

# Hopping Green & Sams

Attorneys and Counselors

Writer's Direct Dial Number  
(850) 425-2359

October 14, 2003

## BY HAND DELIVERY

Blanca Bayó  
Director, Office of the Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Progress Energy Florida  
In re Environmental Cost Recovery Clause  
Docket No. 030007-EI

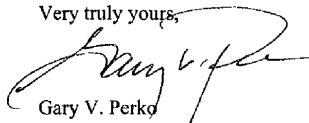
Dear Ms. Bayó:

Enclosed for filing on behalf of Progress Energy Florida (PEF) are the original and fifteen (15) copies of PEF's Prehearing Statement in the above-referenced docket. Pursuant to Rule 25-22.028(1), F.A.C., I also have enclosed a diskette with an electronic version of the document in Wordperfect format.

By copy of this letter, the document has been furnished to the parties on the attached certificate of service.

Please stamp and return the enclosed extra copy of this filing. If you have any questions regarding this filing, please give me a call at 425-2359.

Very truly yours,



Gary V. Perko

GVP/mee  
Enclosures

RECEIVED NUMBER DATE

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Environmental cost ) Docket No. 030007-EI  
recovery clause. ) Filed: October 14, 2003  
\_\_\_\_\_ )

PROGRESS ENERGY FLORIDA'S  
PREHEARING STATEMENT

Pursuant to the requirements of the Order on Procedure (Order No. PSC-03-0114-PCO-EI), Progress Energy Florida, Inc. ("PEF") hereby submits its Prehearing Statement.

A. Known Witnesses

PEF intends to offer the direct testimony of:

<u>Witness</u>	<u>Issues</u>
Javier Portuondo	1-9, 11B, 11D, 11E, 11F
Kent D. Hedrick	2-4
Patricia Q. West	2-4, 11A, 11C, 11D

B. Known Exhibits

PEF intends to offer the following exhibits:

<u>Witness</u>	<u>Exhibit</u>	<u>Description</u>
Javier Portuondo	JP-1	ECR Forms 42-1A through 42-5A
	JP-2 (renumbered from JP-1 as filed on 9/5/03)	ECR Forms 42-1E through 42-8E (revised 9/5/03)
	JP-3 (renumbered from JP-2 as filed on 9/8/03)	ECR Forms 42-1P through 42-7P

Kent D. Hedrick	KDH-1	Settlement by Short Form Consent Order of Progress Energy Substations
	KDH-2	Progress Energy Substation Inspection Plan
Patricia Q. West	PQW-1	67 Fed. Reg. 2136 (Jan. 26, 2002)
	PQW-2	Rule 72-761.510, Fla. Admin. Code

C. Basic Position

The Commission should approve PEF's petition for approval of its environmental cost recovery true-up and proposed environmental cost recovery factors for the period January 2004 to December 2004.

D.-F. Issues and Positions

PEF's positions on the issues identified in this proceeding are as follows:

Generic Environmental Cost Recovery Issues

Issue 1 What are the appropriate final environmental cost recovery true-up amounts for the period ending December 31, 2002?

PEF: \$38,833 under-recovery

Issue 2 What are the estimated environmental cost recovery true-up amounts for the period January 2003 through December 2003?

PEF: \$10,820,135 under-recovery

Issue 3 What are the total environmental cost recovery true-up amounts to be collected or refunded during the period January 2003 through December 2003?

PEF: \$10,858,968 under-recovery

Issue 4 What are the appropriate projected environmental cost recovery amounts for the period January 2004 through December 2004?

PEF: \$10,227,719

Issue 5 What are the environmental cost recovery amounts, including true-up amounts and adjusted for revenue taxes, for the period January 2004 through December 2004?

PEF: \$21,101,869

Issue 6 What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2004 through December 2004?

PEF: For 2004 final true-up purposes, the depreciation rates used to calculate the depreciation expense should be the rates that are in effect during the period the allowed capital investment is in service as approved by the FPSC.

Issue 7 What are the appropriate jurisdictional separation factors for the projected period January 2004 through December 2004?

PEF: The jurisdictional energy separation factor is calculated for each month based on retail kWh sales as a percentage of projected total system kWh sales.  
Transmission demand jurisdictional factor - 72.115%  
Distribution demand jurisdictional factor - 99.529%  
Composite Production demand jurisdictional factor - 90.897%

Composite production demand jurisdictional O&M factor  
- 91.848%

For 2003 and 2004 actual purposes, PEF will use  
production stratified separation factors.

Issue 8 What are the appropriate environmental cost recovery  
factors for the period January, 2004, through  
December, 2004, for each rate group?

PEF: The appropriate factors are as follows:

Rate Class	ECR Factor cents/kWh
Residential	0.061
General Service Non-Demand	
@ Secondary Voltage	0.058
@ Primary Voltage	0.058
@ Transmission Voltage	0.057
General Service 100% Load Factor	0.032
General Service Demand	
@ Secondary Voltage	0.048
@ Primary Voltage	0.047
@ Transmission Voltage	0.047
Curtaillable	
@ Secondary Voltage	0.057
@ Primary Voltage	0.056
Interruptible	
@ Secondary Voltage	0.037
@ Primary Voltage	0.037
@ Transmission Voltage	0.037
Lighting	0.051

Issue 9 What should be the effective date of the environmental cost recovery factors for billing purposes?

PEF: The factors should be effective beginning with the specified environmental cost recovery cycle and thereafter for the period January, 2004, through December, 2004. Billing cycles may start before January 1, 2004, and the last cycle may be read after December 31, 2004, so that each customer is billed for twelve months regardless of when the adjustment factor became effective.

Company Specific Environmental Cost Recovery Issues

PEF takes no position on Issues 10A-10D and 12A-12E, which relate to other utilities.

Issue 11A Should the Commission approve PEF's request for recovery of costs for the Pipeline Integrity Management Program?

PEF: Yes, these costs meet the requirements of Section 366.8255 for recovery through the Environmental Cost Recovery Clause.

Issue 11B How should PEF's newly proposed environmental costs (Staff11A) for the Pipeline Integrity Management Program be allocated to rate classes?

PEF: The capital costs for the Pipeline Integrity Management Program should be allocated to the rate classes on a 12 Coincident Peak (CP) and 1/13 Average Demand basis and the O&M costs should be allocated on an energy basis.

Issue 11C Should the Commission approve PEF's request for recovery of costs for the Aboveground Tank Secondary Containment Program?

PEF: Yes, these costs meet the requirements of Section 366.8255 for recovery through the Environmental Cost Recovery Clause.

Issue 11D (Staff11E) Should an adjustment be made for the level of costs currently being recovered through PEF's base rates for the Above Ground Tank Secondary Containment Program?

PEF: No. No costs of the Above Ground Tank Secondary Containment Program currently are being recovered through PEF's base rates. Accordingly, no adjustment should be made.

Issue 11E (Staff11C) How should the newly proposed environmental costs for the Aboveground Tank Secondary Containment Program be allocated to the rate classes?

PEF: The recoverable costs for the Aboveground Tank Secondary Containment Program should be allocated to the rate classes on a 12 Coincident Peak (CP) and 1/13 Average Demand basis.

Issue 11F (Staff11D) What are the appropriate weighted debt and equity rates of return for recovery of capital investment costs for PEF?

PEF: Total debt rate of return before tax - 2.57%  
Total equity rate of return before tax - 10.75%

G. Stipulated Issues

PEF is not a party to any stipulations at this time.

H. Pending Motions

PEF has no pending motions.

I. Requests for Confidentiality

PEF has no pending requests for confidentiality.

J. Requirements of Order

PEF believes that this prehearing statement complies with all the requirements of the Order on Procedure.

K. Objections to Qualifications

PEF has no objection to the qualifications of any expert witnesses in this proceeding.

RESPECTFULLY SUBMITTED this 14<sup>th</sup> day of October, 2003.

HOPPING GREEN & SAMS, P.A.

By: 

Gary V. Pezko  
P.O. Box 6526  
Tallahassee, FL 32314  
(850) 425-2313

and

James A. McGee  
Associate General Counsel  
Progress Energy Florida, Inc.  
100 Central Avenue  
St. Petersburg, FL 33701-3324

Attorneys for Progress Energy  
Florida, Inc.



**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by regular U.S. mail and/or hand-delivery (\*) to the following in Docket Nos. 030007-EI and 030711-EI this 14<sup>th</sup> day of October, 2003.

Marlene Stern\*  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

James A. McGee  
Progress Energy Florida, Inc.  
P.O. Box 14042  
St. Petersburg, FL 33733-4042

John T. Butler, Esq.  
Steel Hector & Davis, LLP  
200 S. Biscayne Bay Blvd, Ste.  
Miami, FL 33131-2398

Lee L. Willis, Esq.  
James D. Beasley, Esq.  
Ausley & McMullen  
P.O. Box 391  
Tallahassee, FL 32302

Robert Vandiver, Esq.(\*)  
Office of Public Counsel  
111 West Madison Street, Rm. 812  
Tallahassee, FL 32399

Jeffrey A. Stone, Esq.  
Russell A. Badders, Esq.  
Beggs and Lane  
P.O. Box 12950  
Pensacola, FL 32576

John W. McWhirter, Jr., Esq.  
McWhirter, Reeves, et al.  
P.O. Box 3350  
Tampa, FL 33601-3350

Vicki Gordon Kaufman, Esq.  
Joseph A. McClothlin, Esq.  
McWhirter Reeves, et al.  
117 South Gadsden Street  
Tallahassee, FL 32301

Florida Power & Light Co.  
R. Wade Litchfield, Esq.  
700 Universe Blvd.  
Juno Beach, FL 33408-0420

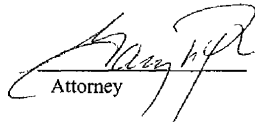
Florida Power & Light Co.  
Bill Walker  
215 S. Monroe Street, Suite 810  
Tallahassee, FL 32301

Gulf Power Company  
Susan Ritenour  
One Energy Place  
Pensacola, FL 32520-0780

Tampa Electric Company  
Angela Llewellyn  
Regulatory Affairs  
P.O. Box 111  
Tampa, FL 33601-0111

Progress Energy Florida, Inc.  
Bonnie Davis  
106 East College Avenue, Suite 800  
Tallahassee, FL 32301-7740

Florida Public Utilities Company  
Mr. John T. English  
P. O. Box 3395  
West Palm Beach, FL 33402-3395

  
Attorney