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MICHAEL COOKE
GENERAL COUNSEL
(850) 413-6199
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Public Service Commission

March 2, 2006

R. Alexander Glenn, Esquire
Progress Energy Service Company, LLC
St. Petersburg, FL 33701-3324

Re: Docket No. 060162-EC-Petition to Recover Modular Cooling Tower Costs through the Fuel Cost Recovery Clause

Dear Alex:

You have requested that Progress respond to written questions rather than going forward with a formal deposition of Javier Portuondo on Wednesday. I have discussed this proposal with Staff and they agree it would be more beneficial to their preparation if they could have your client's responses to their questions before Wednesday, June 21st, 2006. To that end, I am providing a list of questions as data requests. We would like to have those answered by Tuesday, June 20th, 2006. If we could get those responses by Tuesday, there would be no need for a formal deposition. If we have any follow-up questions, staff will call and get the needed responses. Accordingly, please have Progress respond to the following questions by 5:00 pm, Tuesday, June 20th, 2006.

TOPIC: WHY WAS COST RECOVERY FOR THE COOLING TOWER PROJECT FILED IN THE FUEL INSTEAD OF THE ENVIRONMENTAL DOCKET?

1. Please explain why, since this project is in response to an environmental requirement, PEF chose to file for cost recovery of the cooling tower project in the fuel and purchased power recovery clause?

2. Do the cooling towers qualify for cost recovery through the ECRC? Explain why or why not.

3. If the decision that this project would not qualify for recovery through the ECRC was based upon a prior Commission order, discuss your interpretation of the Order and reference the specific portions of the order the decision was based upon.

TOPIC: SHOULD PEF HAVE BEEN REASONABLY AWARE OF, OR BEEN ABLE TO ANTICIPATE THE NEED FOR, ADDITIONAL COOLING TOWERS PRIOR TO THE 2005 RATE SETTLEMENT (Docket No. 050078-ED)? SHOULD PEF HAVE BEEN ABLE TO INCLUDE THESE COSTS IN NEGOTIATIONS FOR SETTLEMENT OF ITS 2005 RATE PROCEEDING (Docket No. 050078-ED)?

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Mr. Burnett

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4. Was PEF annually derating its Crystal River 1 and 2 units attributable to thermal limits imposed by DEP from 2003 through 2005?

4. Was PEF able to maintain DEP Compliance for each of these years by derating Crystal River units 1 and 2?

5. Would it be a correct statement that since the cooling tower docket was filed in 2006, that PEF considered the level of derates in 2003 and 2004 acceptable, but the 2005 derate level was not acceptable and thus the basis for this docket? If not, explain.

6. At what point during the summer of 2005, did PEF determine that the level of de-rates was no longer acceptable? Was there a specific event leading to this determination?

7. At what point (month and year) did PEF determine that additional cooling capacity would be needed?

8. What was the date of issuance of the RFP for the modular cooling project?

9. What was the date PEF applied for its Air Construction permit with DEP?

10. The petition for your 2005 rate case was filed on April 29, 2005 and the stipulation agreement was signed on August 29, 2005. On what date did settlement negotiations begin?

11. Were the costs of the Modular cooling towers discussed in the settlement negotiations in Docket No. 050078-EI?

12. If the answer to the previous question is no, why not?

13. What lead time would have been needed to include the cost of the cooling towers in settlement negotiations?

14. If PEF understood Crystal River Units 1 and 2 would need additional cooling capacity to avoid significant de-rates prior to the settlement agreement in Docket No 050078-EI, why is it appropriate to seek recovery in the Fuel and Purchased power clause?

TOPIC: WHAT IS THE BASIS FOR PEF'S DECISION THAT THE COOLING TOWER PROJECT IS ELIGIBLE FOR COST RECOVERY THROUGH THE FUEL CLAUSE BASED UPON ORDER NO. 14546? WHY SHOULD COOLING TOWERS BE CONSIDERED A FOSSIL FUEL RELATED COST?

15. On p. 4 of your testimony you include a section of Order No. 14546 relating to the recovery of unanticipated fossil fuel-related costs which result in fuel savings. Is this section the basis for PEF seeking cost recovery of the cooling towers through the fuel clause?

16. This section of Order No. 14546, specifies recovery of fossil fuel related costs. How does PEF define fossil fuel related costs and what is PEF's rationale for considering cooling towers as a fuel related cost?

17. On p. 4 of Javier Portuondo's testimony, he includes prior orders of the Commission approving cost recovery based upon Order No. 14546. A review of these orders shows approval of costs related to the purchase of rail cars for coal delivery, conversion of plants to burn natural gas and plant conversions to burn a more economical grade of residual fuel oil. Do you agree that these projects are more directly fuel related than cooling towers?

18. If, for example, PEF were to consider a project which would significantly reduce line loss in the transmission and distribution systems resulting in fuel savings. Would PEF consider this project to be a fuel related cost eligible for fuel clause cost recovery?

19. Do you perceive a bright line on what is or isn't a fuel related cost or is it PEF's belief that the existence of fuel savings makes the cost of any project fuel related? If a bright line exists, discuss what it is and why.

20. On P. 3 line 8 of Javier Portuondo's testimony, he states that the purpose of the project is to reduce fuel costs by minimizing de-rates. Isn't it reasonable to restate the purpose of the project as a project to restore unit/system summer reliability to its pre 2003 level which results in fuel cost savings?

21. For this question, lets assume that all factors relating to the project remain the same with the exception that there are no fuel cost savings. Would implementing this project, which would lead to increased system reliability based upon increased availability of two base load units to meet summer peaks, still be a prudent economic decision which would benefit both PEF and its ratepayers?

If you have any questions about this data request, or would like to discuss the questions before you respond, call me at (850) 413-6230. Thanks in advance for your assistance.

Sincerely,

/s/

Lisa C. Bennett

LCB/

cc: Division of Commission Clerk and Administrative Services