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October 6, 2006

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

Re: *Fuel and purchased power cost recovery clause with generating performance
incentive factor; Docket No. 060001-EI*

Dear Ms. Bayó:

Enclosed for filing in the above referenced docket are the original and fifteen (15)
copies of Progress Energy Florida, Inc.'s Prehearing Statement.

Please acknowledge receipt of the above by stamping the duplicate copy of this
letter and returning to the undersigned.

Thank you for your assistance in this matter.

DMP _____
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Sincerely,

John T. Burnett LMS
John T. Burnett

JTB/lms

Progress Energy Florida, Inc.
106 E. College Avenue
Suite 800
Tallahassee, FL 32301

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FPSC BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

09223 OCT-6 8

FPSC-COMMISSION CLERK

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery
clause with generating performance incentive
factor.

DOCKET NO. 060001-EI

DATED: October 6, 2006

**PROGRESS ENERGY FLORIDA, INC.'S
PREHEARING STATEMENT**

Progress Energy Florida, Inc. (PEF) 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 2007¹:

A. Known Witnesses - PEF intends to offer the direct testimony of:

<u>Witness - Direct</u>	<u>Subject Matter</u>	<u>Issues</u>
Javier Portuondo	Final and Estimated True-up	1-14
	Fuel and Capacity Cost Projections	29-35
Joseph McCallister	2005 Risk Management Plan	15A
	Incremental natural gas and oil costs due to 2005 hurricane season / PEF efforts to mitigate interruptions caused by 2005 hurricane season.	
	2006 Risk Management Plan	
Robert M. Oliver	GPIF: Reward/Penalty and Targets/Ranges	15A, 20 - 24

¹ Issues related to prices that PEF paid for coal are part of a spin off docket and have been removed from Docket 060001.

DOCUMENT NUMBER-DATE

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B. Known Exhibits - PEF intends to offer the following exhibits:

<u>Exhibit No.</u>	<u>Witness</u>	<u>Description</u>
<u>(JP-1T)</u>	Portuondo	Fuel Cost Recovery True-Up (Jan – Dec. 2005)
<u>(JP-2T)</u>	Portuondo	Capacity Cost Recovery True-Up (Jan – Dec. 2005)
<u>(JP-3T)</u>	Portuondo	Schedules A1 through A9 and A12
<u>(JP-1R)</u>	Portuondo	Estimated/Actual true-up Schedules for period 1/06 through 12/06.
<u>(JP-1P)</u>	Portuondo	Projection factors for January to December 2007.
<u>(PRM-1)</u>	McCallister	2005 Storm Natural Gas Costs
<u>(PRM-2)</u>	McCallister	Hurricane Shut-in Statistics Report
<u>(PRM-1T)</u>	McCallister	Summary of Success of Risk Management Plan
<u>(PRM-2T)</u>	McCallister	2005 Hedging Information as required by Order No. PSC-02-1484-FOF-EI (Docket No. 011605-EI)
<u>(JM-1P)</u>	McCallister	2006 Risk Management Plan
<u>(RMO-1T)</u>	Oliver	GPIF Reward/Penalty Schedules for 2005.
<u>(RMO-2T)</u>	Oliver	Illustration of Equivalent Availability Factor (EAF)
<u>(RMO-3T)</u>	Oliver	Illustration of Heat Rate Factors
<u>(RMO-1P)</u>	Oliver	GPIF Targets/Ranges Schedules (for Jan – Dec. 2007)

C. Statement of Basic Position - None necessary.

D.-F. Issues and Positions

PEF's positions on the issues identified in this proceeding are as follows. (Note: The issue numbering sequence below corresponds to the combined issue list distributed by Staff on September 29, 2006)

Generic Fuel Adjustment Issues

1. ISSUE: What are the appropriate final fuel adjustment true-up amounts for the period January 2005 through December 2005?
PEF: \$385,055 under-recovery. (Portuondo)
2. ISSUE: What are the appropriate estimated/actual fuel adjustment true-up amounts for the period January through December 2006?
PEF: \$30,200,047 over-recovery. (Portuondo)
3. ISSUE: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2007 through December 2007?
PEF: \$29,814,992 over-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 2007 through December 2007?
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 2007 through December 2007?
PEF: \$2,225,475,906 (Portuondo)
6. ISSUE: What is the appropriate levelized fuel cost recovery factor for the period of January 2007 through December 2007?
PEF: 5.451 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 class?

PEF:

<u>Group</u>	<u>Delivery Voltage Level</u>	<u>Line Loss Multiplier</u>
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)						
Group	Delivery Voltage Level	First Tier Factor	Second Tier Factors	Levelized Factors	Time of Use	
					On-Peak	Off-Peak
A	Transmission	--	--	5.350	7.592	4.317
B	Distribution Primary	--	--	5.404	7.668	4.361
C	Distribution Secondary	5.118	6.118	5.459	7.746	4.405
D	Lighting	--	--	5.030	--	--

(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 2007, and thereafter through the last billing cycle for December 2007. The first billing cycle may start before January 1, 2007, and the last billing cycle may end after December 31, 2007, so long as each customer is billed for twelve months regardless of when the factors became effective. (Portuondo)

10. ISSUE: What is the appropriate actual benchmark level for calendar year 2006 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

PEF: \$5,626,264 (Portuondo)

11. ISSUE: What is the appropriate estimated benchmark level for calendar year 2007 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

PEF: \$3,187,140 (Portuondo)

12. ISSUE: What is the appropriate methodology for calculating over and under recoveries of projected fuel costs, pursuant to Commission Order Nos. 13694 and PSC-98-0691?

PEF: The appropriate methodology for calculating the over and under recoveries of projected fuel costs is to compare the sum of revenues collected and yet to be collected for the current period to the sum of the historical over and under recovery and the re-projected costs for the current period. This method has been supported by the commission in Order No. PSC-00-1081-PCO-EI, issued June 5, 2000, and then again in Order No. PSC-01-0710-PCO-EI, issued March 21, 2001. (Portuondo)

13. ISSUE: At what point in time should a utility notify the Commission that an over or under recovery exceeds 10% of the projected fuel costs?

PEF: Per Commission Order No. 13694, "when a utility becomes aware that its projected fuel revenues will result in an over- or under-recovery in excess of 10% of its projected costs for the period, the utility shall so advise the Commission through a filing promptly made." (Portuondo)

14. ISSUE: What are the appropriate credits for emissions allowances for power sales for each investor-owned electric utility for the years 2005 through 2007?

PEF: The appropriate credit for emissions allowances associated with power sales is the cost of emissions allowances incurred in the production of that power. The cost of emissions allowances included in power sales is based on the daily spot price for allowances as well as the SO₂ content of the fuel consumed in the generation of the power sold. (Oliver)

Company-Specific Fuel Adjustment Issues

- 15A. ISSUE: Has PEF adequately mitigated the price risk for natural gas, residual oil, and purchased power for the years 2005 through 2007?

PEF: Yes. PEF has and will continue to adequately mitigate price risk for natural gas, residual oil, and purchase power by entering into long-term power and physical fuel purchase agreements and financial hedges. These strategies help reduce PEF's exposure to the potentially volatile spot power and fuel markets by locking in prices today for future delivery of the commodity. (McCallister, Oliver)

- 15B. ISSUE: Were the prices that PEF paid to Progress Energy Fuels Corporation for coal reasonable in amount? If not, what adjustment should be made?

PEF: This issue is part of the spin off docket and should be removed from the 060001 Docket issue list.

Generic Generating Performance Incentive Factor Issues

20. ISSUE: What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period of January 2005 through December 2005?

PEF: \$1,547,048 penalty (Oliver)

21. ISSUE: Should the Commission amend or modify the existing GPIF mechanism so as to incorporate a “dead band” around the scale of Generating Performance Incentive Points in the amounts proposed by OPC?

PEF: No. Modifying the GPIF mechanism so as to incorporate a “dead band” as proposed by OPC would bias the system toward penalties. The GPIF mechanism is intended to be an even-handed mechanism. As such, PEF opposes the change to the GPIF mechanism as proposed by OPC. (Oliver)

22. ISSUE: If the “dead band” amendment to the GPIF mechanism is implemented by the Commission should it be applied for the current year so that the rewards or penalties are applied commencing January 1, 2007?

PEF: No. The rewards or penalties calculated in the 2007 GPIF True Up are based on GPIF Targets that were set in 2005 for the calendar year of 2006. It would be inappropriate to apply a different methodology than was in effect at the time the Targets were approved. Should the Commission approve a “dead band” amendment to the GPIF mechanism, such changes should only go into effect for subsequent Target setting. For instance, if a “dead band” amendment was approved by the commission prior to or in conjunction with approving 2007 GPIF Targets, they would then take effect with the 2008 True Up, as these calculations would be the first rewards or penalties based on 2007 actual data. (Oliver)

23. ISSUE: Should OPC’s proposed modification to the GPIF methodology be approved?

PEF: No. As PEF has indicated in testimony and in its position to issues 21 & 22, changing the GPIF methodology as OPC proposes is not consistent with the goals of the program. (Oliver)

24. ISSUE: What should the GPIF targets/ranges be for the period of January 2007 through December 2007?

PEF: The appropriate targets and ranges are shown on page 4 of Exhibit RMO-1P filed on 9/01/2006 with the Direct Testimony of Robert M. Oliver. (Oliver)

Generic Capacity Cost Recovery Issues

29. ISSUE: What is the appropriate capacity cost recovery true-up amount for the period of January 2005 through December 2005?

PEF: \$581,276 under-recovery. (Portuondo)

30. ISSUE: What is the appropriate estimated/actual capacity cost recovery true-up amount for the period of January 2006 through December 2006?

PEF: \$6,267,762 under-recovery. (Portuondo)

31. ISSUE: What is the appropriate total capacity cost recovery true-up amount to be collected/refunded during the period January 2007 through December 2007?

PEF: \$6,849,038 under-recovery. (Portuondo)

32. ISSUE: What is the appropriate projected net purchased power capacity cost recovery amount to be included in the recovery factor for the period January 2007 through December 2007?

PEF: \$391,011,256. (Portuondo)

33. ISSUE: What are the appropriate capacity cost recovery factors for the period January 2007 through December 2007?

<u>PEF</u> : <u>Rate Class</u>	<u>CCR Factor</u>
Residential	1.126 cents/kWh
General Service Non-Demand	0.953 cents/kWh
@ Primary Voltage	0.943 cents/kWh
@ Transmission Voltage	0.934 cents/kWh
General Service 100% Load Factor	0.653 cents/kWh
General Service Demand	0.804 cents/kWh
@ Primary Voltage	0.796 cents/kWh
@ Transmission Voltage	0.788 cents/kWh
Curtable	0.580 cents/kWh
@ Primary Voltage	0.574 cents/kWh

@ Transmission Voltage	0.568 cents/kWh
Interruptible	0.689 cents/kWh
@ Primary Voltage	0.682 cents/kWh
@ Transmission Voltage	0.675 cents/kWh
Lighting (Portuondo)	0.160 cents/kWh

34. ISSUE: What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2007 through December 2007?

PEF: Base - 93.753%, Intermediate – 79.046%, Peaking – 88.979%. (Portuondo)

35. ISSUE: What are the appropriate credits for transmission allowances for power sales for each investor-owned utility for the years 2005 through 2007?

PEF: \$1,002,742 (Oliver, Portuondo)

G. Stipulated Issues

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

H. Pending Motions

PEF has no pending motions at this time.

I. Requests for Confidentiality

PEF has the following pending requests for confidential classification:

- February 24, 2006 – 423 Forms for December 2005
- April 24, 2006 – 423 Forms for January 2006 and February 2006
- May 26, 2006 – 423 Forms for March 2006
- June 15, 2006 – Response to OPC 2nd PODs (15-23)
- June 22, 2006 – 423 Forms for April 2006
- July 15, 2006 – Response to Staff 4th Interrogations (14-17)
- July 15, 2006 – Response to Staff 3rd PODs (6-7)
- July 26, 2006 – 423 Forms for May 2006
- July 31, 2006 – Response to OPC 4th PODs (31-34)
- August 22, 2006 – 423 Forms for June 2006
- August 22, 2006 – “Exhibit A” – Responses to OPC 8th POD (42 & 44)

- August 24, 2006 – Responses to OPC 7th Interrogs (44 & 45)
- August 29, 2006 – Exhibit No. ____ (JP-1R)
- September 14, 2006 – Exhibit No. ____ (JP-1P) and Exhibit No. ____ (JM-1P)
- September 20, 2006 – 423 Forms for July 2006
- October 9, 2006 – Responses to OPC 12th POD (53)

J. Requirements of Order

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

K. Objections to Qualifications

PEF has no objection to the qualifications of any expert witnesses in this proceeding at this time, subject to further discovery in this matter.

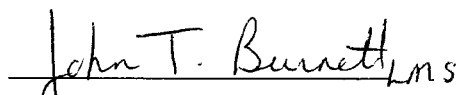
RESPECTFULLY SUBMITTED this 6th day of October, 2006.

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Attorneys for PROGRESS ENERGY FLORIDA

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Progress Energy Florida, Inc.'s Prehearing Statement has been furnished via U.S. Mail this 6th day of October, 2006 to all parties of record as indicated below.


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