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100007-EI

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Subject: Docket 100007-EI
Attachments: Docket 100007 - PEF Prehearing Statement.DOC

Electronic Filing

a. Person responsible for this electronic filing:

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b. Docket No. 100007-EI

In re: Environmental Cost Recovery Clause

c. Document being filed on behalf of Progress Energy Florida, Inc.

d. There are a total of 7 pages.

e. The document attached for electronic filing is Progress Energy Florida, Inc.'s Prehearing Statement.

Thank you for your cooperation.

Dana Greene, Legal Assistant to
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DOCUMENT NUMBER DATE

08257 OCT-1 0

10/1/2010

FPSC-COMMISSION CLERK

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery
Clause.

DOCKET NO. 100007-EI

FILED: OCTOBER 1, 2010

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

Pursuant to the requirements of the Order Establishing Procedure (Order No. PSC-10-0097-PCO-EI), Progress Energy Florida, Inc. ("PEF") hereby submits its Prehearing Statement.

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

| <u>Witness</u> | <u>Proffered By</u> | <u>Issue(s)</u> |
|------------------|--|-----------------|
| Will Garrett | Final True-up | 1 |
| Corey Ziegler | Final and Estimated True-up variances; and Environmental compliance cost projections | 1-3 |
| Patricia Q. West | Final and Estimated True-up variances; Environmental compliance cost projections; PEF's new Effluent Guidelines Information Collection Request Program, and Review of PEF's Integrated Clean Air Compliance Plan | 1-3, 10A, 10C |
| Kevin Murray | Final and Estimated True-up variances for Crystal River air pollution control projects | 1-2 |
| David Sorrick | Estimated True-up variances and cost projections for Crystal River air pollution control projects | 2-3, 10C |
| Thomas G. Foster | Estimated True-up; Environmental compliance cost projections and Final 2011 ECRC Factors | 2-8, 10B |

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

| <u>Witness</u> | <u>Proffered By</u> | <u>I.D. No.</u> | <u>Description</u> | |
|------------------------------------|---------------------|-------------------------|---|--|
| Will Garrett | PEF | _____ | PSC Forms 42-1A through 42-8A January 2009 – December 2009 | |
| | | (WG-1) | | |
| | | _____ | | |
| | | (WG-2) | Capital Program Detail January 2009 – December 2009 | |
| | | _____ | | |
| | | (WG-3) | Capital Structure and Cost Rates | |
| Patricia Q. West (Confidential) | PEF | _____ | Review of PEF's Integrated Clean Air Compliance Plan -4/1/10 | |
| | | (PQW-1) Confidential | | |
| Kevin Murray | PEF | _____ | Crystal River Project Organizational Structure | |
| | | (KM-1) | | |
| David Sorrick | PEF | _____ | Crystal River Project Organizational Structure | |
| | | (DS-1) | | |
| Thomas G. Foster | PEF | _____ | PSC Forms 42-1E through 42-9E January 2010 – December 2010 | |
| | | (TGF-1) | | |
| | | _____ | | Capital Program Detail January 2010 – December 2010 |
| | | (TGF-2) | | |
| | | _____ | PSC Forms 42-1P through 42-8P January 2011– December 2011 | |
| | | (TGF-3) | | |
| | | _____ | Capital Program Detail January 2011 – December 2011 | |
| | | (TGF-4) | | |

PEF reserves the right to identify additional exhibits for the purpose of cross-examination or rebuttal.

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:

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Issue 1 What are the final environmental cost recovery true-up amounts for the period January 2009 through December 31, 2009?

PEF: \$4,562,177 over-recovery (Garrett, Ziegler, West, Murray)

Issue 2 What are the estimated/actual environmental cost recovery true-up amounts for the period January 2010 through December 2010?

PEF: \$34,319,509 over-recovery* (Foster, Ziegler, West, Murray, Sorrick)

*Please note that this figure has been revised to reflect a greater over-recovery based on information derived in responding to discovery.

Issue 3 What are the projected environmental cost recovery amounts for the period January 2011 through December 2011?

PEF: \$ 213,059,829* (Foster, Ziegler, West, Sorrick)

*Please note that this figure has been revised downward based on information derived in responding to discovery.

Issue 4 What are the environmental cost recovery amounts, including true-up amounts, for the period January 2011 through December 2011?

PEF: \$174,303,552 * (Foster)

*Please note that this figure has been revised downward based on information derived in responding to discovery.

Issue 5 What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2011 through December 2011?

PEF: For 2011 final true-up purposes, the depreciation rates used to calculate the depreciation expense should be the rates in effect during that period. (Foster)

Issue 6 What are the appropriate jurisdictional separation factors for the projected period January 2011 through December 2011?

PEF: The jurisdictional energy separation factor is calculated for each month based on retail kWh sales as a percentage of projected total system kWh sales.

Transmission Average 12 CP demand jurisdictional factor – 68.113%

Distribution Primary demand jurisdictional factor – 99.624%

Jurisdictional Separation Study factors were used for production demand jurisdictional factor as:

Production Base – 91.089%

Production Intermediate – 58.962%

And, Production Peaking – 91.248%

Production A&G – 87.691%

(Foster)

Issue 7

What are the appropriate environmental cost recovery factors for the period January 2011 through December 2011 for each rate group?

PEF:

| Rate Class | ECRC Factors 12CP & 1/13 AD |
|----------------------------------|--|
| Residential | 0.491 cents/kWh |
| General Service Non-Demand | |
| @ Secondary Voltage | 0.482 cents/kWh |
| @ Primary Voltage | 0.477 cents/kWh |
| @ Transmission Voltage | 0.472 cents/kWh |
| General Service 100% Load Factor | 0.463 cents/kWh |
| General Service Demand | |
| @ Secondary Voltage | 0.471 cents/kWh |
| @ Primary Voltage | 0.466 cents/kWh |
| @ Transmission Voltage | 0.462 cents/kWh |
| Curtaillable | |
| @ Secondary Voltage | 0.464 cents/kWh |
| @ Primary Voltage | 0.459 cents/kWh |
| @ Transmission Voltage | 0.455 cents/kWh |
| Interruptible | |
| @ Secondary Voltage | 0.451 cents/kWh |
| @ Primary Voltage | 0.446 cents/kWh |
| @ Transmission Voltage | 0.442 cents/kWh |
| Lighting | 0.470 cents/kWh |

(Foster)

*Please note that the proposed factors have been revised downward based on information derived in responding to discovery.

Issue 8

What should be the effective date of the new environmental cost recovery factors for billing purposes?

PEF: The new factors should be effective beginning with the first billing cycle for January 2011, and thereafter through the last billing cycle for December 2011. The first billing cycle may start before January 1, 2011, and the last billing cycle may end after December 31, 2011, so long as each customer is billed for twelve months regardless of when the factors became effective. (Foster)

Company Specific Environmental Cost Recovery Issues

Issue 10A

Should the Commission grant PEF's Petition for approval of cost recovery for the Effluent Limitation Guidelines-related Information Collection Request (ELG-ICR) Project?

PEF: Yes. The costs for this program meet the requirements of Section 366.8255 for recovery through the Environmental Cost Recovery Clause. (West)

Issue 10B

How should the costs associated with the ELG-ICR Project be allocated to the rate classes?

PEF: Operating and maintenance costs for the ELG-ICR should be allocated to rate classes on Energy. (Foster)

Issue 10C

Should the Commission approve PEF's updated Review of Integrated Clean Air Compliance Plan that was submitted on April 1, 2010?

PEF: Yes. PEF's Integrated Clean Air Compliance Plan will have the desired effect of achieving timely compliance with the applicable regulations in a cost-effective manner. All of the major components of the Crystal River Unit 4 and 5 control projects included in PEF's Integrated Clean Air Compliance Plan have been placed in service. No new or revised environmental regulations have been adopted that have a direct bearing on PEF's compliance plan. However, PEF is continuing to evaluate future compliance options in light of EPA's ongoing development of Maximum Achievable Control Technology (MACT) standards for coal and oil-fired generating units. (West; Sorrick)

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 one pending request for confidential classification filed on September 29, 2010 [DN08152-10].

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.

RESPECTFULLY SUBMITTED this 1st day of October, 2010.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished to all counsel of record and interested parties as listed below by electronic mail and regular U.S. mail this 1st day of October, 2010.

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