ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Progress Energy Florida, Inc.'s	)	
Petition for Approval of Southeast	)	Docket No. 060793 - EI
Supply Header long-term fuel	)	
Transportation contracts.	)	Filed: December 12, 2006

DIRECT TESTIMONY OF JAVIER PORTUONDO

ON BEHALF OF PROGRESS ENERGY FLORIDA

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DIRECT TESTIMONY OF

JAVIER PORTUONDO

I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Javier Portuondo. My business address is 410 South Wilmington Street, Raleigh, North Carolina, 27601.

Q. By whom are you employed and in what capacity?

A. I am employed by Progress Energy Service Company, LLC, as Director of Regulatory Planning.

Q. What is the scope of your duties?

A. Currently, I am responsible for regulatory planning, cost recovery, and pricing functions for both Progress Energy Florida ("PEF" or the "Company") and Progress Energy Carolinas.

Q. Please describe your educational background and professional experience.

A. I received a Bachelors of Science degree in Accounting from the University of South Florida. I began my employment with Florida Power Corporation in 1985. During my 21 years with Florida Power Corporation and PEF, I have held a number of financial and accounting positions. In 1993, I became Manager, Regulatory Services, and I recently became Director, Regulatory Planning.

II. TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the Company's request for approval of its long-term fuel supply and transportation contracts with Southeast Supply Header, LLC ("SESH") and recovery of reasonably and prudently incurred costs associated with the SESH Pipeline Project through the Fuel Adjustment Clause. The Commission should find that entering into the SESH Pipeline Contracts at this time is a reasonable and prudent action by the Company to maintain a reliable and adequate fuel supply over the long term. Specifically, I will explain why recovery of both the fixed and variable costs associated with this project through the Fuel and Purchase Power Cost Recovery Clause ("Fuel Clause") is appropriate and consistent with established Commission policy.

Q. Why is PEF requesting approval of these contracts now?

A. PEF is not required to seek approval of these contracts by any Commission rule or order. PEF is petitioning for approval now to secure the benefits of these contracts for our customers. PEF has petitioned and received approval from the Commission early for similar contracts in the past. An example of one such contract is the Cypress contract in Docket No. 041414-EI. The Cypress contract provided many similar benefits in that it increased supplier diversity and provided an alternative to Gulf of Mexico natural gas. Due to the fact that these contracts are desirable not necessarily as the least cost option, but as the best choice due to the role of non-economic factors, PEF is asking the Commission to confirm that these contracts meet the "prudent and reasonable" test. PEF is further asking the Commission to find that the costs associated with these contracts are recoverable through the fuel clause subject to annual review by the Commission to ensure they are being managed in a "reasonable and prudent" manner.

Q. What is the SESH Pipeline Project?

A. The SESH Pipeline Project is a 50/50 joint venture between Southeast Supply Header, LLC (an affiliate of Duke Energy Gas Transmission, LLC) and Centerpoint Energy Resources Corporation (an affiliate of CenterPoint Energy, Inc.). The SESH will provide approximately 1 billion cubic feet per day of capacity and will consist of nearly 270 miles of 36-inch pipeline starting at the Perryville Hub in Northeast Louisiana and ending near Mobile County, Alabama. The proposed route will cross and interconnect with many major interstate pipelines serving the Eastern United States that are not currently served at the Perryville Hub, as well as both major pipelines that serve Florida. The SESH Pipeline Project will allow PEF access to growing production from natural gas basins in East Texas and North Louisiana, which will provide an important on-shore alternative natural gas supply source for markets in the Southeast and supplement the future natural gas demands of Florida.

Q. Is it prudent and reasonable to enter into these contracts with Southeast Supply Header, LLC?

A. Yes, it is prudent and reasonable for PEF to enter into these contracts. As explained further in the testimony of Kent Fonvielle, these contracts will provide PEF with additional sources of natural gas supply that provide a reduced risk of supply interruptions during extreme weather events. One of the key recommendations of the DEP in the report titled "Florida's Energy Plan" issued on January 17, 2006 was to promote fuel supply reliability as priority considerations when evaluating the state's energy needs. As the 2004 and 2005 hurricane seasons demonstrated, the Gulf of Mexico natural gas supply can be curtailed for months due to extreme weather conditions. For this reason, it is prudent to have other supplies available from on-shore facilities. This project will also serve to increase the available supply to the Mobile Bay area increasing competition and placing downward pressure on prices. When all of the economic and non-economic factors are weighed, it is apparent that these contracts meet the test of prudent and reasonable.

Q. Will this project expand the number of potential suppliers of natural gas to PEF?

A. Yes. As mentioned previously, this project will provide PEF with access to new natural gas suppliers and on-shore supply from the Barnett Shale and Bossier Sands in East Texas and North Louisiana, respectively. This will increase the diversity and depth of PEF's existing supplier portfolio with the addition of domestic independent producers active in the East Texas and North Louisiana supply areas.

Q. How will this project increase supply reliability during extreme weather events?

A. New pipelines that access on-shore supply areas (as the SESH will do) is one way PEF can diversify our gas supply. Off-shore production is prone to curtailments during extreme weather. As such, having access to on-shore gas production significantly decreases PEF's exposure to the potential of losing gas supply during extreme weather.

Q. Could this project result in savings to PEF's customers?

A. The introduction of 1,000,000 MMBtu per day of new supply into Mobile Bay could have a positive impact on the overall supply/demand balance and should put downward pressure on the Mobile Bay basis. While PEF is pursuing this project primarily to provide access to additional natural gas resources to meet future demand and to increase supply reliability, PEF believes that this project may result in a lower overall cost of natural gas for PEF's customers by providing access to lower costs commodities through on-shore resources.

Q. When is the SESH Pipeline Project projected to be in-service?

A. Currently, the project is expected to be in-service by mid-2008.

Q. What types of costs associated with the SESH Pipeline Project is PEF seeking to recover through the fuel clause?

A. PEF seeks to recover the fixed demand and variable commodity costs and other invoiced costs associated with the SESH Pipeline Project through the fuel clause. These costs are related to moving natural gas under firm transportation on the new pipeline. These transportation costs are identical in nature to the transportation costs PEF is currently recovering under FGT and Gulfstream firm natural gas transportation contracts. These transportation costs have been found to be recoverable through the fuel clause under existing Commission policy. Additionally, these costs are identical in nature to the costs Florida Power and Light Company recently requested and received approval of as costs recoverable through the Fuel Clause in Docket No. 060001-EI.

Q. What is the basis for requesting recovery of the SESH Pipeline Project costs through the Fuel Cost Recovery Clause?

A. In Order No. 14546 issued July 8, 1985, the Commission identified costs that are appropriately included in the calculation of recoverable fuel costs. This order lists "Transportation costs to the utility system, including detention or demurrage." The costs associated with the SESH Pipeline Project are clearly transportation costs to the utility and thus qualify for recovery through the fuel clause. Further, this is the same treatment the Commission has previously approved for other gas transportation costs. In addition, the SESH Pipeline Project will provide the added benefit of increased supply options, increased on-shore supply, and therefore increased reliability, fuel source diversity and provide potential savings due to a more competitive available market.

Q. Does this conclude your testimony?

A. Yes, it does.