REDACTED

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.	DOCKET NO. 030001-EI DATED: JULY 18, 2003

RESPONSE OF PROGRESS ENERGY FLORIDA TO
STAFF'S THIRD* SET OF INTERROGATORIES (NOS. 30 - 42*)

* Note: When propounded upon Progress Energy, these interrogatories were identified as Staff's *Second* Set, Nos. *8 - 20*. Staff counsel advised that the interrogatories should have been identified as Staff's *Third* Set. Because the previously propounded and answered Second Set of Interrogatories contained Nos. 8 through 29, the interrogatories below have been renumbered as No. 30 through 42.

30. Please provide, in ascending order of incremental fuel cost, Progress Florida's projected dispatch of its system resources for March, 2003, as of February 28, 2003. For each system resource identified, please indicate the projected fuel type, hours of use, energy provided, incremental fuel cost, and total fuel cost.

DOCUMENT NUMBER-DATE
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FPSC-COMMISSION CLERK

Response:

Unit	Fuel Type	Online Hours	Energy Output MWH	Average Fuel Cost *	Total Fuel Cost
CRYSTR 3	NUCLEAR	744	662,873	$4 47	$2,963,042
MILLER4	PURCHASE POWER	741	61,188	$12.80	$783,206
MILLER1	PURCHASE POWER	731	60,171	$13.08	$787,037
MILLER3	PURCHASE POWER	714	56,548	$13 20	$746,434
MILLER2	PURCHASE POWER	687	56,017	$13.34	$747,267
CRYSTR 2	H.S.COAL	169	72,401	$17.99	$1,302,501
CRYSTR 5	L.S COAL	744	479,234	$19.27	$9,234,845
CRYSTR 4	L.S COAL	744	464,084	$19.31	$8,961,468
CRYSTR 1	H.S COAL	744	252,283	$19.54	$4,929,600
SCHERER3	PURCHASE POWER	442	35,842	$21.33	$764,510
COGN	PURCHASE POWER	744	439,683	$22.69	$9,976,407
TECOAR1	PURCHASE POWER	425	25,096	$30 72	$770,949
ORGC 1	GAS	434	31,289	$37 11	$1,161,116
BARTO 3	#6 OIL	563	58,541	$48.76	$2,854,467
BARTO 1	#6 OIL	263	20,786	$49.85	$1,036,162
BARTO 2	#6 OIL	729	52,641	$51 14	$2,692,059
ANCLO 1	#6 OIL	651	144,186	$53 22	$7,673,590
ANCLO 2	#6 OIL	728	147,685	$53 32	$7,874,548
HINES1	GAS	583	167,001	$57 49	$9,600,876
TIGC	GAS	744	101,828	$67 56	$6,879,506
SUWAN 3	#6 OIL	252	10,760	$70 87	$762,529
SUWAN 1	#6 OIL	251	3,969	$80 06	$317,792
SUWAN 2	#6 OIL	250	4,014	$90 52	$363,305
UNIVE 1	GAS	49	980	$93 39	$91,522
INTERT 7	GAS	8	629	$100 15	$63,034
INTERT12	GAS	8	629	$100 15	$63,034
INTERT13	GAS	8	629	$100 15	$63,034
INTERT10	GAS	8	591	$102.22	$60,461
INTERT11	#2 OIL	7	888	$105.88	$93,989
BARTOD 4	GAS	6	330	$108.77	$35,894
BARTOB 2	GAS	6	266	$111.92	$29,815
DEBAR 7	GAS	16	804	$112.54	$90,505
BARTOC 3	#2 OIL	4	199	$113 28	$22,509
SUWANA 1	#2 OIL	4	252	$114 11	$28,756
BAYBO 2	#2 OIL	3	168	$114 31	$19,204
BARTOA 1	#2 OIL	3	150	$114 66	$17,199
DEBAR 8	GAS	21	904	$116 13	$105,015
SUWANC 3	#2 OIL	3	178	$117 08	$20,829
SUWANB 2	#2 OIL	3	171	$118 06	$20,241
DEBAR 1	#2 OIL	3	159	$119 22	$18,956
DEBAR 2	#2 OIL	3	159	$119.22	$18,956
DEBAR 3	#2 OIL	3	159	$119.22	$18,956
DEBAR 4	#2 OIL	3	156	$119 64	$18,708
DEBAR 5	#2 OIL	2	106	$120 42	$12,765
INTERT 5	#2 OIL	2	116	$121 26	$14,066
INTERT 1	#2 OIL	2	116	$121 61	$14,107
INTERT14	#2 OIL	6	312	$122.09	$38,041
DEBAR 6	#2 OIL	2	99	$122.30	$12,153
INTERT 3	#2 OIL	1	58	$126 28	$7,324
INTERT 9	#2 OIL	2	50	$150 00	$7,500
DEBAR 10	#2 OIL	6	152	$155 27	$23,658
BAYBO 3	#2 OIL	3	84	$155.92	$13,097

* Note - Average rather than incremental fuel cost has been reported. Unit incremental fuel cost refers to the cost for the next MW at a specific point in time for a specific unit loading. Since this interrogatory requests cost data over a monthly period, during which unit loadings vary widely, average unit fuel cost (for the respective online hours) was deemed more appropriate and responsive to the data request.

31. For each day of March, 2003, please provide Progress Florida's projections, as of February 28, 2003, for the following: projected natural gas requirements; projected natural gas requirements to be acquired at fixed or pre-determined prices; and the projected average fixed or pre-determined price.

Response:

Month	Day	Projected Natural Gas Requirements (MMBtu)	Projected Requirements At Fixed Prices (MMBtu)	Projected Average Fixed Price
Mar-03	1	86,374	[redacted]	
	2	88,752		
	3	86,644		
	4	74,315		
	5	73,135		
	6	71,559		
	7	71,348		
	8	160,919		
	9	75,392		
	10	76,743		
	11	77,037		
	12	74,662		
	13	74,662		
	14	73,443		
	15	71,623		
	16	75,068		
	17	73,646		
	18	76,793		
	19	75,661		
	20	75,171		
	21	73,340		
	22	71,915		
	23	78,902		
	24	82,370		
	25	79,201		
	26	85,299		
	27	93,057		
	28	77,993		
	29	66,446		
	30	29,687		
	31	27,340		

32. For each day of March, 2003, please provide Progress Florida's actual natural gas requirements, the amount of natural gas Progress Florida acquired in the spot market, and the average spot market price.

Response:

Day	Actual Natural Gas Requirements (MMBtu)	Spot Purchases	Weighted Average Spot Market Price
1	131,181	0	$0.00
2	121,777	0	$0.00
3	122,525	0	$0.00
4	135,995	0	$0.00
5	178,472	[redacted]	[redacted]
6	195,908	[redacted]	[redacted]
7	191,038	[redacted]	[redacted]
8	141,428	[redacted]	[redacted]
9	170,434	[redacted]	[redacted]
10	165,266	[redacted]	[redacted]
11	142,543	[redacted]	[redacted]
12	162,924	[redacted]	[redacted]
13	187,435	[redacted]	[redacted]
14	135,445	[redacted]	[redacted]
15	126,762	[redacted]	[redacted]
16	98,660	[redacted]	[redacted]
17	116,344	[redacted]	[redacted]
18	125,436	[redacted]	[redacted]
19	216,905	[redacted]	[redacted]
20	237,532	[redacted]	[redacted]
21	125,544	[redacted]	[redacted]
22	135,067	[redacted]	[redacted]
23	91,463	[redacted]	[redacted]
24	103,834	[redacted]	[redacted]
25	102,381	0	$0.00
26	100,710	0	$0.00
27	99,578	0	$0.00
28	97,402	0	$0.00
29	104,127	[redacted]	[redacted]
30	101,147	[redacted]	[redacted]
31	87,338	[redacted]	[redacted]
Total	4,252,601 *	[redacted]	[redacted]

*Note: Total actual natural gas requirements of 4,252,601 MMBtu's differ slightly from the 4,197,941 MMBtu's reported on the A Schedules due to timing.

33. Please indicate Progress Florida's minimum daily natural gas requirements for each month from October, 2003, through March, 2004.

Response:

Month	Minimum Daily Natural Gas Requirements (MMBtu)
Oct-03	[redacted]
Nov-03	[redacted]
Dec-03	[redacted]
Jan-04	[redacted]
Feb-04	[redacted]
Mar-04	[redacted]

34. Please indicate the amount of natural gas that Progress Florida has acquired as of May 31, 2003, for use for each month from October 2003 through March 2004.

Response:
PEF has contracts in place for the following MMBtu's to serve load from October 2003 through March 2004:

October 2003	[redacted]
November 2003	
December 2003	
January 2004	
February 2004	
March 2004	

35. For each month from January through April, 2003, please provide the following information:

1. Volumes of natural gas, residual oil, and electricity hedged using fixed price contracts or instruments (please identify units of fuel in MMBtu);

Response:

	Natural Gas:	Residual Oil*:	Electricity:
January	1,491,689	1,171,306	0
February	1,347,332	1,150,814	0
March	1,181,689	1,536,381	0
April	843,570	772,152	0

*Based on 6.57 MMBtu/bbl

2. Hedging instruments the utility used (please describe each instrument identified);

Response: Hedging instruments used were: 1) Fixed price transactions, 2) Zero Cost Collars (Buy a Call/Sell a Put at a net cost of zero dollars), and 3) Conversion from Inside FERC index to Gas Daily Midpoint.

3. Volume and type of fuel hedged with each instrument;

Response:
[redacted]

4. Average period of each hedge by month and by contract/instrument;

Response:
January - Both gas hedges at 31 days
February - Both gas hedges at 28 days
March - Both gas hedges at 31 days
April - Gas hedge at 30 days

For Residual Oil, the barrels hedged were not for a specific time period but on specific barge deliveries.

5. Actual total cost (e.g. fees, commissions, options premiums, futures gains and losses, swap settlements) associated for each hedging instrument; and

Response: There were no transaction costs associated with the hedged volumes listed above.

6. Indicate how the average period of each hedge referenced in part d., above, was calculated.

Response: A fixed volume of gas supply was purchased for the entire month. For residual oil, please see response to interrogatory number 36, part 4.

36. For each month from May, 2003, through March, 2004, please provide the following information for hedges in effect as of June 3, 2003:

1. Volumes of natural gas, residual oil, and electricity hedged using fixed price contracts or instruments (please identify units of fuel in MMBtu);

Response:
NATURAL GAS:
[redacted]
For Residual Oil and Electricity, there are zero volumes hedged for this time period.

2. Hedging instruments the utility used (please describe each instrument identified);

   Response: Hedging instruments are 1) Fixed price transactions, and 2) Caps (Limits the price PEF is required to pay for natural gas supply).

3. Volume and type of fuel hedged with each instrument;

   Response:
   NATURAL GAS (MMBtu):
   [redacted]

4. Average period of each hedge by month and by contract/instrument;

   Response: Each hedge was executed for the entire month (i.e. February 2004 = 29 days, March 2004 = 31 days).

5. Actual total cost (e.g. fees, commissions, options premiums, futures gains and losses, swap settlements) associated with each hedging instrument; and

Response: [redacted]

6. Indicate how the average period of each hedge referenced in part d., above, was calculated.

   Response: A fixed volume of supply was purchased for the entire month.

37. For that portion of Progress Florida's March, 2003, under-recovery not reflected in the rates approved through Progress Florida's April, 2003, mid-course correction, please identify the percentage of the under-recovery attributable to the following: fuel price changes; heat rate changes; and volume changes. Please show all calculations. If Progress Florida's response would indicate that fuel switching between two fuels is a volume change rather than a fuel price change for purposes of the percentage calculations, please explain.

    Response: The projected under-recovery as of March 31, 2003 in Progress Energy's mid-course filing was $52.9 million. The actual under-recovery as of the same date was $85.4 million, for a difference of $32.5 million. Of this difference, $7.8 million or 23.4% is due to a decrease in revenues, $20.8 million or 64.6% is due to fuel price changes, $1.2 million or 3.7% is due to a change in heat rate and $2.7 million or 8.3% is due to volume changes. (See Attachment A for the supporting calculation)

38. What percent of natural gas volumes delivered to Progress Florida's generating units in March, 2003, were unhedged either physically or financially? Please show all calculations.

Response: Total natural gas volume unhedged was [redacted] MMBtu divided by total volume burned of 4,197,941 MMBtu)

39. Please indicate the amount, if any, of Progress Florida's natural gas purchases in March, 2003, that were resold to another party and indicate the amount of such sales that were required by any contract existing prior to March, 2003. Please indicate where Progress Florida has represented such sales as credits to the fuel clause on Progress Florida's March, 2003, A Schedules.

Response: Progress Florida resold 478,104 MMBtus to third parties in the month of March 2003. Of these, none were required under a contract that existed prior to March 2003. Natural gas resales are not reflected on the A Schedules.

40. What is Progress Florida's current strategy for hedging natural gas, residual oil, and electricity prices for October, 2003, through March, 2004, in sufficient quantities to meet Progress Florida's objectives in its risk management plan and the direction afforded by Order No. PSC-02-1484-FOF-EI, issued October 30, 2002, in Docket No. 11605-EI?

Response:

Natural Gas - [redacted]

Residual Oil - [redacted]

[redacted]

Electricity - [redacted]

41. What changes, if any, does Progress Florida expect in 2003 and 2004 with respect to its natural gas storage capabilities and fuel switching capabilities? If changes are expected, how and when does Progress Florida expect such changes will impact fuel costs.

Response: [redacted]

42. What was Progress Florida's ending inventory for natural gas for April, 2003?

Response: Progress Florida did not have ending inventory for natural gas since it does not own storage.

Progress Energy Florida, Inc.
Docket No. 030001-EI
Response to Staff's 3rd Set of Interrogatories No. 37.

Attachment A

VARIANCE ANALYSIS OF FUEL & NET PURCHASED POWER EXPENSES

January - March 2003

	COST			MWH			BTU		
	Actual	Projection	Difference	Actual	Projection	Difference	Actual	Projection	Difference
Generation	$226,295,135	$198,330,419	$27,964,716	7,852,326	7,742,965	109,361	76,379,795	74,859,802	1,519,993
Purchases	66,439,407	61,699,483	4,739,924	2,561,137	2,179,476	381,661	0	0	0
Sales	(36,756,439)	(29,648,265)	(7,108,174)	(1,084,684)	(794,151)	(290,533)	0	0	0
Total	$255,978,103	$230,381,637	$25,596,466	9,328,779	9,128,290	200,489			

	HEAT RATE			COST PER MMBTU OR MWH			REVENUE		
	Actual	Projection	Difference	Actual	Projection	Difference	Actual	Projection	Difference
Generation	9,727	9,668	59	$ 2.963	$ 2.649	$ 0.314	$206,300,632	$214,134,615	($7,833,983)
Purchases	0	0	0	$ 25.941	$ 28.309	$ (2.368)			
Sales	0	0	0	$ 33.887	$ 37.333	$ (3.446)			
Total									

System $ Amount	MWH Variances	Heat Rate Variances	Price Variances	Total Variance
Generation	$2,800,793	$1,227,248	$23,936,675	$27,964,716
Purchases	10,804,441	0	(6,064,517)	4,739,924
Sales	(10,846,468)	0	3,738,294	(7,108,174)
Total	$2,758,766	$1,227,248	$21,610,452	$25,596,466

Jurisdict. $ Amount	MWH Variances	Heat Rate Variances	Price Variances	Total Variance
Generation	$2,698,036	$1,182,222	$23,058,471	$26,938,729
Purchases	10,408,041	0	(5,842,018)	4,566,023
Sales	(10,448,526)	0	3,601,141	(6,847,335)
Total	$2,657,551	$1,182,222	$20,817,594	$24,657,367

Percent	MWH Variances	Heat Rate Variances	Price Variances	Total Variance
Generation	8.30%	3.64%	70.97%	82.91%
Purchases	32.03%	0 00%	-17.98%	14.05%
Sales	-32.16%	0.00%	11.08%	-21 07%
Subtotal	8.25%	3.67%	64.64%	76.57%
Revenue	23.43%	0 00%	0.00%	23.43%
Total	31.69%	3 67%	64.64%	100.00%

Mwh $ Variance = Mwh Difference x Projected Heat Rate x Projected Cost
Heat Rate $ Variance = Actual Mwh x Heat Rate Difference x Projected Cost
Price $ Variance = Actual Btu or Mwh x Cost Difference