

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval of two unit power sales agreements with Southern Company Services, Inc. for purposes of cost recovery through capacity and fuel cost recovery clauses, by Progress Energy Florida, Inc.

DOCKET NO. 041393-EI
ORDER NO. PSC-05-0601-PHO-EI
ISSUED: May 31, 2005

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code, a Prehearing Conference was held on May 26, 2005, in Tallahassee, Florida, before Commissioner Rudolph "Rudy" Bradley, as Prehearing Officer.

APPEARANCES:

GARY V. PERKO, ESQUIRE, and CAROLYN S. RAEPPEL, ESQUIRE, Hopping Green & Sams, P. A., 123 South Calhoun Street, Tallahassee, Florida 32302 and R. ALEXANDER GLENN, ESQUIRE, Progress Energy Service Company, L. L. C., 100 Central Avenue, Suite 1D, St. Petersburg, Florida 33701-3324
On behalf of Progress Energy Florida, Inc.

JAMES M. BUSHEE, ESQUIRE, and DANIEL E. FRANK, ESQUIRE, Sutherland Asbill & Brennan LLP, 1275 Pennsylvania Avenue, N. W., Washington, D. C. 20004-2415 and RICHARD A. ZAMBO, ESQUIRE, Richard A. Zambo, P.A., 2336 S.E. Ocean Boulevard, #309, Stuart, Florida 34996,
On behalf of White Springs Agricultural Chemicals, Inc., d/b/a/ PCS Phosphate -- White Springs.

ADRIENNE E. VINING, ESQUIRE, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission.

PREHEARING ORDER

I. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, Florida Administrative Code, this Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

II. CASE BACKGROUND

By Order No. PSC-05-0272-PAA-EI, issued March 14, 2005, the Commission proposed to approve Progress Energy Florida, Inc.'s (PEF) petition for approval of two Unit Power Sales

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(UPS) agreements. This order was protested by White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs (White Springs) on March 31, 2005, and a hearing was scheduled for June 2-3, 2005, to address this protest.

III. JURISDICTION

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapter 366, Florida Statutes. This hearing will be governed by said Chapter and Chapters 25-22, and 28-106, Florida Administrative Code.

IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 366.093, Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

1. Any parties intending to utilize confidential documents at hearing for which no ruling has been made, must be prepared to present their justifications at hearing, so that a ruling can be made at hearing.

2. In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

- a) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.
- b) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.

- c) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- d) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.
- e) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Division of Commission Clerk and Administrative Service's confidential files.

V. POST-HEARING PROCEDURES

If no bench decision is made, each party shall file a post-hearing statement of issues and positions. A summary of each position of no more than 50 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, Florida Administrative Code, a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 40 pages, and shall be filed at the same time.

VI. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties (and Staff) has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to five minutes. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other

exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

VII. ORDER OF WITNESSES

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
<u>Direct</u>		
Samuel S. Waters (portions are confidential)(Supplemental Direct Testimony filed May 10, 2005)	PEF	1-7
Maurice E. Brubaker	White Springs	

Rebuttal

Samuel S. Waters	PEF	1-7
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VIII. BASIC POSITIONS

PEF: The Commission should find that PEF's entry into the Franklin and Scherer Unit Power Sales (UPS) Agreements between PEF and Southern Company Services (SCS) is reasonable and prudent action to maintain its 20% reserve margin. Accordingly, the Commission also should approve cost recovery of the energy and capacity costs associated with the agreement when the actual expenses are presented in the annual Capacity and Fuel Recovery Clause proceedings.

Under the new UPS agreements, PEF Energy will purchase a total of approximately 424 megawatts (MW), with approximately 74 MW to be provided by the Scherer Unit 3, a coal-fired unit owned by Georgia Power and Gulf Power, and approximately 350 MW from Georgia Power's Franklin 1 combined cycle unit. While smaller in scope, these agreements are substantively similar to the UPS agreements between FPL and SCS that this Commission recently approved

in Order No. PSC-05-0084-FOF-EI. Like the FPL agreements, the PEF agreements would replace existing agreements that have substantially benefited the ratepayers. Like FPL, PEF will retain some, though not all, of the coal-fired generation included in the existing agreements (roughly 17% for both PEF and FPL). The PEF agreements also will provide substantial strategic benefits including: (a) the ability to maintain transmission access to the southeastern region and thereby maintain access to economy energy purchases and sales outside of Florida; (b) fuel diversity by providing more coal capacity than PEF's self-build option; (c) planning flexibility by deferring the need for two combined cycle units and thereby providing PEF additional time to study the cost-effectiveness and feasibility of coal generation; and (d) increased reliability by adding an outside source for natural gas transportation and providing access to the Southern system and beyond. Based on a 45-year analysis, the contracts are projected to result in a net cost to customers between \$5 million and \$11 million, CPVRR. However, the agreements are projected to provide cost *savings* of approximately \$44 million over the five year of term of the agreements, when PEF's resource plan is more certain.

PEF has provided ample evidence regarding economic impact of the new UPS agreements and the benefits they will bring to PEF's ratepayers. Therefore, the Commission has sufficient information to find that PEF's entry into the UPS agreements is reasonable and prudent action to maintain its 20% reserve margin, and to approve cost recovery of the energy and capacity costs associated with the agreements when the actual costs are submitted for recovery in the annual Capacity and Fuel Cost Recovery Clause proceedings.

W. SPRGS.: Progress Energy Florida, Inc.'s ("PEF") application for approval of two unit power sales ("UPS") agreements with Southern Company Services, Inc. ("SCS") for cost recovery through PEF's capacity and fuel cost recovery clauses should be denied. PEF has failed to prove that the UPS agreements represent a reasonable and prudent action to maintain its 20 percent reserve margin and that the costs associated with the UPS agreements are reasonable and prudent. First, the proposed agreements have not been shown to be cost-effective. PEF has conceded from the outset that the proposed agreements would impose a net cost on its customers. In its application PEF minimized the significance of that net cost by claiming that the short-term economic benefits were substantial and more certain. After White Springs' discovery uncovered the fact that those short-term benefits were overstated by \$90 million – 67 percent – PEF conceded its error through last-minute supplemental testimony. Thus, the "certainty" of both PEF's cost-effectiveness analysis and its argument that the short-term benefits somehow offset the long-term net costs are undermined.

Second, PEF failed to consider alternative means to meet its capacity and energy needs. PEF acknowledges that it did not conduct an RFP or other comprehensive process for determining what other alternatives to the proposed agreements might

be available. Thus, PEF's customers and this Commission cannot have confidence that the proposed agreements are reasonable and prudent.

Third, PEF has not demonstrated that the net costs of the proposed agreements are offset by any non-price considerations. Although PEF has provided a laundry list of claimed "non-price" benefits, in fact PEF has not provided credible evidence that those benefits exist or are sufficiently quantified such that the Commission should give them any significant weight.

Ultimately, it is not White Springs' or the Commission's burden to demonstrate that the proposed agreements are not reasonable, but rather PEF's burden to demonstrate that the agreements are reasonable and prudent based on the record evidence in this proceeding. That PEF has failed to do, and for that reason the Commission should reject the proposed agreements.

Importantly, the Commission should not hasten its review of the proposed agreements out of concern that it must act by some artificial deadline. Because the current agreements do not expire until May 2010, the Commission has ample time to reject the proposed agreements and allow PEF to thoroughly examine available alternatives and submit an adequately supported proposal. PEF's claims that the Commission must act immediately to avoid the possibility that PEF will incur transmission costs do not withstand scrutiny. To the contrary, the Commission cannot reasonably evaluate the proposed agreement until transmission availability and costs are known with certainty. In any event, to the extent that such concerns may exist they are of PEF's own making.

STAFF: Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

IX. ISSUES AND POSITIONS

ISSUE 1: Did PEF adequately consider alternatives to the proposed UPS agreements?

POSITIONS:

PEF: Yes. Despite intervenor's claim that PEF should have issued an RFP prior to entering the UPS agreements, there is no such statutory or regulatory requirement. In any event, intervenor has not identified a single alternative that may be available, nor has it demonstrated that additional analysis will produce a different result. PEF's marketers constantly test the market for appropriate power purchases. PEF also analyzed the feasibility of coal-fired generation and would not expect to see any coal capacity offered because a new coal unit takes roughly 8 years to bring into service and the need the UPS agreements will meet is only 5

years out. For the combined cycle portion of the agreements, PEF compared the Franklin unit to offers received in PEF's most recent RFP solicitation for Hines 4. The results demonstrate that the capacity prices for the new UPS agreements are consistent with capacity prices offered in response to the Hines 4 RFP. If anything, one would expect to see new bids that are even higher in cost because of recent increases in materials costs.

W. SPRGS: No. The record evidence demonstrates that PEF failed adequately to consider alternatives to the UPS agreements. PEF did not engage in an RFP, or other comprehensive process, to identify energy and capacity supply alternatives to the UPS agreements. PEF failed to demonstrate that it has engaged in prudent utility planning to assure the proper mix of generation resources and lowest cost power to consumers and failed to consider adequately fuel alternatives, such as coal.

STAFF: No position at this time.

ISSUE 2: **Is PEF's cost-effectiveness analysis reasonable and supported by the evidence?**

POSITIONS:

PEF: Yes. PEF performed two cost-effectiveness analyses using the same industry standard models and assumptions typically used for developing PEF's ten year site plans and for conducting other system planning analyses. The initial cost-effectiveness analysis was based on a methodology that relied upon the use of economic carrying charges, also known to this Commission as a value-of-deferral analysis. This analysis calculates the costs and benefits associated with deferring or advancing generating units over their full expected life, but does not allow for the quantification of actual benefits or savings in any specific year of the analysis. This method quantified NPV costs of \$5 million to \$11 million over the 45 year analysis.

To identify the net cost or savings during the five-year term of the UPS Agreements, PEF performed a second revenue requirements analysis. PEF has submitted a revised analysis through supplemental testimony. The revised analysis shows NPV savings of approximately \$44 million during the contract term, 2010-2015, rather than \$133 million as originally reported. This change does not affect the overall analysis or conclusion it supported.

W. SPRGS: No. PEF has failed to demonstrate that its "base case" and its altered case (*i.e.*, the base case adjusted to reflect the proposed UPS agreements) produces the least cost or best alternative. All that PEF has demonstrated is that the altered case may produce short-term benefits when compared solely to its base case.

STAFF: No position at this time.

ISSUE 2A: Are the claimed savings associated with the agreements supported by the evidence?

POSITIONS:

PEF: Yes. The projected savings during the 2010-2015 term of the agreements are supported by the analysis discussed in response to Issue No. 2 above.

W. SPRGS: No. PEF first claimed that the cumulative present value savings during the term of the proposed UPS agreements would be \$133 million, and subsequently reduced that claim by almost \$90 million. At a minimum, that suggests that further scrutiny of PEF's analysis is appropriate. In fact, PEF's own exhibits and testimony demonstrate a net detriment of the UPS agreements to consumers of between \$5 and \$11 million compared to the base plan.

STAFF: No position at this time.

ISSUE 2B: Has PEF adequately identified and justified costs that will be borne by ratepayers?

POSITIONS:

PEF: Yes. The costs associated with the agreements, such as the capacity, energy and O&M costs, as well as fuel transportation and transmission costs were included in the analysis. PEF's analysis provided the best available information, and is a true representation of the impact PEF would expect on PEF customers. The costs are justified based on the results of PEF's economic analyses and the strategic benefits that the agreements will provide to PEF and its customers.

W. SPRGS: No. PEF has not adequately identified and justified all of the costs that will be borne by ratepayers. For example, until the results of the System Impact Study are provided by Southern Company whether PEF's ratepayers will be asked to bear substantial additional costs associated with the transmission needed to implement the agreements is unknown. Similarly, whether PEF's customers will be asked to bear substantially greater natural gas costs than projected is unknown because PEF has not performed any sensitivity analysis of the costs to ratepayers under various gas price assumptions (*e.g.*, good case, median case, bad case). What is known is that natural gas prices are volatile and that PEF has a poor record of predicting natural gas prices 5-10 years in advance.

STAFF: No position at this time.

ISSUE 3: Are PEF's claimed "non-price" benefits of the UPS agreements supported by the evidence and reasonable?

POSITIONS:

PEF: Yes; the non-price benefits are supported by the evidence and reasonable. The "non-price" benefits are supported and reasonable for the reasons discussed below. In addition, the agreements would provide other "non-price" benefits, including increased cost certainty and increased access to coal resources.

The benefit of access to transmission on the Southern system is supported by the evidence and reasonable. The agreements provide access to transmission facilities on the Southern system which will give PEF access to lower cost energy that may be available within the Southern region, in those hours when the units specific to the purchase are not scheduled. PEF has exercised its rollover transmission rights and has requested redirection of those rights from Plant Miller to Plant Franklin in order to accommodate the new agreements. PEF has no reason to believe that the redirection request will be denied or limited.

The potential for savings from economy energy purchases is a benefit which is supported by the evidence and reasonable. Using an industry standard model and the methodology discussed above in response to Issue No. 2, PEF has quantified approximately \$6 million to \$11 million, NPV, in economy purchase savings and included that level in our economic analysis.

Fuel diversity is a benefit which is supported by the evidence and reasonable. A portion of the energy will come from coal-fired generating capacity, providing low-cost energy and serving to reduce the price volatility of PEF's fuel mix. Absent the new agreements, PEF would have no right to any of Southern's coal-fired generation after the existing agreement expires. With the new agreements, however, PEF will have rights to 74 MW of Southern coal-fired generation. Moreover, the new agreements would defer the need for a new gas-fired unit during the 2010-2015 term of the agreements. Thus, the new agreements will actually increase the projected amount of coal generation in PEF's resource plan.

Increased reliability is a benefit which is supported by the evidence and reasonable. The agreements will allow PEF to maintain a transmission path to the Southern system, which provides access to a large resource pool, enhancing system supply reliability when the Scherer or Franklin units might be unavailable. In addition, the Franklin unit will be served from a separate gas supply system than other PEF units, enhancing fuel supply reliability.

Planning flexibility is a benefit which is supported by the evidence and reasonable. The agreements provide for extension of the combined cycle capacity for an additional two years, which can be used to meet additional load growth, defer investment in additional combined-cycle generation, or allow time for new technologies to develop. The agreement also spans a time frame that allows further consideration of the addition of coal-fired capacity on the PEF system.

W. SPRGS: No. The record evidence does not support the existence of most of PEF's claimed "non-price" benefits, nor does it quantify any of the claimed benefits. For example, with respect to fuel diversity, PEF has conducted no analysis on the potential availability of coal capacity from sources other than Southern. Additionally, there is no evidence that the right of first refusal for additional SCS coal capacity provides any real benefit. PEF's analysis assumes that, absent approval of the UPS agreements, there will be no other sources of coal-fired power available to PEF during the proposed term of the agreements.

Similarly, PEF's claim of increased reliability is unsupported by record evidence. PEF will maintain import rights at the Georgia-Florida border irrespective of whether it enters into the UPS agreements. Because of this, reliability would be more greatly enhanced by building or acquiring capacity in Florida and depending on import capability to provide power supplies from Georgia to meet reliability needs.

Finally, PEF asserts that the planning flexibility of being able to extend the combined cycle contract for two years presents an additional "non-price" benefit. However, PEF makes no attempt to explain or study the actual benefit of this option.

STAFF: No position at this time.

ISSUE 4: **Who should bear the risk if PEF's claimed cost and "non-price" benefits are not realized, PEF's customers or its stockholders?**

POSITIONS:

PEF: It is the Commission's long standing policy that prudently incurred capacity and fuel costs are directly passed through to customers under the Capacity and Fuel Cost Recovery Clause. If the Commission approves the UPS agreements as reasonable and prudent, PEF should be authorized to recover the energy and capacity costs associated with the agreements at the time the actual expenses are presented for cost recovery under the Clause.

W. SPRGS: In the event that the Commission approves the UPS agreements, PEF's stockholders should bear the risk that the claimed benefits fail to materialize. PEF

entered into transmission arrangements associated with these agreements prior to Commission approval, and thus ratepayers should not be saddled with poor contracting decisions by the company. Furthermore, PEF management, as a sophisticated party to the contract negotiations, should remain answerable for contracting decisions that result in less-than expected benefits. Management, and by extension, shareholders, should be and generally are held liable for risks associated with bad business decisions.

STAFF: No position at this time.

ISSUE 5: **Is there sufficient reliable transmission available to support the proposed agreements on the Southern system?**

POSITIONS:

PEF: Yes. The magnitude of the purchases is basically the same as is currently being purchased. While the Franklin purchase delivers power from a different source than the current Miller purchases, PEF has no reason to believe that delivery from the new source will be a problem, and intervener has presented no reason to believe that there are any transmission constraints that would preclude sufficient reliability transmission to support the proposed agreements. In any event, the UPS Agreements provide for mitigation should transmission costs be above the Southern Open Access Transmission Tariff (OATT) rates. The mitigation measures include the potential for offsetting increased charges, provision of alternative transmission service, or even cancellation of the contract.

W. SPRGS: It is unclear whether sufficient reliable transmission is available on the Southern system to support the proposed UPS agreements. To date Southern has not completed its System Impact Study of PEF's request for redirected transmission service. Thus, there is no evidence either that transmission will be available to support the proposed agreements or that, if transmission is available, it will be cost-effective.

STAFF: No position at this time.

ISSUE 6: **Has PEF demonstrated that the UPS agreements would postpone the need for other generation?**

POSITIONS:

PEF: Yes. As noted above, PEF has performed analyses using the same industry standard models and assumptions typically used for developing PEF's ten year site plans and for conducting other system planning analyses. These analyses

demonstrate that the UPS Agreements will defer the need for new capacity in Florida.

W. SPRGS: Although PEF's evidence appears to demonstrate that the UPS agreements will postpone the need for other generation, that does not support the reasonableness of the proposed agreements. Adding additional capacity from any source – whether self-build, other PPAs or demand side management – would equally postpone the need for other generation. That, however, has no bearing on the reasonableness of the proposed agreements. PEF has failed to prove that the generating plant fuel types and timing of their construction resulting from postponement are cost-effective. Thus, postponing the need for other generation could actually cost more than procuring the energy using other means.

STAFF: No position at this time.

ISSUE 7: **Should the Commission approve the UPS agreements for cost recovery purposes?**

POSITIONS:

PEF: Yes. The Commission should approve the UPS agreements for cost recovery for the reasons stated above. PEF disputes White Springs' apparent contention that that the Commission cannot approve the UPS Agreements until a transmission System Impact Study and pending FERC investigations are completed. In Order No. 05-0084-FOF-EI, the Commission approved similar UPS agreements entered into by Florida Power & Light Co., notwithstanding the fact that the same issues were raised in that proceeding. White Springs has presented no evidence justifying a departure from the policy for reviewing agreements of this nature established by the Commission in Order No. 05-0084-FOF-EI.

W. SPRGS: No. PEF has failed to demonstrate that the UPS agreements are reasonable and prudent, given that PEF apparently did not consider alternatives to the agreements and given that PEF has failed to demonstrate adequately the purported cost savings and economic efficiencies of the proposed agreements. PEF has not demonstrated that the UPS agreements are the least-cost or best option available for its customers and has entered into transmission arrangements to implement the UPS agreements in advance of the Commission's approval.

Absent credible evidence concerning whether transmission will be available to implement the agreements, and the cost of that transmission, the Commission cannot make a reasoned judgment concerning whether the proposed agreements are reasonable and prudent. Moreover, given the current uncertainty concerning what actions the Federal Energy Regulatory Commission may take as a result of several investigations concerning the Southern Company system, Southern's

market power, and the design of Southern’s transmission system – action which could result in additional competitive alternatives well before the expiration date of the existing UPS Agreements -- the Commission cannot reasonably evaluate whether the proposed UPS agreements are reasonable and prudent.

The Commission cannot approve the proposed agreements for cost recovery until PEF has (i) demonstrated that the claimed cost and non-price benefits exist and (ii) received from Southern adequate guarantees that that the necessary transmission service will be available at the costs assumed by PEF in its cost/benefit analysis of the agreements. Based on the record evidence, the Commission does not have a complete picture of the agreements before it. It would be arbitrary, capricious and unreasonable for the Commission to approve the agreements for cost recover unless it requires PEF to bear all financial and other risks associated with the agreements in any proceeding in which it seeks to recover costs associated with the agreements.

STAFF: No position at this time.

X. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
<u>Direct</u>			
Samuel S. Waters	PEF	<u>SSW-1</u>	(Confidential) Contract for the Purchase of Capacity and Energy between Southern Company Services, Inc., and Florida Power Corporation d/b/a Progress Energy Florida, Inc. from Plant Scherer Unit No. 3
Samuel S. Waters	PEF	<u>SSW-2</u>	(Confidential) Contract for the Purchase of Capacity and Energy between Southern Company Services, Inc., and Florida Power Corporation d/b/a Progress Energy Florida, Inc. from Plant Franklin Unit No. 1

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Samuel S. Waters	PEF	<u>SSW-3</u>	(Confidential) Summary of Costs and Benefits of Units Power Sales Agreement with Southern Company.
Samuel S. Waters	PEF	<u>SSW-4R</u>	Savings of UPS contracts with Economy Purchase Savings (revised May 10, 2005)
Maurice E. Brubaker	White Springs	<u>MEB-1</u>	Estimate of Differential Revenue Requirements (Data)
Maurice E. Brubaker	White Springs	<u>MEB-2</u>	Estimate of Differential Revenue Requirements (Graph)
Maurice E. Brubaker	White Springs	<u>MEB-3</u>	Actual and Projected PEF Gas/Oil Reliance
Maurice E. Brubaker	White Springs	<u>MEB-4</u>	POD-13
Maurice E. Brubaker	White Springs	<u>MEB-5</u>	Excerpts from Southern Company OATT

Rebuttal

Samuel S. Waters	PEF	<u>SSW-5</u>	Comparison of Base and Southern UPS Resource Plans
Samuel S. Waters	PEF	<u>SSW-6</u>	(Confidential) Total Generation Fixed Cost Comparison

PEF also intends to offer the Responses of White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs (“White Springs”) to PEF’s First Set of Interrogatories (Nos. 1-2); and the Transcript of Deposition of Maurice Brubaker taken on 5/18/05.

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

XI. PROPOSED STIPULATIONS

There are no proposed stipulations at this time.

XII. PENDING MOTIONS

White Springs' Motion for Reconsideration of the Presiding Officer's May 16, 2005 Order Granting Motion For Leave to File Supplemental Testimony and Denying Emergency Motion to Suspend Procedural Schedule.

PEF's Request for Official Recognition

XIII. PENDING CONFIDENTIALITY MATTERS

PEF's Request for Confidential Classification filed December 13, 2004

PEF's Request for Confidential Classification filed February 18, 2005

PEF's Request for Confidential Classification filed April 15, 2005

PEF's Request for Confidential Classification filed May 19, 2005

PEF's Request for Confidential Classification filed May 20, 2005

PEF's Request for Confidential Classification filed May 23, 2005

PEF's Request for Confidential Classification filed May 24, 2005

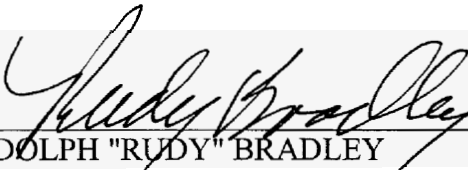
XIV. RULINGS

Opening statements, if any, shall not exceed ten minutes per party.

It is therefore,

ORDERED by Commissioner Rudolph "Rudy" Bradley, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Rudolph "Rudy" Bradley, as Prehearing Officer, this
31st day of May, 2005


RUDOLPH "RUDY" BRADLEY
Commissioner and Prehearing Officer

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.