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COMMISSION
CLERK

December 23, 2008

VIA HAND DELIVERY

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: *Joint Petition to Approve Territorial Agreement between the Ocala Electric Utility and Progress Energy Florida, Inc.; Docket No. 080724-EU*

Dear Ms. Cole:

Pursuant to Rule 25-6.0440, F.A.C., please find enclosed for filing in the subject matter an original and seven (7) copies of the joint petition to approve territorial agreement between the Ocala Electric Utility ("OEU") and Progress Energy Florida, Inc. ("PEF").

Thank you for your assistance in this matter. If you have any questions, please call me at (727) 820-5184.

Sincerely,

John T. Burnett

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RCP	_____
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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint Petition of Ocala Electric
Utility and Progress Energy Florida, Inc.
for approval of a territorial agreement
in Marion County.

Docket No. 080724

Submitted for filing: December 23, 2008

JOINT PETITION TO APPROVE TERRITORIAL AGREEMENT

Ocala Electric Utility (“OEU”) and Progress Energy Florida, Inc., (“PEF”) (collectively, the “Joint Petitioners”) pursuant to Section 366.04(2)(d), F.S., and Rule 25-6.0440, F.A.C., jointly petition the Florida Public Service Commission (“the Commission”) for approval of a territorial agreement in Marion County. In support hereof, the Joint Petitioners represent as follows:

1. The Joint Petitioners are electric utilities organized under the laws of Florida and are subject to the regulatory jurisdiction of the Commission pursuant to Section 366.04(2), F.S. OEU’s principal office is located in Ocala, Florida. PEF’s principal offices are located in St. Petersburg, Florida.

2. All pleadings, notices and other communications in this matter should be served on the undersigned attorneys for OEU and PEF.

3. To best avoid duplication of services and wasteful expenditures as well as to best protect the public health and safety from potentially hazardous conditions, Joint Petitioners have negotiated the Territorial Agreement delineating their respective service boundaries in Marion County. The Territorial Agreement is attached hereto as Attachment A. The Territorial Agreement sets forth a map identifying the territorial boundaries to which the Parties have agreed. The boundaries remain the same as those set forth in the previous

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OEU and PEF territorial agreement filed November 24, 1997 in Docket No. 971543-EU and approved by the Commission in Order No. PSC-98-0443-FOF-EU issued March 30, 1998. There are no customer transfers associated with this territorial agreement and the agreement has been negotiated for a term of ten years.

4. The Commission has long recognized that properly constructed territorial agreements between adjacent utilities are in the public interest. The Territorial Agreement will avoid duplication of services and wasteful expenditures, as well as protect the public health and safety from potentially hazardous conditions. For these reasons, the Joint Petitioners believe and, therefore, represent that the Commission's approval of the Territorial Agreement is in the public interest.


WHEREFORE, OEU and PEF respectfully request that the Commission grant this Joint Petition and approve the Territorial Agreement.

Respectfully submitted,

s/ John T. Burnett LMS
John T. Burnett
Associate General Counsel
Progress Energy Service Company, LLC

Post Office Box 14042
St. Petersburg, Florida 33733-4042
Telephone: 727-820-5184
Facsimile: 727-820-5249

Attorney for
PROGRESS ENERGY FLORIDA, INC.


s/ Patrick G. Gilligan
Patrick G. Gilligan, ESQ.
City Attorney
City of Ocala/Ocala Electric
Utility
1531 SE 36th Avenue
Ocala, Florida 34471
Telephone: (352)867-7707
Facsimile: (352)867-0237

Attorney for
OCALA ELECTRIC UTILITY

AGREEMENT

THIS AGREEMENT, made and entered into this 2nd day of December____, 2008, by and between the CITY OF OCALA, ("OCALA"), a Florida municipal corporation, and FLORIDA POWER CORPORATION, d/b/a PROGRESS ENERGY FLORIDA, INC., ("PEF"), a Florida corporation, each of which are corporations organized and existing under the laws of the State of Florida and that operate electric utilities as defined in, and whose retail service territories are subject to regulation pursuant to Chapter 366, Florida Statutes and which corporations are herein collectively called the "Parties;"

WITNESSETH:

WHEREAS, the City of Ocala, through the Ocala Electric Utility (OEU) by virtue of its Charter and legislative authority, is authorized and empowered to furnish electricity and power to its members, private individuals, corporations, and others, and pursuant to such authority, presently furnishes electricity and power to customers located in certain areas of Marion County, Florida; and

WHEREAS, PEF, by virtue of its Charter, is authorized and empowered to furnish electricity and power to persons, firms and corporations throughout the State of Florida and presently furnishes electricity and power to customers in certain areas of Marion County, Florida, and elsewhere; and

WHEREAS, the respective areas of retail service of the parties hereto are contiguous in many places with the result that duplication of service

facilities may occur in the future unless such duplication is precluded by virtue of this Agreement; and

WHEREAS, the Florida Public Service Commission (the "Commission") has previously recognized that any duplication of said service facilities results in needless and wasteful expenditures and creates hazardous situations, both being detrimental to the public interest; and

WHEREAS, the parties hereto desire to avoid and eliminate the circumstances giving rise to the aforesaid potential hazards and duplications and toward that end have established the Territorial Boundary line to delineate their respective retail territorial boundaries in Marion County; and

WHEREAS, the Commission is empowered by the legislature of the State of Florida, pursuant to F.S. 366.04(2)(d), to approve territorial agreements and the Commission has recognized on numerous occasions the wisdom of retail territorial agreements between electric utilities and has adhered to the general opinion that retail territorial agreements, wherein properly presented to the Commission, in the proper circumstances, are advisable and indeed in the public interest;

WHEREAS, in fulfillment of the purposes and desires aforesaid, and in consideration of the mutual covenants and agreements herein contained, which shall be construed as being interdependent, the parties hereto, subject to and upon the terms and conditions herein set forth, do hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1: Territorial Boundary Line. As used herein, the term “Territorial Boundary Line” shall mean the boundary lines so labeled on the maps attached hereto as Exhibit “A” designating the boundary between the OEU Territorial Area, as defined in Section 1.2, and the PEF Territorial Area, as defined in Section 1.3. Those portions of Marion County which are subject to the terms of this Agreement are identified as the areas marked in the maps included in Exhibit “A.”

Section 1.2: OEU Territorial Area. As used herein, the term “OEU Territorial Area” shall mean the area so labeled on Exhibit “A” in Marion County, Florida.

Section 1.3: PEF Territorial Area. As used herein, the term “PEF Territorial Area” shall mean the area so labeled on Exhibit “A” in Marion County, Florida.

Section 1.4: Point of Use. As used herein, the term “Point of Use” shall mean the location within the Territorial Area of a Party where a customer’s end-use facilities consume electricity. The point of use and not the point of connect or metering shall be determinative as to who shall be the provider of the electric service under this Agreement.

Section 1.5: Transmission Lines. As used herein, the term “Transmission Lines” shall mean all electric lines of either party having a rating of 69 kV or greater.

Section 1.6: Distribution Lines. As used herein, the term “Distribution Lines” shall mean all electric lines of either party having a rating up to but not including 69 kV.

Section 1.7: New Customers. As used herein, the term “New Customers” shall mean those customers applying for electric service during the term of this Agreement at a point of use in the Territorial Area of either party which has not previously been served by either utility.

Section 1.8: Existing Customer. As used herein, the term “Existing Customer” shall mean any person receiving retail electric service from either OEU or PEF at the location for which the service is existent on the effective date of this Agreement. The term Existing Customer shall include the widow, widower, or divorced spouse of an Existing Customer who received retail electric service at the same location as of the effective date of this Agreement.

Section 1.9: Extra-Territorial Customers. As used herein, the terms “Extra-Territorial Customers” shall mean those customers whose points of use are in the Territorial Area of one party but which are receiving service from the other party on the effective date of this Agreement. The terms “Extra-Territorial Customers” shall include the widow, widower, or divorced spouse of an Extra-Territorial Customer receiving retail service at the same location from the other party on the effective date of this Agreement.

Section 1.10: Person. As used herein, the term “Person” shall have the same inclusive meaning given to it in Section 1.01(3), Florida Statutes.

**ARTICLE II
RETAIL ELECTIC SERVICE**

Section 2.1: In General. Except as otherwise specifically provided herein, OEU shall have the exclusive authority to furnish retail electric service to existing and all New Customers within the OEU Territorial Area, and PEF shall have the exclusive authority to furnish retail electric service to existing and all New Customers in the PEF Territorial Area. The Territorial Boundary Line shall not be affected by any change that may occur in the corporate limits of any municipality lying within the OEU Territorial Area or the PEF Territorial Area.

Section 2.2: Service to Customers. The Parties agree that neither of them will knowingly serve or attempt to serve any Customer whose point of use is located within the Territorial Area of the other party, except as specifically provide in this Section 2 of the Agreement.

The parties recognize that in exceptional circumstances, economic constraints or good engineering practices may indicate that a customer's point of use facilities either cannot or should not be immediately served by the party in whose Territorial Area they are located. In such instances, upon written request by the party in whose Territorial Area the point of use facilities are located, to the other party, the other party has the right, but not the obligation, to agree in writing to temporarily provide service to such customer's point of use facilities. Any such agreement for temporary service which is anticipated to last for more than one year shall be submitted to the Commission for approval in accordance with Article V, Section 5.1 hereof, provided, however, the party providing temporary service hereunder shall not be required to pay the other party for any loss of revenue associated with the provision of such temporary service.

In the event that a New Customer or prospective New Customer requests or applies for service from either party whose point of use is located in the Territorial Area of the other party, the party receiving such a request or application shall refer the New Customer or prospective New Customer to the other party with citation to this Agreement as approved by the Commission, and shall notify the other party of such request or application.

Section 2.3: Transfer of Customers and Facilities. There are no known customers or facilities to be transferred pursuant to this Agreement. In the event circumstances arise during the term of this Agreement in which the parties agree that, based on sound economic considerations or good engineering practices, an area located in the Service Territory of one party would be better served if reallocated to the service territory of the other party, the parties shall jointly petition the Commission for approval of a modification of the Territorial Boundary line that places the area in question (the "Reallocated Area") within the Service Territory of the other party and the transfer of the customers located in the Reallocated Area to the other party.

ARTICLE III BULK POWER SUPPLY

Section 3.1: Bulk Power for Resale. Nothing herein shall be construed to prevent either party from providing a bulk power supply for resale regardless of where the purchase for resale maybe located. Further, no other section or provision of this Agreement shall be construed as applying to a bulk power supply for resale purposes.

ARTICLE IV OPERATION AND MAINTENANCE

Section 4.1: Facilities to Remain. No generating plant, transmission line, substation, distribution line or related equipment shall be subject to transfer or removal hereunder, provided, however, that each party shall operate and maintain its lines and facilities in such a manner as to minimize any interference with the operations of the other party.

Section 4.2: OEU Facilities to be Served. Nothing herein shall be construed to prevent or in any way inhibit the right and authority of OEU to serve any OEU or City of Ocala facility located in the PEF Territorial Area; provided, that OEU shall construct, operate, and maintain said lines and facilities in such manner as to minimize any interference with the operation of PEF in the PEF Territorial Area.

Section 4.3: PEF Facilities to be Served. Nothing herein shall be construed to prevent or in any way inhibit the right and authority of PEF to serve any PEF facility located in the OEU Territorial Area; provided that PEF shall construct, operate, and maintain said lines and facilities in such manner as to minimize any interference with the operation of OEU in the OEU Territorial Area.

ARTICLE V PREREQUISITE APPROVAL

Section 5.1: Commission Approval. The provisions and the parties' performance of this Agreement are subject to the regulatory authority of the Commission, and appropriate approval by that body of the provisions of this Agreement shall be absolute condition precedent to the validity, enforceability

and applicability hereof. This Agreement shall have no affect whatsoever until that approval has been obtained, and the date of the Commission's final order, if any, granting Commission approval of this Agreement shall be deemed to be the effective date of this Agreement ("Effective Date"). Any proposed modification to this agreement shall be submitted to the Commission for approval. In addition, the parties agree to jointly petition the Commission to resolve any dispute concerning provisions of this Agreement or the parties' performance of this Agreement.

Section 5.2: Liability in the Event of Disapproval. In the event approval pursuant to Section 5.1 is not obtained, neither party will have any claim against the other arising under this Agreement.

Section 5.3: Supersedes Prior Agreements. Upon its approval by the Commission, this Agreement shall be deemed specifically supersede all prior agreements between the parties defining the boundaries of their respective Territorial Areas within Marion County, Florida.

ARTICLE VI DURATION

Section 6.1: Term. This Agreement shall continue and remain in effect for a period of ten (10) years from the date of the Commission's final Order approving this Agreement.

ARTICLE VII CONSTRUCTION OF AGREEMENT

Section 7.1: Other Electric Utilities. Nothing in this Agreement is intended to define, establish, or affect in any manner the rights of either party hereto relative to any other electric utility not a party to this Agreement with respect to the furnishing of retail electric service including, but not limited to, the service territory of either party hereto relative to the service territory of any other electric utility not a party to this Agreement.

Section 7.2: Intent and Interpretation. It is hereby declared to be the purpose and intent of the Parties that this Agreement shall be interpreted and construed, among other things, to further this State's policy of actively regulating and supervising the service territories of electric utilities; supervising the planning, development, and maintenance of a coordinated electric power grid throughout Florida; avoiding uneconomic duplication of generation, transmission and distribution facilities; and encouraging the installation and maintenance of facilities necessary to fulfill the Parties' respective obligations to serve.

Section 7.3: Negotiations. Regardless of any others terms or conditions that may have been discussed during the negotiations leading up to the execution of this Agreement, the only ones agreed upon by the Parties are those set forth herein, and no alteration, modification, enlargement or supplement to this Agreement shall be binding upon either of the Parties hereto unless the same shall be in writing, attached hereto, signed by both the Parties, and approved by the Commission in accordance with Article V, Section 5.1 hereof.

**ARTICLE VIII
MISCELLANEOUS**

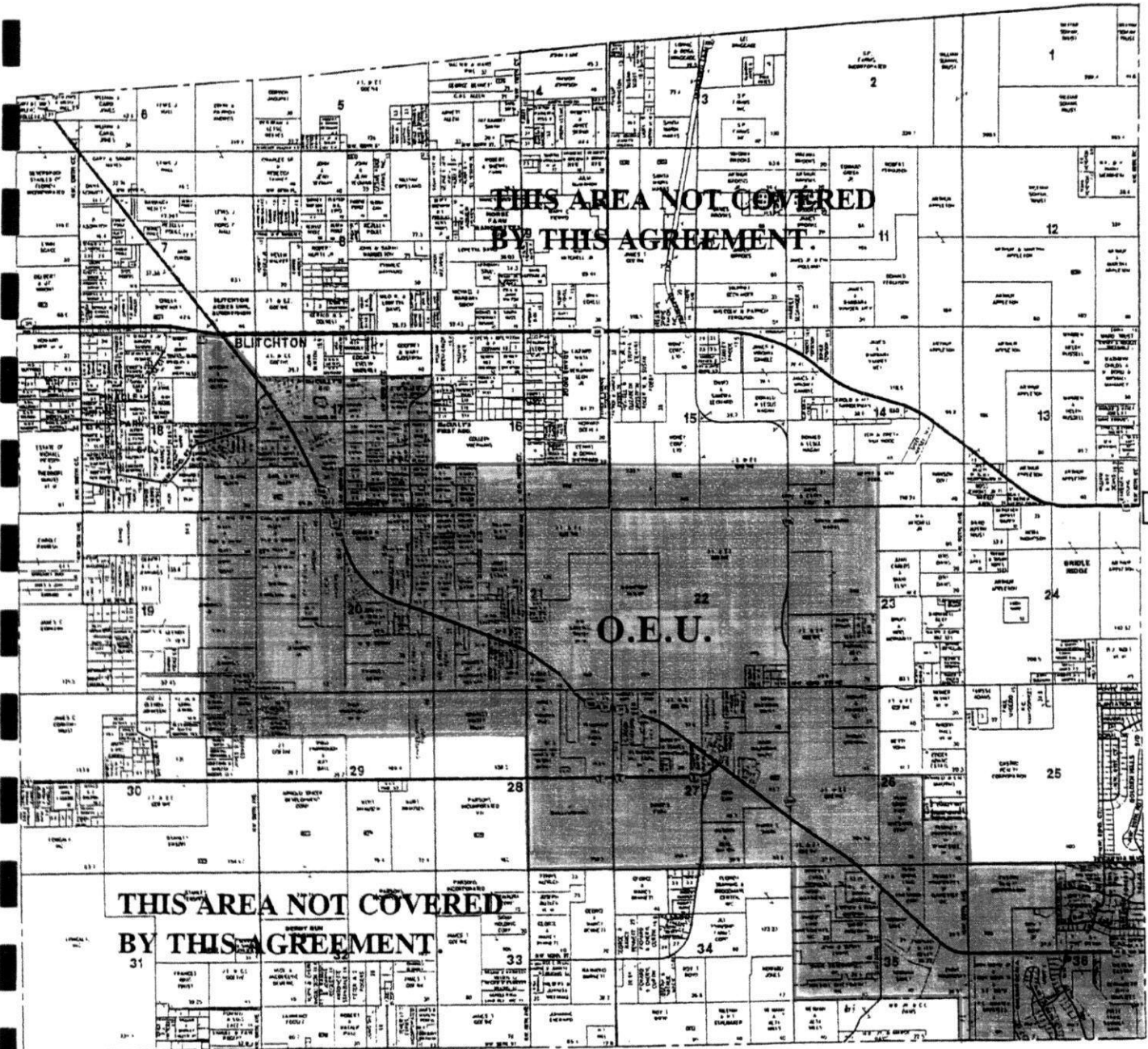
Section 8.2: Successors and Assigns. Nothing in this Agreement expressed or implied is intended or shall be construed to confer upon or give to any person or corporation, other than the parties hereto, any right, remedy or claim under or by reason of this Agreement or any provision or conditions hereof, and all of the provisions, representations, covenants and conditions herein contained shall inure to the sole benefit of and shall be binding only upon the parties hereto and their respective representatives, successors and assigns.

Section 8.3: Notices. Notices given hereunder shall be deemed to have been given to OEU if mailed by certified mail, postage prepaid, to: Director Electric Utility, City of Ocala, P. O. Box 1270, Ocala, FL 34478, and to PEF if mailed by certified mail, postage prepaid, to: General Counsel, Progress Energy Florida, Inc., P. O. Box 14042, St. Petersburg, FL 33733. Such address to which such notice shall be mailed may be, at any time, changed by designating such new address and giving notice thereof in writing in the manner as herein provided.

IN WITNESS WHEREOF, the parties hereby have caused this Agreement to be executed in duplicate in their respective corporate names and their corporate seals affixed by their duly authorized officers on the day and year first above written.

EXHIBIT A

**MAPS DEPICTING THE
TERRITORIAL BOUNDARY LINE
AND SERVICE TERRITORIES
OF THE CITY AND THE CORPORATION**

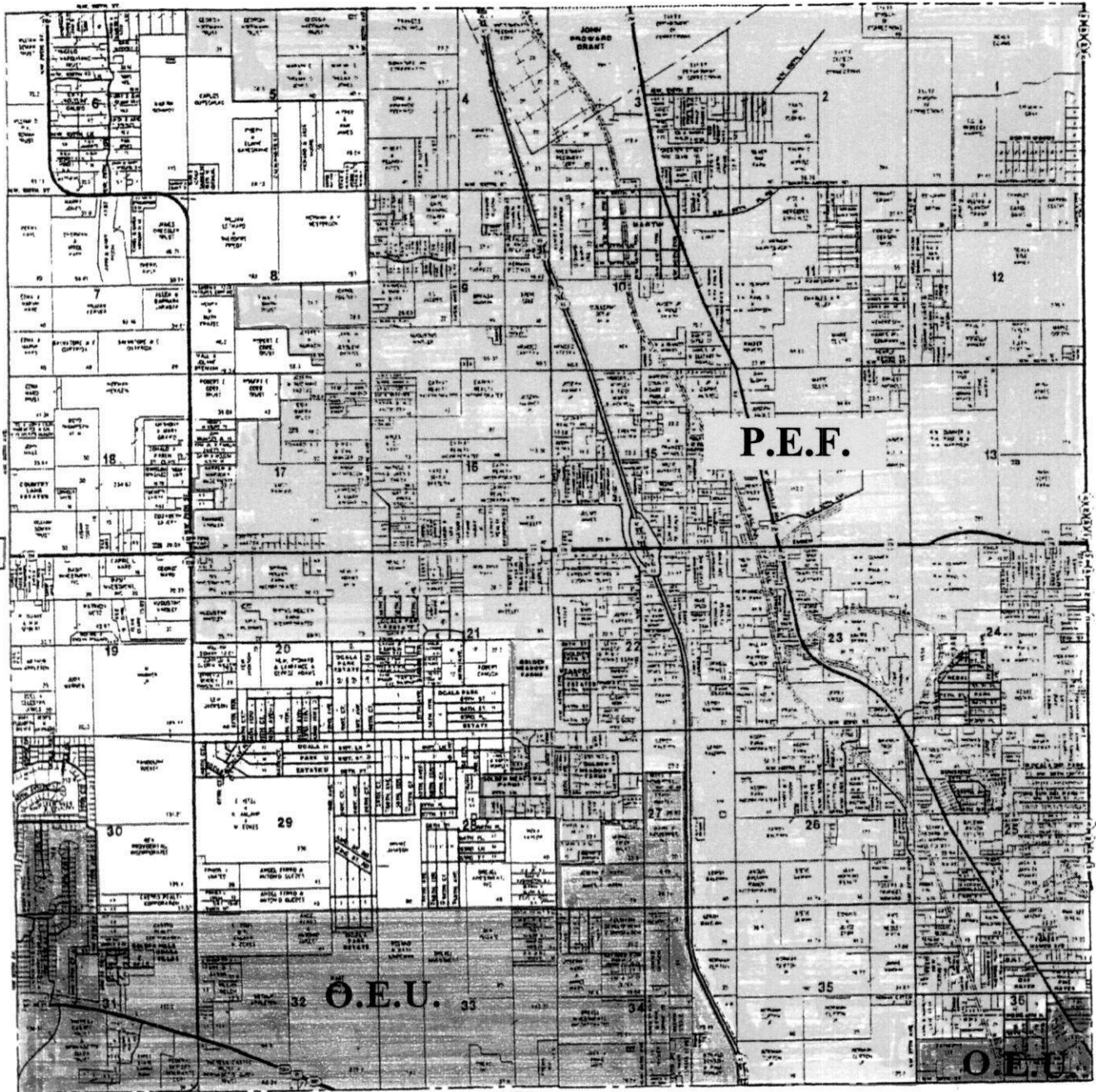


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CITY of OCALA (O.E.U.)

PROGRESS ENERGY (P.E.F.)

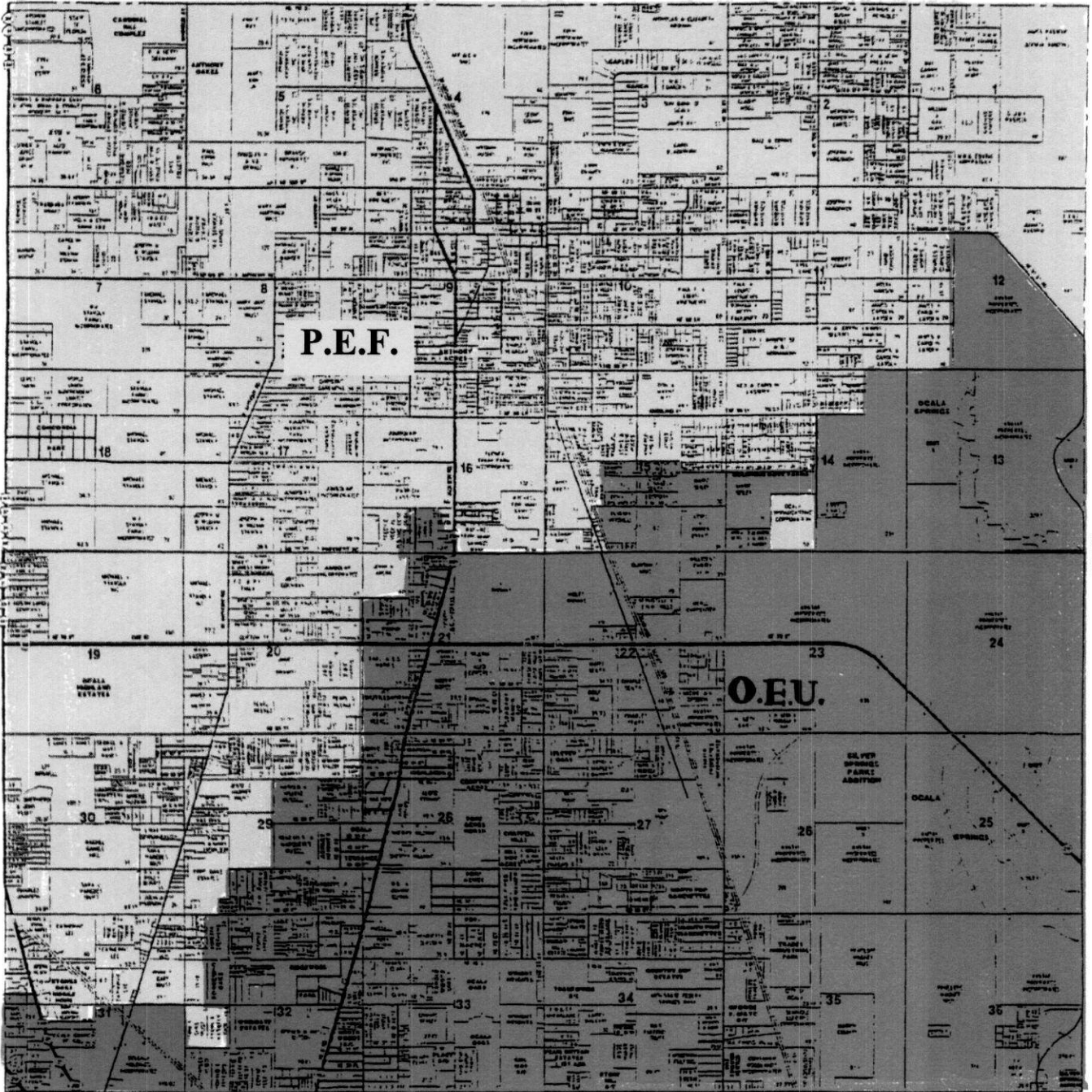
TERRITORIAL AGREEMENT
 BETWEEN
 CITY OF OCALA and PROGRESS ENERGY FL, INC.
 DATE _____ EXHIBIT NO. _____ OF _____ TOTAL EXHIBITS




 CITY of OCALA (O.E.U.)

 PROGRESS ENERGY FL, INC (P.E.F.)

TERRITORIAL AGREEMENT
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 CITY OF OCALA and PROGRESS ENERGY FL., INC.
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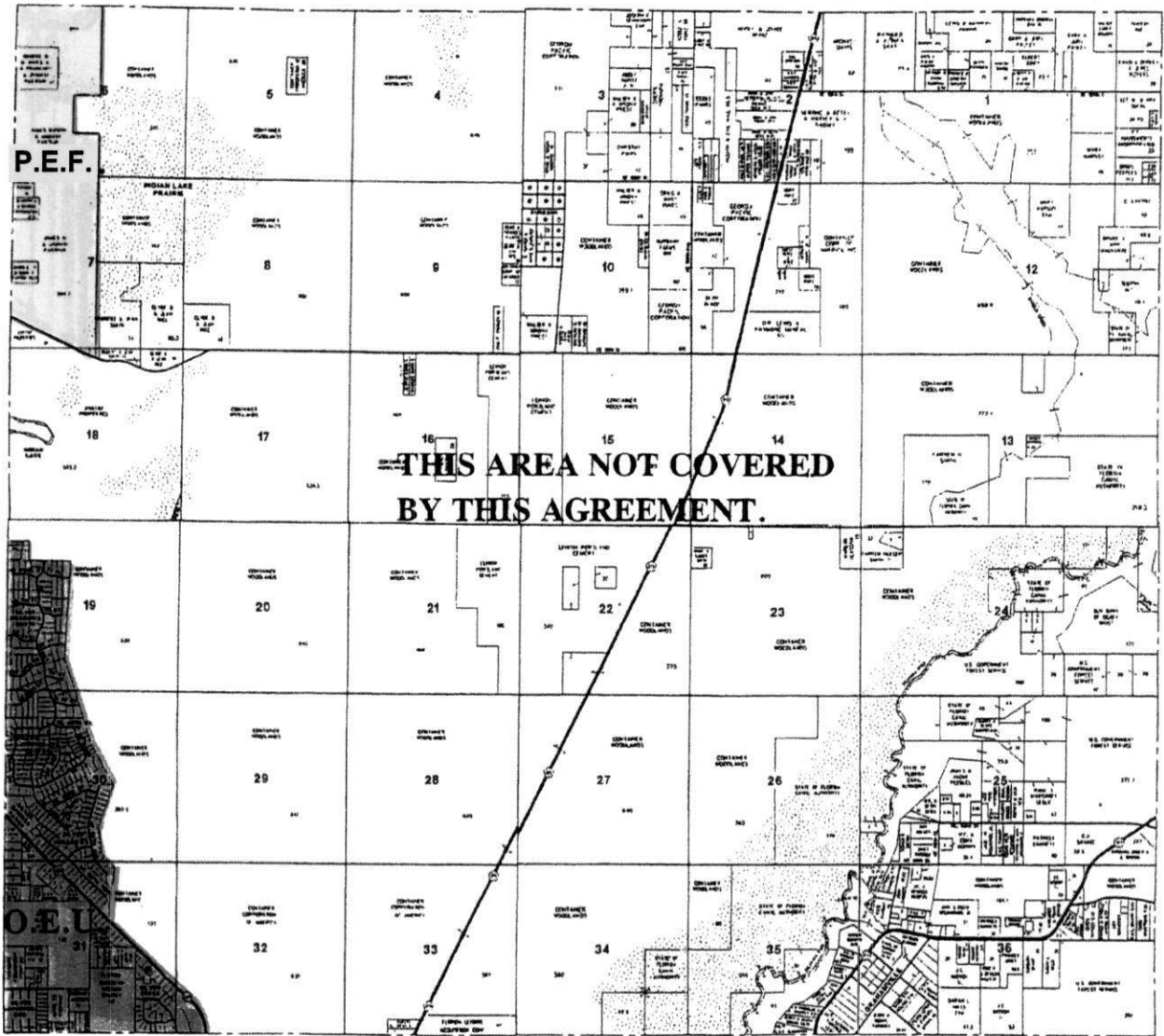


 CITY of OCALA (O.E.U.)

 ENERGY FL. INC. (P.E.F.)

TERRITORIAL AGREEMENT
BETWEEN
CITY OF OCALA and PROGRESS ENERGY FL., INC.

DATE _____ EXHIBIT NO. _____ OF _____ TOTAL EXHIBITS



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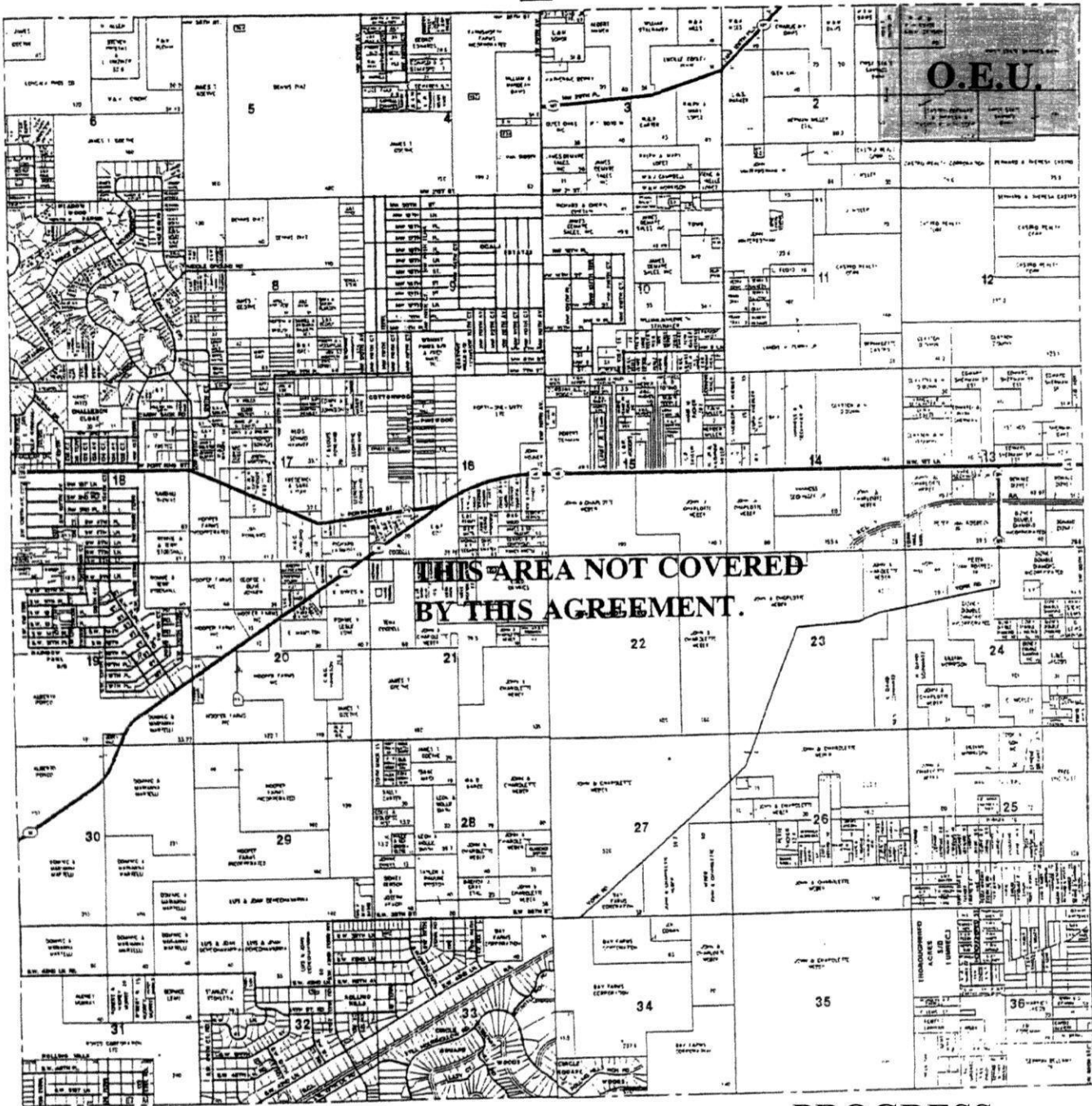
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**PROGRESS
ENERGY FL. INC.**

 **CITY of OCALA (O.E.U.)**

 **(P.E.F.)**

TERRITORIAL AGREEMENT
BETWEEN
CITY OF OCALA and PROGRESS ENERGY FLORIDA, INC.
DATE _____ EXHIBIT NO. _____ OF _____ TOTAL EXHIBITS



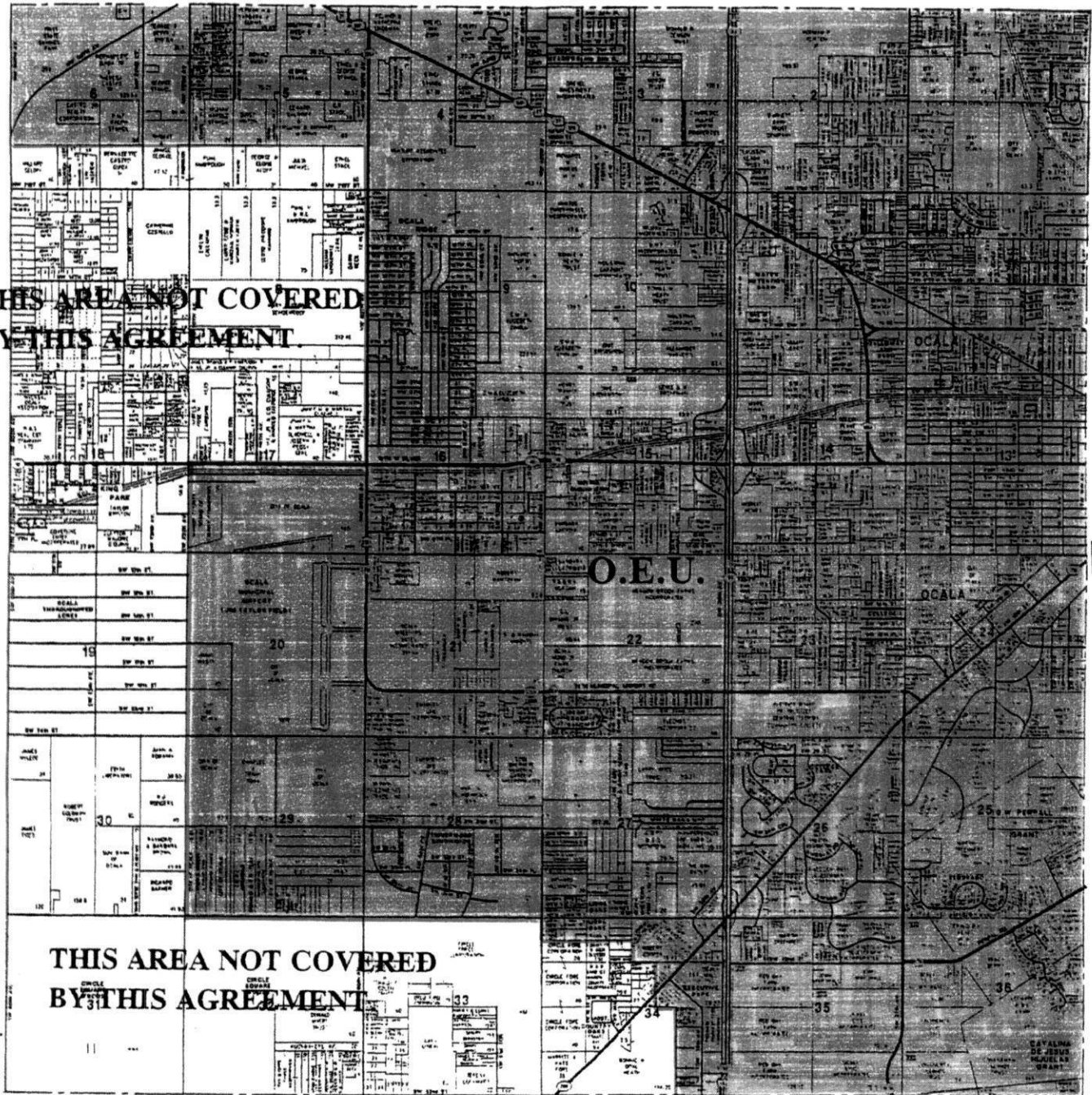
THIS AREA NOT COVERED BY THIS AGREEMENT.

CITY of OCALA (O.E.U.)

PROGRESS ENERGY FL., INC (P.E.F.)

TERRITORIAL AGREEMENT
 BETWEEN
 CITY OF OCALA and PROGRESS ENERGY FL., INC.

DATE _____ EXHIBIT NO. _____ OF _____ TOTAL EXHIBITS



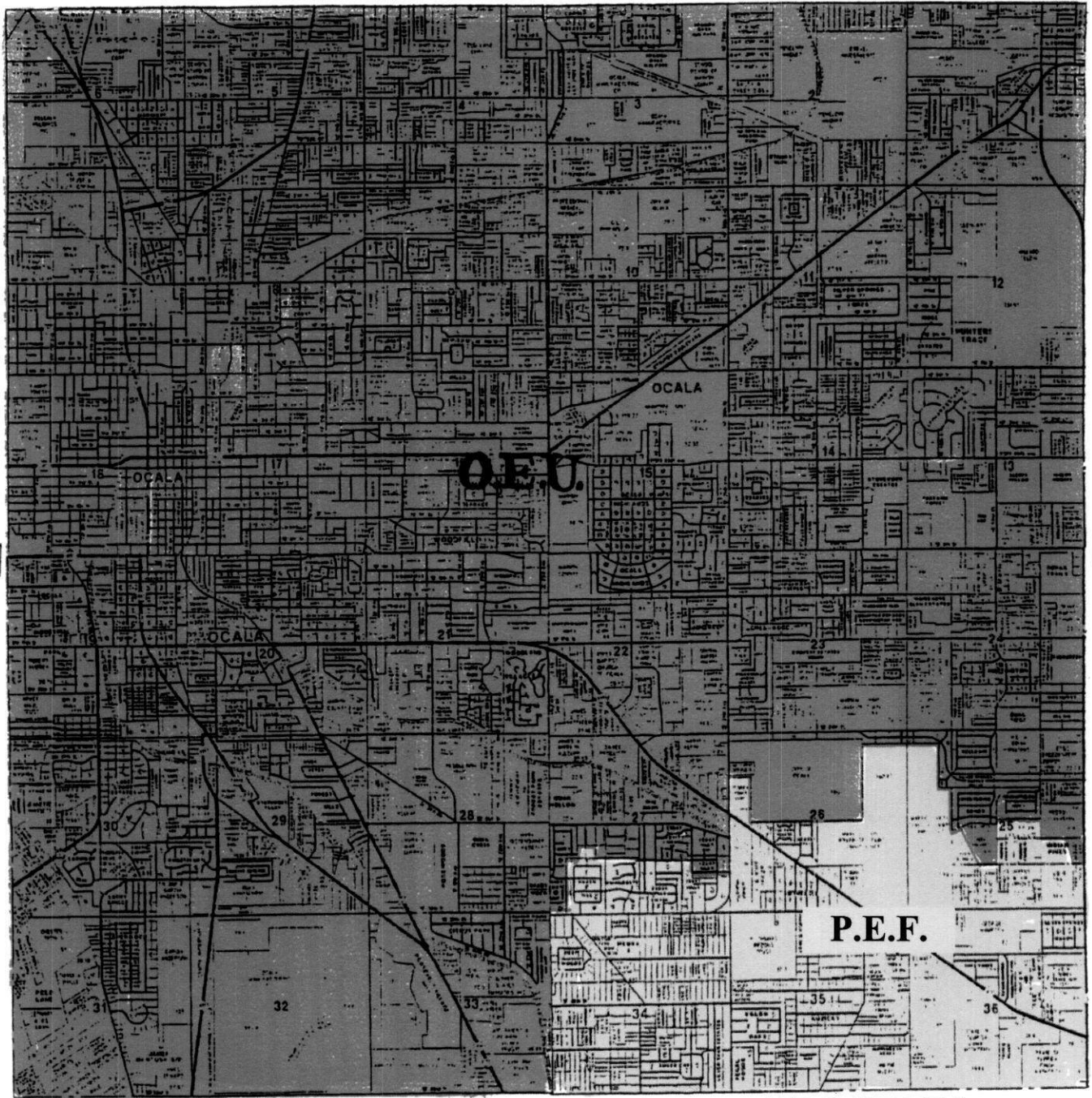
CITY of OCALA (O.E.U.)



PROGRESS ENERGY FL., INC. (P.E.F.)



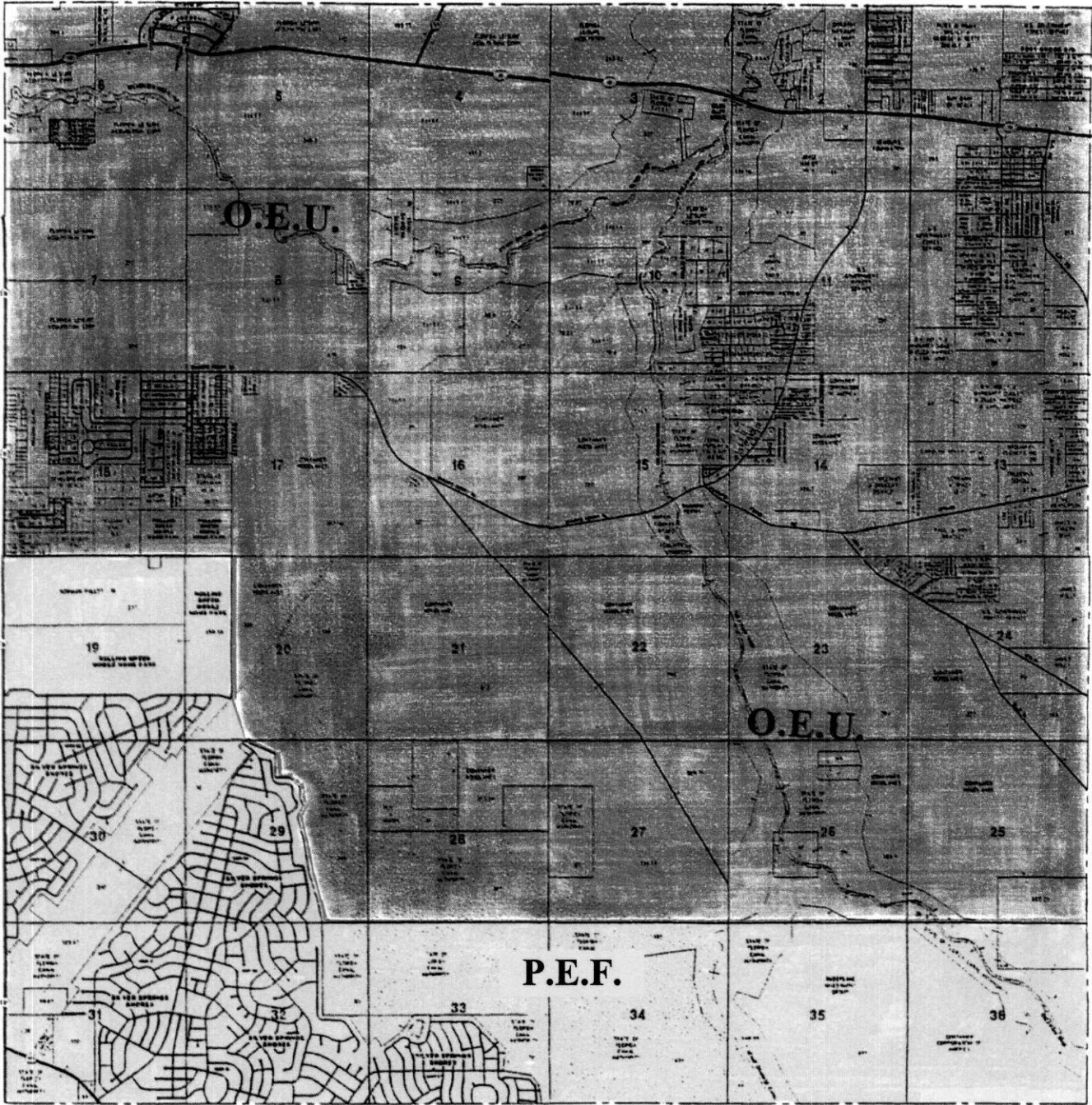
TERRITORIAL AGREEMENT
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 CITY OF OCALA and PROGRESS ENERGY FL., INC.
 DATE _____ EXHIBIT NO. _____ OF _____ TOTAL EXHIBITS




CITY of OCALA (O.E.U.)
 PROGRESS ENERGY FL., INC. (P.E.F.)



TERRITORIAL AGREEMENT
 BETWEEN
 CITY OF OCALA and **PROGRESS ENERGY FL., INC.**
 DATE _____ EXHIBIT NO. _____ OF _____ TOTAL EXHIBITS



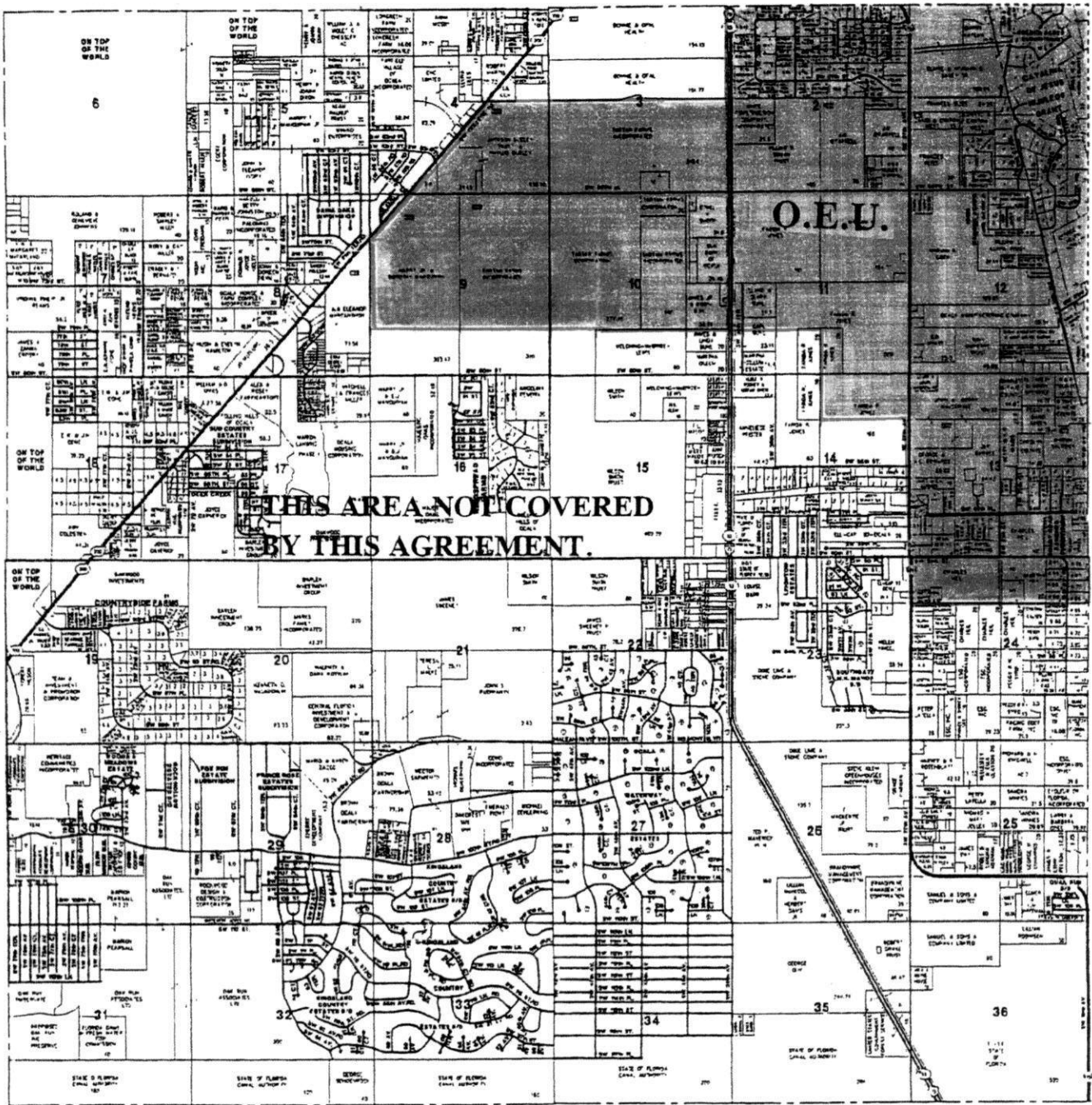
 CITY of OCALA (O.E.U.)

 PROGRESS ENERGY FL., INC. (P.E.F.)

TERRITORIAL AGREEMENT
BETWEEN

CITY OF OCALA and PROGRESS ENERGY FL., INC.

DATE _____ EXHIBIT NO. _____ OF _____ TOTAL EXHIBITS



 CITY of OCALA (O.E.U.)

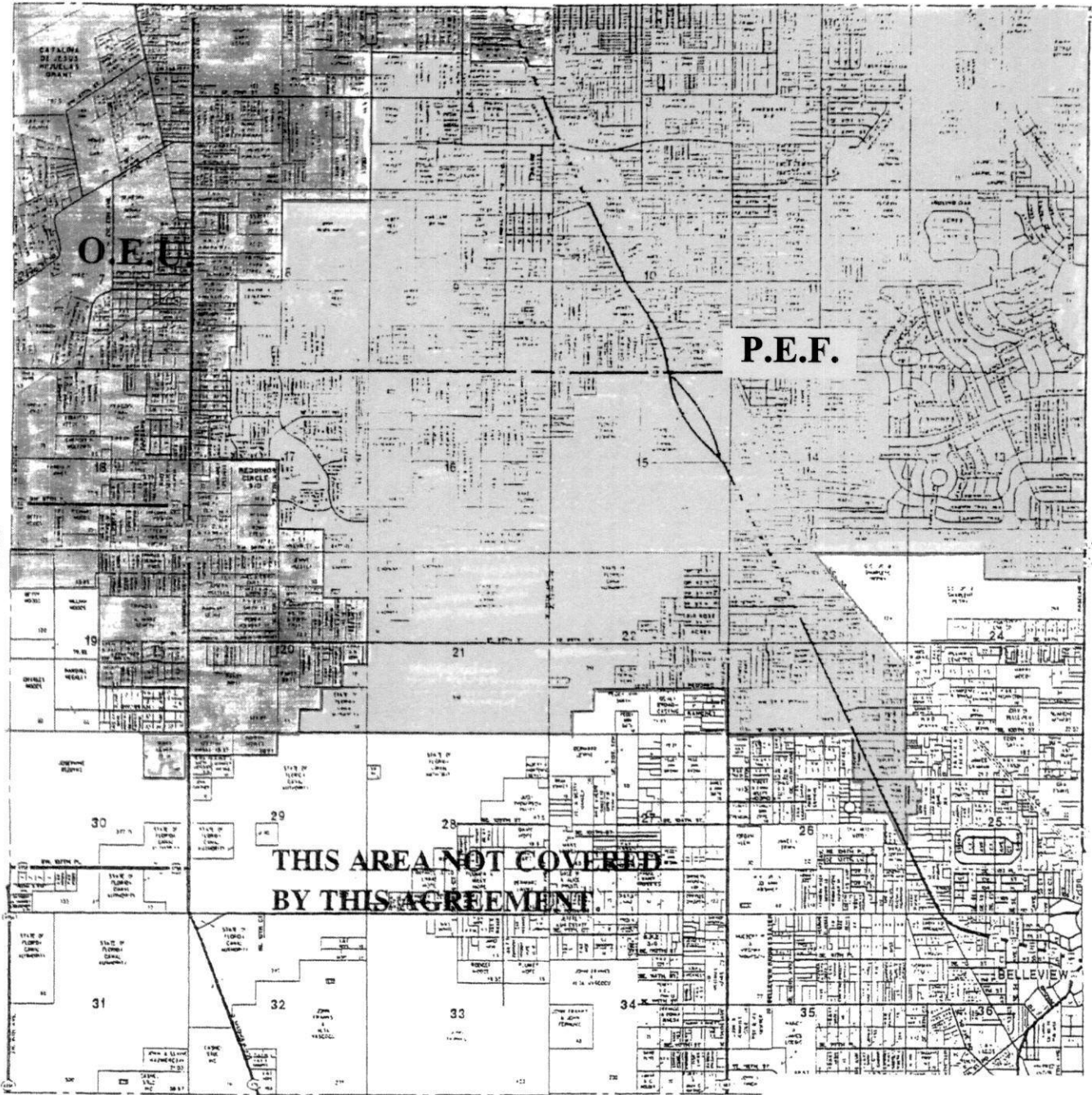
 ENERGY FL., INC. (P.E.F.)

TERRITORIAL AGREEMENT

BETWEEN

CITY OF OCALA and PROGRESS ENERGY FL., INC.

DATE _____ EXHIBIT NO. _____ OF _____ TOTAL EXHIBITS



 CITY of OCALA (O.E.U.)

 **PROGRESS ENERGY FL., INC (P.E.F.)**

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DATE _____ EXHIBIT NO. _____ OF _____ TOTAL EXHIBITS