ORIGINAL

Progress Energy

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PROGRESS ENERGY SERVICE CO., LLC

October 6, 2003

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850



Re: Docket No. 030001-EI

Dear Ms. Bayó:

Enclosed for filing in the subject docket on behalf of Progress Energy Florida, Inc., formerly Florida Power Corporation, are an original and fifteen copies of its Preliminary List of Issues and Positions.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the above-referenced document in WordPerfect format. Thank you for your assistance in this matter.

Very truly yours,

James A. McGee

JAM/scc
Enclosure

cc: Parties of record



AUS
CAF
CMP
COM 5
CTR
ECR
GCL
OPC
MMS
SEC 1
OTH



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**PROGRESS ENERGY FLORIDA**

**DOCKET NO. 030001-EI**

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of Progress Energy Florida's Preliminary List of Issues and Positions has been furnished to the following individuals by regular U.S. Mail the ___ day of October, 2003:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power Cost Recovery Clause and Generating Performance Incentive Factor.

Docket No. 030001-EI

Submitted for filing: October 7, 2003

# PROGRESS ENERGY FLORIDA'S PRELIMINARY LIST OF ISSUES AND POSITIONS

Progress Energy Florida (PEF) hereby submits its Preliminary List of Issues and Positions with respect to its levelized fuel and capacity cost recovery factors and its Generating Performance Incentive Factor (GPIF) for the period of January through December 2004, and states as follows:

## Generic Fuel Adjustment Issues

1. ISSUE: What are the appropriate final fuel adjustment true-up amounts for the period January through December 2002?

   PEF: $66,271,472 under-recovery. (Portuondo)

2. ISSUE: What are the appropriate estimated fuel adjustment true-up amounts for the period January through December 2003?

   PEF: $144,154,788 under-recovery. (Portuondo)

3. ISSUE: What are the appropriate total fuel adjustment true-up amounts to be collected from January through December 2004?

   PEF: $210,426,260 under-recovery. (Portuondo)

4. ISSUE: What is the appropriate revenue tax factor to be applied in calculating each investor owned electric utility's levelized fuel factor for the projection period of January through December 2004?

   PEF: 1.00072 (Portuondo)

5. ISSUE: What are the appropriate projected net fuel and purchased power cost recovery amounts to be included in the recovery factor for the period January through December 2004?

PEF: $1,344,114,962 (Portuondo)

6. ISSUE: What is the appropriate levelized fuel cost recovery factor for the period of January through December 2004?

PEF: 3.453 cents per kWh (adjusted for jurisdictional losses). (Portuondo)

7. ISSUE: What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level group?

PEF:

| Group | Delivery Voltage Level | Line Loss Multiplier |
|---|---|---|
| A. | Transmission | 0.9800 |
| B. | Distribution Primary | 0.9900 |
| C. | Distribution Secondary | 1.0000 |
| D. | Lighting Service | 1.0000 |

(Portuondo)

8. ISSUE: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

PEF:

| | | Fuel Cost Factors (cents/kWh) | | |
|---|---|---|---|---|
| | | | Time Of Use | |
| Group | Delivery Voltage Level | Standard | On-Peak | Off-Peak |
| A. | Transmission | 3.389 | 4.440 | 2.931 |
| B. | Distribution Primary | 3.423 | 4.484 | 2.961 |
| C. | Distribution Secondary | 3.458 | 4.530 | 2.991 |
| D. | Lighting Service | 3.279 | | |

(Portuondo)

9. ISSUE: What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

PEF: The new factors should be effective beginning with the first billing cycle for January 2004, and thereafter through the last billing cycle for December 2004. The first billing cycle may start before January 1, 2004, and the last billing cycle may end after December 31, 2004, so long as each customer is billed for twelve months regardless of when the factors became effective.

10. ISSUE: What is the appropriate actual benchmark level for calendar year 2003 for gains on non-separated wholesale energy sales eligible for a shareholder incentive as set forth by Order No. PSC-00-1744-PAA-EI, in Docket No. 991779-EI, issued September 26, 2000, for each investor-owned electric utility?

    PEF: $8,283,799 (Portuondo)

11. ISSUE: What is the appropriate estimated benchmark level for calendar year 2004 for gains on non-separated wholesale energy sales eligible for a shareholder incentive as set forth by Order No. PSC-00-1744-PAA-EI, in Docket No. 991779-EI, issued September 26, 2000, for each investor-owned electric utility?

    PEF: $8,239,266 (Portuondo)

12. ISSUE: What is the appropriate base level for operation and maintenance expenses for non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility?

    PEF: $0. PEF has not incurred nor is expecting to incur any charges for the implementation of its new financial hedging program until mid-2004. See response to Issue 13G. (Murphy)

## Company-Specific Fuel Adjustment Issues

13A. ISSUE: Has Progress Energy Florida confirmed the validity of the methodology used to determine the equity component of Progress Fuels Corporation's capital structure for calendar year 2002?

PEF: Yes. PEF's Audit Services Department has reviewed the analysis performed by Progress Fuels Corporation and has confirmed the appropriateness of the "short cut" method previously approved by the Commission. (Portuondo)

13B. ISSUE: Has Progress Energy Florida properly calculated the market price true-up for coal purchases from Powell Mountain?

PEF: Yes. The calculation has been made in accordance with the market pricing methodology approved by the Commission in Docket No. 860001-EI-G. (Portuondo)

13C. ISSUE: Has Progress Energy Florida calculated the 2002 price for waterborne transportation services provided by Progress Fuels Corporation?

PEF: Yes. The waterborne transportation calculation has been properly made in accordance with the methodology consistently used for previous calculations that have been approved by the Commission. (Portuondo)

13D. ISSUE: Should the Commission modify or eliminate the method for calculating Progress Energy Florida's market price proxy for waterborne coal transportation that was established in Order No. PSC-93-1331-FOF-EI, issued September 13, 1993, in Docket No. 930001-EI?

PEF: No. Given the absence of any compelling reason for change, the market price proxy developed to comply with the policy requirements of Order No. 20604, and which met the satisfaction of the Commission, Staff, the parties and the Company, should remain in effect. (Portuondo)

13E. ISSUE: Were Progress Energy Florida's purchases of synthetic coal during 2002 cost effective?

PEF: Yes. PEF's purchases of synthetic coal (synfuel) in 2002 resulted in fuel saving of over $1.3 million. (Portuondo)

13F. ISSUE: Were Progress Energy Florida's actions through July 31, 2003, to mitigate fuel and purchased power price volatility through implementation of its non-speculative financial and/or physical hedging programs prudent?

PEF: Yes. For the seven-month period from January through July 2003, PEF hedged approximately 29% of its natural gas purchases, which was the appropriate level for the period. (Murphy)

13G. ISSUE: Are Progress Energy Florida's actual and projected operation and maintenance expenses for 2002 through 2004 for its non-speculative financial and/or physical hedging programs to mitigate fuel and purchased power price volatility reasonable for cost recovery purposes?

PEF: Progress Energy Florida will not incur any charges for the implementation of its new financial hedging program until phase 2 of the program's software system becomes operational, which is expected to be mid-2004. At this time, the Company's allocated share of these charges has not been finalized. Therefore, the Company proposes to book the charges when they are incurred and address their reasonableness in subsequent true-up testimony. (Murphy)

13H. ISSUE: In consideration of Order No. PSC-93-1331-FOF-EI, in Docket No. 930001-EI, issued September 13, 1993, should the Commission make an adjustment to Progress Energy Florida's 2002 waterborne coal transportation costs to account for upriver costs from mine to barge for coal commodity contracts which are quoted FOB Barge?

PEF: No adjustment is needed, since PEF's coal supplier, Progress Fuels, has maintained approximately the same ratio of FOB Barge purchases that was included in the market price proxy since its inception, including 2002. (Portuondo)

13I. ISSUE: How should Progress Energy Florida's baseline O&M expenses be established for purposes of determining its recoverable incremental costs in this proceeding?

PEF: The baseline O&M expenses of PEF used to determine incremental costs found by the Commission to be recoverable in this proceeding should be established from PEF's 2002 MFRs, subject to any further adjustment necessary to ensure that recoverable incremental costs exclude all O&M expenses recovered through base rates. (Portuondo)

## Generic Generating Performance Incentive Factor Issues

18. ISSUE: What is the appropriate GPIF reward or penalty for performance achieved during the period of January through December 2002?

PEF: $2,781,223 reward. (Jacob)

19. ISSUE: What should the GPIF targets/ranges be for the period of January through December, 2004?

PEF: See Attachment A (page 3 of Exhibit MFJ-1). (Jacob)

## Generic Capacity Cost Recovery Issues

24. ISSUE: What is the appropriate final capacity cost recovery true-up amount for the period of January through December 2002?

PEF: $4,497,883 over-recovery. (Portuondo)

25. ISSUE: What is the appropriate estimated capacity cost recovery true-up amount for the period of January through December 2003?

PEF: $1,188,735 under-recovery. (Portuondo)

26. ISSUE: What is the appropriate total capacity cost recovery true-up amount to be refunded during the period January through December 2004?

PEF: $3,309,148 over-recovery. (Portuondo)

27. ISSUE: What is the appropriate projected net purchase power capacity cost recovery amount to be included in the recovery factor for the period January through December 2004?

PEF: $301,641,556. (Portuondo)

28. ISSUE: What are the appropriate jurisdictional separation factors to be applied to determine the capacity costs to be recovered during the period January through December 2004?

PEF: Base - 95.957%, Intermediate - 86.574%, Peaking - 74.562%. (Portuondo)

29. ISSUE: What are the projected capacity cost recovery factors for the period January through December 2004?

PEF:

| Rate Class | CCR Factor |
|---|---|
| Residential | .877 cents/kWh |
| General Service Non-Demand | .795 cents/kWh |
| @ Primary Voltage | .787 cents/kWh |
| @ Transmission Voltage | .779 cents/kWh |
| General Service 100% Load Factor | .506 cents/kWh |
| General Service Demand | .698 cents/kWh |
| @ Primary Voltage | .691 cents/kWh |
| @ Transmission Voltage | .684 cents/kWh |
| Curtailable | .628 cents/kWh |
| @ Primary Voltage | .621 cents/kWh |
| @ Transmission Voltage | .615 cents/kWh |
| Interruptible | .529 cents/kWh |
| @ Primary Voltage | .524 cents/kWh |
| @ Transmission Voltage | .518 cents/kWh |
| Lighting | .157 cents/kWh |

(Portuondo)

30. ISSUE: What is the appropriate period to establish a base line for incremental post-September 11, 2001, security expenses?

PEF: The 2002 MFR's should be used to establish baseline O&M expenses for determining recoverable incremental security expenses because they most accurately reflect the level of expenses included in the Company's current base rates. See PEF's position under Issue 13I. (Portuondo)

31. ISSUE: What is the appropriate base line for operational and maintenance expenses for post-September 11, 2001, security measures?

PEF: $5,925,058 is the appropriate base line for O&M expenses based on production plant security at the Crystal River Complex as reflected in the 2002 MFR's. (Portuondo)

Respectfully submitted,

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Attorney for
PROGRESS ENERGY FLORIDA, INC.

**ATTACHMENT A**

# GPIF TARGETS AND RANGES

# GENERATION PERFORMANCE INCENTIVE FACTOR

## CALCULATION OF MAXIMUM ALLOWED INCENTIVE DOLLARS

## ESTIMATED

Progress Energy Florida
Period of: January 2004 - December 2004

| | | | |
|---|---|---|---|
| 1 | Beginning of period balance of common equity | $2,060,000,172 | |
| | END OF MONTH BALANCE OF COMMON EQUITY: | | |
| 2 | Month of JANUARY 2004 | $2,089,820,128 | |
| 3 | Month of FEBRUARY 2004 | $2,082,120,299 | |
| 4 | Month of MARCH 2004 | $2,101,674,858 | |
| 5 | Month of APRIL 2004 | $2,114,653,607 | |
| 6 | Month of MAY 2004 | $2,117,660;265 | |
| 7 | Month of JUNE 2004 | $2,151,672,798 | |
| 8 | Month of JULY 2004 | $2,193,045,557 | |
| 9 | Month of AUGUST 2004 | $2,205,640,552 | |
| 10 | Month of SEPTEMBER 2004 | $2,238,354,573 | |
| 11 | Month of OCTOBER 2004 | $2,259,962,017 | |
| 12 | Month of NOVEMBER 2004 | $2,247,079,605 | |
| 13 | Month of DECEMBER 2004 | $2,263,983,706 | |
| 14 | Average common equity for the period<br>(Summation of LINE 1 through LINE 13 divided by 13) | $2,163,512,934 | |
| 15 | 25 Basis Points | 0.0025 | |
| 16 | Revenue Expansion Factor | 61.3808% | |
| 17 | Maximum allowed incentive dollars<br>(LINE 14 times LINE 15 divided by LINE 16) | $8,811,847 | |
| 18 | Jurisdictional Sales | 38,930,464 | MWH |
| 19 | Total Sales | 40,107,781 | MWH |
| 20 | Jurisdictional Separation Factor<br>(LINE 18 divided by LINE 19) | 97.06% | |
| 21 | Maximum allowed jurisdictional incentive dollars<br>(LINE 17 times LINE 20) | $8,552,779 | |

Issued by: Progress Energy Florida

Filed:
Suspended:
Effective:
Docket No.:
Order No.: