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COMMISSION  
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October 11, 2010

**VIA HAND DELIVERY**

Ms. Ann Cole, Commission Clerk  
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. 100001-EI*

Dear Ms. Cole:

Enclosed for filing in the above referenced docket are the original and seven (7)  
copies of Progress Energy Florida, Inc.'s Prehearing Statement.

Thank you for your assistance in this matter.

Sincerely,

*John T. Burnett*  
John T. Burnett

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DOCUMENT NUMBER 08467  
OCT 11 2010  
FPSC-COMMISSION CLERK

**BEFORE THE PUBLIC SERVICE COMMISSION**

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor. | DOCKET NO. 100001-EI  
DATED: October 11, 2010

**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 2011 through December 2011:

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

<u>Witness - Direct</u>	<u>Subject Matter</u>	<u>Issues</u>
Will Garrett	Fuel Cost Recovery True-Up (2009)	8
	Capacity Cost Recovery True-Up (2009)	27
Marcia Olivier	Projection and Actual/Estimated True-up	6, 7, 9-16
	Fuel and Capacity Cost Projections	28, 30-33
	Other Matters	1C, 1D, 23A
Joseph McCallister	2010 April/August Hedging Information	1A
	2011 Risk Management Plan	1B
Robert M. Oliver	GPIF: Reward/Penalty and Targets/Ranges	21-22

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

<u>Exhibit No.</u>	<u>Witness</u>	<u>Description</u>
(WG-1T)	Garrett	Fuel Cost Recovery True-Up (Jan-Dec 2009)

<u>          </u> (WG-2T)	Garrett	Capacity Cost Recovery True-Up (Jan – Dec. 2009)
<u>          </u> (WG-3T)	Garrett	Schedules A1 through A3, A6 and A12 for Dec 2009
<u>          </u> (MO-1)	Olivier	Estimated/Actual true-up Schedules for period January – December 2010
<u>          </u> (MO-2)	Olivier	Projection factors for January to December 2011
<u>          </u> (JM-1T)	McCallister	Summarized Hedging Information (2002 – 2009)
<u>          </u> (JM-1P)	McCallister	2011 Risk Management Plan
<u>          </u> (JM-2P)	McCallister	Hedging Report (January – July 2010)
<u>          </u> (RMO-1T)	Oliver	GPIF Reward/Penalty Schedules for 2009.
<u>          </u> (RMO-1P)	Oliver	GPIF Targets/Ranges Schedules (for Jan – Dec. 2011)

C. Statement of Basic Position - Not applicable. PEF's positions to specific issues are listed below.

D.-F. Issues and Positions

PEF's positions on the issues identified in this proceeding are as follows:

**Company-Specific Fuel Adjustment Issues**

**ISSUE 1A:** Should the Commission approve as prudent, PEF's actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in PEF's April 2010 and August 2010 hedging reports?

**PEF:** Yes. PEF's actions are reasonable and prudent. (McCallister)

**ISSUE 1B:** Should the Commission approve PEF's 2011 Risk Management Plan?

**PEF:** Yes. (McCallister)

**ISSUE 1C:** Should the prudence of Progress Energy Florida, Inc.'s replacement power costs related to the extended outage at Crystal River Unit 3 be considered in a separate docket?

**PEF:** Yes. On October 9, 2010, Progress Energy Florida filed a motion to create a separate docket to address the prudence of its replacement power costs related to the extended outage at Crystal River Unit 3. (Olivier)

**ISSUE 1D:** Should Progress Energy Florida, Inc. be permitted to collect through the fuel clause, amounts related to replacement power due to the extended outage at Crystal River Unit 3 prior to the Commission's determination of the prudence of such costs in a separate docket?

**PEF:** Yes. This legal issue was resolved in Order Number PSC-07-0816-FOF-EI, issued October 10, 2007, in which the Commission held that utilities recover reasonable fuel and capacity charges each year in the fuel docket without a determination of prudence during the fuel clause hearings. Specifically, the Commission noted: "As stated in Order 12645, the fuel clause is a comparison of a utility's projected fuel costs to the costs actually expended. It is not a prudence review." (Order at p. 15, emphasis added). Thus, the collection of replacement power costs in this instance is consistent with Commission precedent and practice. (Olivier)

#### **Generic Fuel Adjustment Issues**

**ISSUE 6:** What are the appropriate actual benchmark levels for calendar year 2010 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**PEF:** \$1,618,573. (Olivier)

**ISSUE 7:** What are the appropriate estimated benchmark levels for calendar year 2011 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**PEF:** \$1,053,364. (Olivier)

**ISSUE 8:** What are the appropriate fuel adjustment true-up amounts for the period January 2009 through December 2009?

**PEF:** \$8,064,647 over-recovery. (Garrett)

**ISSUE 9:** What are the appropriate fuel adjustment true-up amounts for the period January 2010 through December 2010?

**PEF:** \$120,872,183 under-recovery. (Olivier)

**ISSUE 10:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2011 to December 2011?

**PEF:** \$112,807,536 under-recovery. (Olivier)

**ISSUE 11:** 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 January 2011 through December 2011?

**PEF:** 1.00072. (Olivier)

**ISSUE 12:** What are the appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2011 through December 2011?

**PEF:** \$1,857,187,298. (Olivier)

**ISSUE 13:** What are the appropriate levelized fuel cost recovery factors for the period January 2011 through December 2011?

**PEF:** 5.105 cents per kWh (adjusted for jurisdictional losses). (Olivier)

**ISSUE 14:** 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

(Olivier)

**ISSUE 15:** 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	--	--	5.010	6.543	4.284
B	Distribution Primary	--	--	5.061	6.610	4.327
C	Distribution Secondary	4.797	5.797	5.112	6.676	4.371
D	Lighting	--	--	4.802	--	--

(Olivier)

**ISSUE 16:** 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 2011 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. (Olivier)

#### **Company-Specific Generating Performance Incentive Factor Issues**

No company-specific issues for Progress Energy Florida, Inc. have been identified at this time. If such issues are identified, they shall be numbered 17A, 17B, 17C, and so forth, as appropriate.

#### **Generic Generating Performance Incentive Factor Issues**

**ISSUE 21:** What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2009 through December 2009 for each investor-owned electric utility subject to the GPIF?

**PEF:** \$676,296 penalty. (Oliver)

**ISSUE 22:** What should the GPIF targets/ranges be for the period January 2011 through December 2011 for each investor-owned electric utility subject to the GPIF?

**PEF:** The appropriate targets and ranges are shown on Page 4 of Exhibit RMO-1P filed on September 1, 2010 with the Direct Testimony of Robert M. Oliver. (Oliver)

### **Company-Specific Capacity Cost Recovery Factor Issues**

**ISSUE 23A:** Has PEF included in the capacity cost recovery clause, the nuclear cost recovery amount ordered by the Commission in Docket No. 100009-EI?

**PEF:** Yes. PEF has included \$163,698,438 in its 2011 capacity cost recovery factors as presented in Thomas G. Foster's testimony pending Commission approval in Docket No. 100009-EI. (Olivier)

### **Generic Capacity Cost Recovery Issues**

**ISSUE 27:** What are the appropriate capacity cost recovery true-up amounts for the period January 2009 through December 2009?

**PEF:** \$14,181,129 over-recovery. (Garrett)

**ISSUE 28:** What are the appropriate capacity cost recovery true-up amounts for the period January 2010 through December 2010?

**PEF:** \$38,129,941 over-recovery. (Olivier)

### **NO ISSUE 29 LISTED**

**ISSUE 30:** What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2011 through December 2011?

**PEF:** \$52,311,070 over-recovery. (Olivier)

**ISSUE 31:** What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2011 through December 2011?

**PEF:** \$451,867,504 consisting of \$288,169,066 of capacity payments and \$163,698,438 of nuclear costs as presented in Thomas G. Foster's testimony pending Commission approval in Docket No. 100009-EI. (Olivier)

**ISSUE 32:** What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2011 through December 2011?

**PEF:** Base - 91.089%, Intermediate - 58.962%, Peaking - 91.248%. (Olivier)

**ISSUE 33:** What are the appropriate capacity cost recovery factors for the period January 2011 through December 2011?

**PEF:**

<u>Rate Class</u>	<u>CCR Factor</u>
Residential	1.527 cents/kWh
General Service Non-Demand	1.113 cents/kWh
@ Primary Voltage	1.102 cents/kWh
@ Transmission Voltage	1.091 cents/kWh
General Service 100% Load Factor	0.803 cents/kWh
General Service Demand	0.992 cents/kWh
@ Primary Voltage	0.982 cents/kWh
@ Transmission Voltage	0.972 cents/kWh
Curtable	0.845 cents/kWh
@ Primary Voltage	0.837 cents/kWh
@ Transmission Voltage	0.828 cents/kWh
Interruptible	0.798 cents/kWh
@ Primary Voltage	0.790 cents/kWh
@ Transmission Voltage	0.782 cents/kWh
Lighting	0.233 cents/kWh

(Olivier)

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:

- May 19, 2008 – 423 Forms for March 2008
- June 20, 2008 – 423 Forms for April 2008
- July 9, 2008 – Response to Staff's Second Request for Production of Documents
- July 17, 2008 – Response to FIPUG's First Set of Interrogatories (1-21)
- July 18, 2008 – 423 Forms for May 2008
- August 4, 2008 – Exhibit MO-1 (Part 2 – capacity cost recovery calculations for 2008, page 2 of 2) to the direct testimony of Marcia Olivier.
- August 15, 2008 – Hedging Report (Information contained in Attachments A & B for the period January – July 2008).
- August 22, 2008 – 423 Forms for June 2008



- August 25, 2008 – Response to Staff’s Third Set of Interrogatories (15-19)
- August 29, 2008 - Pages 3, 4 & 5 to the direct testimony of Marcia Olivier, Exhibit MO-2 (Schedule E-12 – capacity costs, Part 3, page 3 of 5) to the direct testimony of Marcia Olivier, Exhibit JM-1P (Page 1-2 and Attachments A-H) and Exhibit JM-2P to the direct testimony of Joseph McCallister.
- September 24, 2008 – 423 Forms for July 2008
- October 15, 2008 – Responses to Staff’s 5<sup>th</sup> Set of Interrogatories (Q. 51)
- October 16, 2008 – Responses to Staff’s 3<sup>rd</sup> Request for Production of Documents (Q. 13-17)
- October 20, 2008 – Responses to Staff’s 6<sup>th</sup> Set of Interrogatories (53-87)
- October 30, 2008 – 423 Forms for August 2008
- November 24, 2008 – 423 Forms for September 2008
- December 24, 2008 – 423 Forms for October 2008
- January 28, 2009 – 423 Forms for November 2008
- February 9, 2009 – 423 Forms for December 2008
- March 9, 2009 – Exhibit WG-3T, Schedule A12 to the direct testimony of Will Garrett.
- March 13, 2009 - 423 Forms for January 2009
- March 30, 2009 – Responses to Staff’s First Request for Production of Documents (1-8)
- April 3, 2009 – Exhibit JM-1T (2002 – 2008 Hedging information) to the direct testimony of Joseph McCallister.
- April 16, 2009 - 423 Forms for February 2009
- April 30, 2009 - 423 Forms for March 2009
- May 26, 2009 - 423 Forms for April 2009
- July 6, 2009 - 423 Forms for May 2009
- July 31, 2009 - 423 Forms for June 2009
- August 4, 2009 – Exhibit MO-1, Schedule E12, Part 2 to the direct testimony of Marcia Olivier and portions of the 2010 Risk Management Plan.
- August 14, 2009 – Hedging Report (Jan. – July 2009), Attachments A and B.
- September 2, 2009 - 423 Forms for July 2009
- September 14, 2009 – Exhibit MO-2, Schedule E12, Part 3 to the projection testimony of Marcia Olivier.
- September 15, 2009 – Response to Staff’s Third Set of Interrogatories (22-25).
- October 7, 2009 – Responses to Staff’s 4<sup>th</sup> Set of Interrogatories (26-35)
- October 12, 2009 – 423 Forms for August 2009
- November 6, 2009 – 423 Forms for September 2009
- December 4, 2009 – 423 Forms for October 2009
- January 13, 2010 – 423 Forms for November 2009
- January 28, 2010 – 423 Forms for December 2009
- February 25, 2010 – 423 Forms for January 2010
- March 22, 2010 – Responses to Staff’s 1<sup>st</sup> Set of Interrogatories (1-14) & Staff’s 1<sup>st</sup> Request for Production of Documents (1-16).
- March 30, 2010 – 423 Forms for February 2010
- April 1, 2010 – Exhibit JM-1T to the direct testimony of Joe McCallister (Hedging savings/costs for 2009).
- April 22, 2010 – 423 Forms for March 2010
- May 24, 2010 – 423 Forms for April 2010

- June 30, 2010 – 423 Forms for May 2010
- August 2, 2010 – Exhibit MO-1 to the direct testimony of Marcia Olivier & portions of 2011 Risk Management Plan (Exh. JM-1P) (Pgs. 1-3, Attachments A, B, C, E & F).
- August 10, 2010 – 423 Forms for June 2010
- August 16, 2010 – Hedging Report (January – July 2010) (Exh. JM-2P).
- September 1, 2010 – 423 Forms for July 2010
- September 1, 2010 – Exhibit MO-2 to direct testimony of Marcia Olivier.
- September 20, 2010 – Responses to Staff's 5<sup>th</sup> Set of Interrogatories (45-62).
- September 30, 2010 – Responses to Staff's 6<sup>th</sup> Set of Interrogatories (63-72).
- October 5, 2010 – 423 Forms for August 2010

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 11<sup>th</sup> day of October, 2010.


By:

  
R. ALEXANDER GLENN  
General Counsel  
JOHN T. BURNETT  
Associate General Counsel  
Progress Energy Service Co., LLC  
299 First Avenue North  
St. Petersburg, FL 33701-3324  
Telephone: (727) 820-5184  
Facsimile: (727) 820-5249  
E-Mail: [john.burnett@pgnmail.com](mailto:john.burnett@pgnmail.com)

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 electronic mail this 11<sup>th</sup> day of October, 2010 to all parties of record as indicated below.

  
JOHN T. BURNETT

<p>Lisa Bennett, Esq. Office of General Counsel Florida Public Service Commission 2540 Shumard Oak Blvd. Tallahassee, FL 32399-0850 <a href="mailto:lbennett@psc.state.fl.us">lbennett@psc.state.fl.us</a></p> <p>James D. Beasley, Esq. Ausley &amp; McMullen Law Firm P.O. Box 391 Tallahassee, FL 32302 <a href="mailto:jbeasley@ausley.com">jbeasley@ausley.com</a></p> <p>John T. Butler, Esq. Florida Power &amp; Light Co. 700 Universe Boulevard Juno Beach, FL 33408 <a href="mailto:John.butler@fpl.com">John.butler@fpl.com</a></p> <p>Mr. R. Wade Litchfield Florida Power &amp; Light 215 S. Monroe Street, Ste. 810 Tallahassee, FL 32301-1859 <a href="mailto:Wade.litchfield@fpl.com">Wade.litchfield@fpl.com</a></p> <p>Jeffrey A. Stone, Esq. Russell A. Badders, Esq. Steven R. Griffin Beggs &amp; Lane Law Firm P.O. Box 12950 Pensacola, FL 32591 <a href="mailto:jas@beggslane.com">jas@beggslane.com</a> <a href="mailto:rab@beggslane.com">rab@beggslane.com</a> <a href="mailto:srg@beggslane.com">srg@beggslane.com</a></p> <p>Ms. Paula K. Brown Tampa Electric Company P.O. Box 111 Tampa, FL 33601 <a href="mailto:regdept@tecoenergy.com">regdept@tecoenergy.com</a></p> <p>Ms. Susan D. Ritenour Gulf Power Company One Energy Place Pensacola, FL 32520-0780 <a href="mailto:sdriteno@southernco.com">sdriteno@southernco.com</a></p>	<p>Florida Industrial Power Users Group c/o John McWhirter, Jr. McWhirter Reeves Law Firm 400 N. Tampa Street, Ste. 2450 Tampa, FL 33602 <a href="mailto:jmcwhirter@mac-law.com">jmcwhirter@mac-law.com</a></p> <p>Beth Keating Akerman Senterfitt 106 E. College Ave., Ste 1200 Tallahassee, FL 32301 <a href="mailto:Beth.keating@akerman.com">Beth.keating@akerman.com</a></p> <p>J.R.Kelly/Charles Rehwinkel/Charlie Beck Office of Public Counsel c/o The Florida Legislature 111 West Madison Street, #812 Tallahassee, FL 32399 <a href="mailto:Kelly.jr@leg.state.fl.us">Kelly.jr@leg.state.fl.us</a> <a href="mailto:Rehwinkel.charles@leg.state.fl.us">Rehwinkel.charles@leg.state.fl.us</a> <a href="mailto:Beck.charles@leg.state.fl.us">Beck.charles@leg.state.fl.us</a></p> <p>George Bachman Florida Public Utilities Company P.O. Box 3395 West Palm Beach, FL 33402-3395 <a href="mailto:gbachman@fpuc.com">gbachman@fpuc.com</a></p> <p>Mr. James W. Brew, Esq. c/o Brickfield Law Firm 1025 Thomas Jefferson St., NW 8<sup>th</sup> Floor, West Tower Washington, DC 20007 <a href="mailto:jbrew@bbrslaw.com">jbrew@bbrslaw.com</a></p> <p>Keefe Law Firm Vicki Gordon Kaufman/Jon C. Moyle, Jr. 118 North Gadsden Street Tallahassee, FL 32301 <a href="mailto:vkaufman@kagmlaw.com">vkaufman@kagmlaw.com</a></p> <p>Ms. Cecilia Bradley Office of the Attorney General The Capitol - PL01 Tallahassee, FL 32399-1050 <a href="mailto:Cecilia.bradley@myfloridalegal.com">Cecilia.bradley@myfloridalegal.com</a></p>
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Shayla L. McNeill, Capt, USAF  
c/o AFLSA/JACL-ULT  
139 Barnes Drive, Suite 1  
Tyndall AFB, FL 32403-5319  
[shayla.mcneill@tyndall.af.mil](mailto:shayla.mcneill@tyndall.af.mil)

Florida Retail Federation  
Robert Scheffel Wright/John T. LaVia,  
c/o Young Law Firm  
225 South Adams Street, Suite 200  
Tallahassee, FL 32301  
[swright@yvlaw.net](mailto:swright@yvlaw.net)