming from nuclear accidents under various insurance programs covering nuclear generating plants. A schedule of risks covered shall be maintained, giving a description of the property involved, the character of risks covered and the accrual rates used.

(b) Charges to this account shall be made for all occurrences in accordance with the schedule of risks to be covered which are not covered by insurance. Recoveries, insurance proceeds or reimbursements for losses charged to this account shall be credited to the account.

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(c) A separate subaccount shall be established for that portion of Account No. 228.1 which is designated to cover property damages to the utility's own property or property leased from others that is not covered by insurance. The records supporting the entries to this account shall be so kept that the utility can furnish full information as to each event included in this account.

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(d) In determining the costs to be charged to cover property damages, the utility shall use an Incremental Cost and Capitalization Approach methodology (ICCA). Under the ICCA methodology, the costs charged to Account 228.1 to cover property damages shall include all property damage expenditures and all losses not covered by insurance, including all costs for insurance covering T&D assets, excluding amounts already included in base rates, Capital

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expenditures for the removal, retirement and replacement of damaged facilities charged to cover property damages shall exclude the normal cost for the removal, retirement and replacement of those facilities. The utility shall notify the Director of the Commission’s Division of Economic Regulation in writing for events expected to exceed \$10 million.

(e) All costs charged to Account 228.1 are subject to review for prudence and reasonableness by the Commission.

(f) If the charges to Account No. 228.1 exceed the account balance, the excess shall be carried as a debit balance in Account No. 228.1 and no request for a deferral of the excess or for the establishment of a regulatory asset is necessary.

(g) A utility may petition the Commission for the recovery of a debit balance in Account No. 228.1 through a surcharge, securitization or other cost recovery mechanism. The amount requested for recovery shall not exceed the amount of the debit balance plus an amount equal to the target level of the pre-storm reserve in Account 228.1

(h) A utility shall not establish or change an annual accrual amount or a target accumulated balance amount for Account No. 228.1 without prior Commission approval.

(i) A Study shall be filed whenever the utility is seeking a change to either the target accumulated balance or the annual accrual amount for Account No. 228.1. At a minimum, the Study shall include data for determining a target balance for, and the annual accrual amount to, Account No. 228.1.

(j) Each utility shall file a report with the Director of the Commission’s Division of Economic Regulation providing information concerning its efforts to obtain commercial insurance for its transmission and distribution facilities and any other programs or proposals that

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Deleted: Under the ICCA methodology for determining the allowable costs to be charged to cover storm-related damages, the following costs are expressly prohibited from being charged to Account No. 228.1:¶

1. Base rate recoverable regular payroll and regular payroll-related costs for utility managerial and non-managerial personnel;¶
2. Bonuses or any other special compensation for utility personnel not eligible for overtime pay;¶
3. Base rate recoverable depreciation expenses, insurance costs and lease expenses for utility-owned or utility-leased vehicles and aircraft;¶
4. Utility employee assistance costs;¶
5. Utility employee training costs;¶
6. Utility advertising, media relations or public relations costs;¶
7. Utility call center and customer service costs;¶
8. Tree trimming expenses, incurred in any month in which storm damage restoration activities are conducted, that are less than the actual monthly average of tree trimming costs charged to operation and maintenance expense for the three previous calendar years;¶
9. Uncollectible accounts expenses;¶
10. Utility lost revenues from services not provided;¶
11. Costs of back-fill work or ca... [1]

Deleted: (f) A utility may, at its own option, charge storm-related costs as operating expenses rather than charging them to Account No. 228.1. The u... [2]

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Deleted: Each utility shall file a Storm Damage Self-Insurance Reserve Study (Study) with the Division of the Commission Clerk and Administr... [4]

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were considered. The report shall also include a summary of the amounts recorded in Account 228.1. The report shall be filed annually by February 15 of each year for information pertaining to the previous calendar year.

(2) Account No. 228.2 Accumulated Provision for Injuries and Damages.

(a) This account may be established to meet the probable liability, not covered by insurance, for deaths or injuries to employees or others and for damages to property neither owned nor held under lease by the utility. When liability for any injury or damage is admitted or settled by the utility either voluntarily or because of the decision of a Court or other lawful authority, such as a workman's compensation board, the admitted liability or the amount of the settlement shall be charged to this account.

(b) Charges to this account shall be made for all losses covered. Detailed supporting records of charges made to this account shall be maintained in such a way that the year the event occurred which gave rise to the loss can be associated with the settlement. Recoveries or reimbursements for losses charged to the account shall be credited to the account.

(3) Account No. 228.4 Accumulated Miscellaneous Operating Provisions.

(a) This account may be established for operating provisions which are not covered elsewhere. This account shall be maintained in such a manner as to show the amount of each separate provision established by the utility and the nature and amounts of the debits and credits thereto. Each separate provision shall be identified as to purpose and the specific events to be charged to the account to ensure that all such events and only those events are charged to the provision accounts.

(b) Charges to this account shall be made for all costs or losses covered. Recoveries or

reimbursements for amounts charged to this account shall be credited hereto.

(4)(a) The provision level and annual accrual rate for each account listed in subsections (1) through (3) shall be evaluated at the time of a rate proceeding and adjusted as necessary. However, a utility may petition the Commission for a change in the provision level and accrual outside a rate proceeding.

(b) If a utility elects to use any of the above listed accumulated provision accounts, each and every loss or cost which is covered by the account shall be charged to that account and shall not be charged directly to expenses. Charges shall be made to accumulated provision accounts regardless of the balance in those accounts.

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(c) No utility shall fund any account listed in subsections (1) through (3) unless the Commission approves such funding. Existing funded provisions which have not been approved by the Commission shall be credited by the amount of the funded balance with a corresponding debit to the appropriate current asset account, resulting in an unfunded provision.

Specific Authority 366.05(1) FS. Law Implemented 350.115, 366.04(2)(a) FS.

History-New 3-17-88, Amended

Under the ICCA methodology for determining the allowable costs to be charged to cover storm-related damages, the following costs are expressly prohibited from being charged to Account No. 228.1:

1. Base rate recoverable regular payroll and regular payroll-related costs for utility managerial and non-managerial personnel;
2. Bonuses or any other special compensation for utility personnel not eligible for overtime pay;
3. Base rate recoverable depreciation expenses, insurance costs and lease expenses for utility-owned or utility-leased vehicles and aircraft;
4. Utility employee assistance costs;
5. Utility employee training costs;
6. Utility advertising, media relations or public relations costs;
7. Utility call center and customer service costs;
8. Tree trimming expenses, incurred in any month in which storm damage restoration activities are conducted, that are less than the actual monthly average of tree trimming costs charged to operation and maintenance expense for the three previous calendar years;
9. Uncollectible accounts expenses;
10. Utility lost revenues from services not provided;
11. Costs of back-fill work or catch-up work for activities not directly related to storm damage restoration activities; and
12. Replenishment of the utility's materials and supplies inventories.

(f) A utility may, at its own option, charge storm-related costs as operating expenses rather than charging them to Account No. 228.1. The utility shall notify the Director of the Commission's Division of Economic Regulation in writing and provide a schedule of the amounts charged to operating expenses for each incident exceeding five million dollars.

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(i) If a utility receives reimbursement from another utility for expenses incurred in providing storm damage restoration assistance to another utility, the utility shall credit Account No. 228.1 for the costs that normally would be charged to operating expenses in the absence of providing storm damage restoration assistance.

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Each utility shall file a Storm Damage Self-Insurance Reserve Study (Study) with the Division of the Commission Clerk and Administrative Services by January 15, 2011 and at least once every five years thereafter from the submission date of the previously filed study.