

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition by Progress Energy Florida, Inc.
for approval to recover modular cooling tower
costs through environmental cost recovery
clause.

DOCKET NO. 060162-EI
ORDER NO. PSC-06-0771-PCO-EI
ISSUED: September 18, 2006

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
J. TERRY DEASON
ISILIO ARRIAGA
MATTHEW M. CARTER II
KATRINA J. TEW

ORDER SETTING MATTER FOR HEARING

BY THE COMMISSION:

On February 24, 2006, Progress Energy Florida, Inc. (PEF or company) filed a petition for approval to recover the costs of its modular cooling tower project through the Fuel and Purchased Power Cost Recovery Clause (the Fuel Clause). On July 13, 2006, after discussions with our staff, PEF filed an amended petition to recover the costs of the project through the Environmental Cost Recovery Clause (ECRC) rather than the Fuel Clause.

PEF implemented this project on June 9, 2006, to comply with wastewater discharge standards required by the Florida Department of Environmental Protection (FDEP). These standards are codified in Chapter 62-620, Florida Administrative Code, entitled "Wastewater Facility and Activities Permitting." PEF's wastewater discharge permit, issued initially in 1988 and renewed most recently May 9, 2005, limits the temperature of discharge water in the discharge canal at PEF's Crystal River plants to 96.5 degrees Fahrenheit. Because of increased inlet water temperature from the Gulf of Mexico into the plant during the summers of 2004 and 2005, PEF has been forced to de-rate both Crystal River Units 1 and 2 to remain in compliance with its water discharge permit. A de-rate is a temporary reduction in the output of a generating unit. PEF asserts that installing modular cooling towers along the discharge canal will provide additional cooling capacity allowing the company to remain in compliance with its FDEP permit, and thereby avoid future de-rates of its baseload plants.

We considered our staff's recommendation to approve PEF's project for recovery of costs through the ECRC at our August 29, 2006, Agenda Conference. At that time we heard comments from several parties, including the Office of Public Counsel, who objected to the approval of the cooling towers project. After considerable discussion and deliberation, we decided on our own motion to set this matter directly for a formal administrative hearing. The broad issue to be considered at the hearing will be whether PEF's cooling tower project is

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eligible for recovery of the costs associated with the project either through the ECRC or the Fuel Clause. The date of the hearing and other related events will be established at a later date.

Based on the foregoing, it is

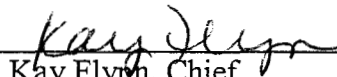
ORDERED by the Florida Public Service Commission that this matter will be set for a formal administrative hearing. It is further

ORDERED that this docket shall remain open to conduct the administrative hearing.

By ORDER of the Florida Public Service Commission this 18th day of September, 2006.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By:



Kay Flynn, Chief
Bureau of Records

(S E A L)

MCB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.