ORIGINAL

Progress Energy

JAMES A. MCGEE
ASSOCIATE GENERAL COUNSEL
PROGRESS ENERGY SERVICE COMPANY, LLC

October 15, 2003

HAND DELIVERY

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 Prehearing Statement.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. A 3½ inch diskette containing the above-referenced document in Word format is also enclosed. Thank you for your assistance in this matter.

Very truly yours,

James A. McGee

JAM/scc
Enclosures

cc: Parties of record

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

100 Central Avenue (33701) • Post Office Box 14042 (33733) • St Petersburg, Florida
Phone 727.820.5184 • Fax 727 820.5519 • Email: james mcgee@pgnmail com

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 15, 2003

PREHEARING STATEMENT OF
<u>PROGRESS ENERGY FLORIDA</u>

Progress Energy Florida (PEF), pursuant to Rule 25-22.038, Florida Administrative Code, hereby submits its Prehearing Statement 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:

A. APPEARANCES

JAMES A. MCGEE, Esquire, Post Office Box 14042, St. Petersburg, FL 33733-4042
<u>On behalf of Progress Energy Florida</u>

B. WITNESSES

Witness	Subject Matter	Issues
Javier Portuondo	Final and Estimated True-up	1- 3, 24-26
Javier Portuondo	Fuel and Capacity Cost Projections	4-11, 13A-13E, 13H-13I, 27-31A
Pamela R. Murphy	Fuel Procurement Hedging Programs	12, 13F, 13G
Michael F Jacob	GPIF Reward/Penalty and Targets/Ranges	18, 19

C. EXHIBITS

Exhibit No.	Witness	Description
________ (JP-1)	Portuondo	True-up Variance Analysis, Capacity Cost Recovery True-up, Tiger Bay Amortization, and Schedules A1 through A9 (December 2002).
________ (JP-2)	Portuondo	Reprojection Assumptions (Parts A-C), Capacity Cost Recovery Reprojections (Part D), and Schedules A1 through A9 (July 2003).
________ (JP-3)	Portuondo	Forecast Assumptions (Parts A-C), Capacity Cost Recovery Factors (Part D), Hines 2 Depreciation & Return Calculations (Part E), Incremental Cost Evaluation Process (Part F), and Schedules E1 through E10 and H1 (2004)
________ (PRM-1)	Murphy	2002 Risk Management Plan Results Summary, and Hedging Information Summary.
________ (PRM-2).	Murphy	2004 Risk Management Plan.
________ (MFJ-1)	Jacob	GPIF Reward/Penalty Schedules
________ (MFJ-2)	Jacob	GPIF Targets/Ranges Schedules.

D. STATEMENT OF BASIC POSITION

None necessary.

E. STATEMENT OF ISSUES AND POSITIONS

(Note: The issue numbering sequence below corresponds to the issue numbers in Staff's Preliminary List of Issues.)

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:

Group	Delivery Voltage Level	Fuel Cost Factors (cents/kWh) Standard	Time Of Use On-Peak	Time Of Use 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. <u>ISSUE</u>: Were Progress Energy Florida's purchases of synthetic coal during 2002 cost effective?

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

13F. <u>ISSUE</u>: 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?

<u>PEF</u>: 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. <u>ISSUE</u>: 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?

<u>PEF</u>: 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. <u>ISSUE</u>: 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?

<u>PEF</u>: 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)

131. 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 methodology for determining the incremental costs of security measures implemented as a result of terrorist attacks committed on or since September 11, 2001?

PEF. For Progress Energy, the incremental costs of post-9/11 security measures should be determined using the Company's 2002 MFR's to establish baseline O&M expenses (see PEF's position under Issue 13I) and the methodology described on pages 33 through 35 of Mr. Portuondo's projection testimony. (Portuondo)

Company-Specific Capacity Cost Recovery Issues

31A. ISSUE: Are Progress Energy Florida's actual and projected expenses for 2002 through 2004 for its post-September 11, 2001, security measures reasonable for cost recovery purposes?

PEF: Yes, Progress Energy's post-9/11 incremental security costs for 2002 through 2004 have been determined using the appropriate baseline O&M expenses and calculation methodology. (Portuondo)

F. STIPULATED ISSUES: None at this time

G. PENDING MOTIONS. None.

Respectfully submitted,

James A. McGee
Associate General Counsel
Progress Energy Service Company, LLC
Post Office Box 14042
St. Petersburg, Florida 33733-4042
Telephone: 727-820-5184
Facsimile: 727-820-5519
Email: james.mcgee@pgnmail.com

Attorney for
PROGRESS ENERGY FLORIDA, INC.

ATTACHMENT A

GPIF TARGETS AND RANGES

GPIF TARGET AND RANGE SUMMARY

Progress Energy Florida
Period of January 2004 - December 2004

Plant/Unit	Weighting Factor (%)	EAF Target (%)	EAF RANGE Max (%)	EAF RANGE Min (%)	Max Fuel Savings ($000)	Max Fuel Loss ($000)
Anclote 1	2 64	94 43	97 06	89 02	1,766	(1,047)
Anclote 2	5 62	91 14	93 51	86 25	3,760	(3 196)
Crystal River 1	6 93	81 13	84 58	74 26	4 643	(4,558)
Crystal River 2	10 02	81 26	89 76	65 47	6 710	(24,309)
Crystal River 3	6 10	97 14	98 49	94,32	4,084	(5,380)
Crystal River 4	11 31	85 22	87 67	80 24	7,574	(9 951)
Crystal River 5	9 76	93 42	96 49	87 23	6 535	(6,682)
Hines 1	0 97	88 27	89 30	86 15	650	(519)
Tiger Bay	0 83	87 99	90 04	83 83	554	(317)
GPIF System	54 18				36,276	(55,959)

Plant/Unit	Weighting Factor (%)	ANOHR Target (BTU/KWH)	NOF	ANOHR RANGE Min (BTU/KWH)	ANOHR RANGE Max (BTU/KWH)	Max Fuel Savings ($000)	Max Fuel Loss ($000)
Anclote 1	6 20	10407	46 8	9897	10917	4,151	(4 151)
Anclote 2	3 56	10174	50 4	9891	10458	2,381	(2,381)
Crystal River 1	2 12	9731	90 2	9465	9996	1 419	(1,419)
Crystal River 2	4 04	9685	83 8	9276	10094	2 702	(2,702)
Crystal River 3	11 46	10310	100 0	10097	10524	7,675	(7,675)
Crystal River 4	3 54	9322	93 6	9125	9520	2,371	(2,371)
Crystal River 5	3 74	9389	91 6	9194	9584	2 502	(2 502)
Hines 1	8 37	7530	66 9	7077	7983	5,604	(5,604)
Tiger Bay	2 79	7964	71 5	7725	8202	1,870	(1,870)
GPIF System	45 82					30,675	(30,675)

Issued by Progress Energy Florida

Filed
Suspended
Effective
Docket No
Order No

PROGRESS ENERGY FLORIDA

DOCKET NO. 030001-EI

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of Progress Energy Florida's Prehearing Statement has been furnished to the following individuals by regular U.S. Mail the 15th day of October, 2003

Wm. Cochran Keating, IV, Esquire
Office of the General Counsel
Economic Regulation Section
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Robert Vandiver, Esquire
Office of the Public Counsel
c/o The Florida Legislature
111 West Madison St., Room 812
Tallahassee, FL 32399-1400

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

John T. Butler, Esquire
Steel, Hector & Davis
200 S. Biscayne Blvd., Suite 4000
Miami, FL 33131

Jeffrey A. Stone, Esquire
Russell A. Badders, Esquire
Beggs & Lane
P. O. Box 12950
Pensacola, FL 32576-2950

Norman Horton, Jr., Esquire
Messer, Caparello & Self
P. O. Box 1876
Tallahassee, FL 32302

Vicki Gordon Kaufman, Esquire
McWhirter, Reeves et al
117 South Gadsden Street
Tallahassee, FL 32301

Attorney