



ORIGINAL

JAMES A. MCGEE  
ASSOCIATE GENERAL COUNSEL  
PROGRESS ENERGY SERVICE CO., LLC

March 31, 2003

VIA EXPRESS DELIVERY

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

Re: Docket No. 030007-EI

Dear Ms. Bayó:

Enclosed for filing in the subject docket on behalf of Progress Energy Florida, Inc., formerly Florida Power Corporation, are an original and fifteen copies of the prepared direct testimony and exhibits of Javier Portuondo.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the above-referenced testimony and exhibits in Word and Excel formats, respectively. Thank you for your assistance in this matter.

Very truly yours,

James A. McGee

JAM/scc  
Enclosure

cc: Parties of record

- AUS   1
- CAF
- CMP
- COM   5
- CTR
- ECR   Brammer
- GCL   1
- OPC
- MMS
- SEC   1
- OTH

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DOCUMENT NUMBER-DATE  
03040 APR-1 03

ENCLOSURE

**PROGRESS ENERGY FLORIDA**

**DOCKET NO. 030007-EI**

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true copy of the prepared direct testimony and exhibits of Javier Portuondo has been furnished to the following individuals by regular U.S. Mail the 31 day of March, 2003.

Marlene Stern, Esquire  
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Economic Regulation Section  
Florida Public Service Commission  
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Tallahassee, FL 32301

  
Attorney

**PROGRESS ENERGY FLORIDA**

**DOCKET NO. 030007-EI**

**True-Up for the Period  
October through December, 2002**

**DIRECT TESTIMONY OF  
JAVIER PORTUONDO**

1 **Q. Please state your name and business address.**

2 **A.** My name is Javier Portuondo. My business address is Post Office Box  
3 14042, St. Petersburg, Florida 33733.

4

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

6 **A.** I am employed by Progress Energy Service Company, LLC, in the capacity  
7 of Manager, Regulatory Services – Florida.

8

9 **Q. Have your duties and responsibilities remained the same since you**  
10 **last testified in this proceeding?**

11 **A.** Yes.

12

13 **Q. What is the purpose of your testimony?**

14 **A.** The purpose of my testimony is to present for Commission review and  
15 approval the Environmental Compliance True-Up costs of Progress Energy  
16 Florida, Inc. ("Progress Energy" or "the Company"), for the period of  
17 October 1, 2002 through December 31, 2002. My testimony addresses the

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

1 recovery of operating and maintenance ("O&M") costs associated with  
2 environmental compliance activities for that period.

3  
4 **Q. Are you sponsoring any exhibits in support of your testimony?**

5 **A.** Yes. I am sponsoring Exhibit No. \_\_\_\_\_ (JP-1), which consists of 5 forms.  
6 Form 42-1A reflects the final true-up for the period October 2002 through  
7 December 2002. Form 42-2A consists of the final true-up calculation for the  
8 period. Form 42-3A consists of the calculation of the Interest Provision for  
9 the period. Form 42-4A reflects the calculation of variances between actual  
10 and estimated/actual costs for O&M activities. Form 42-5A presents a  
11 summary of actual monthly costs for the period of O&M activities. Forms  
12 42-6A, 7A, and 8A are not applicable in this filing as they relate to Capital  
13 Investment Projects, of which we have none.

14  
15 **Q. What is the source of the data that you will present by way of**  
16 **testimony or exhibits in this proceeding?**

17 **A.** Unless otherwise indicated, the actual data is taken from the books and  
18 records of Progress Energy. The books and records are kept in the regular  
19 course of our business in accordance with generally accepted accounting  
20 principles and practices, and the provisions of the Uniform System of  
21 Accounts prescribed by this Commission.

22  
23 **Q. What is Progress Energy's final net true-up amount for the three-month**  
24 **period October 1, 2002 through December 31, 2002?**

1 A. The final net true-up amount for the three-month period ending December  
2 31, 2002 is an under-recovery of \$38,833. This amount is shown on Form  
3 42-1A, Line 3.

4  
5 **Q. Are all costs listed in Forms 42-1A through 42-5A attributable to**  
6 **environmental compliance projects approved by the Commission?**

7 A. Yes, they are.

8  
9 **Q. Has Progress Energy included an interest component for the 2002**  
10 **under-recovery balance?**

11 A. At Staff's request, Progress Energy has agreed to forego the accrual of  
12 interest on the under-recovery during the period prior to the implementation  
13 of its initial Environmental Cost Recovery charge in January 2002.

14  
15 **Q. What does the figure of (\$25,000) on line 1a of Form 42-4A represent?**

16 A. This figure represents environmental compliance costs for transmission  
17 substation O&M expenses that are currently being recovered through  
18 Progress Energy's base rates.

19  
20 **Q. How did actual expenditures for October through December, 2002**  
21 **compare with Progress Energy's estimated/actual projections**  
22 **presented in previous testimony and exhibits?**

23 A. Form 42-4A shows that total O&M project costs were \$28,296, or 257.2%,  
24 higher than projected. Following are variance explanations for those O&M

1 projects with significant variances. Individual project variances are provided  
2 on Form 42-4A.

3 Substation Environmental Investigation, Remediation, and Pollution  
4 Prevention O&M Expenses: Project expenditures were \$9,989 less than  
5 anticipated, or a 27.7% variance. Progress Energy did not begin  
6 development of the new Environmental Management System components  
7 as projected because the Florida Department of Environmental Protection  
8 determined that it wanted to establish one set of standards for the state  
9 instead of separate regional standards. Establishment of these state-wide  
10 standards is expected in early 2003. However, it was necessary to respond  
11 to an oil spill at one of the Company's substations.

12 Distribution System Environmental Investigation, Remediation, and  
13 Pollution Prevention O&M Expenses: Project expenditures were \$38,285  
14 higher than anticipated, or a 100% variance. Although Progress Energy did  
15 not project costs for transformer oil clean-up in the 4<sup>th</sup> quarter of 2002,  
16 several transformer oil leaks occurred that required an immediate response.  
17 In addition, the Company was able to begin several other work activities  
18 ahead of schedule.

19  
20 **Q. Does this conclude your direct testimony?**

21 **A. Yes.**

EXHIBIT 1 (JP-1)

PROGRESS ENERGY FLORIDA, INC.  
ENVIRONMENTAL COST RECOVERY  
COMMISSION FORMS 42-1A THROUGH 42-5A

OCTOBER 2002 - DECEMBER 2002  
ESTIMATED/ACTUAL TRUE-UP

**Progress Energy Florida, Inc.**  
Environmental Cost Recovery Clause (ECRC)  
Calculation of the Estimated/Actual True-Up Amount for the Period  
**October 2002 through December 2002**

Form 42-1A

Line

1	End of Period Actual True-Up for the Period October 2002 to December 2002 (Form 42-2A, Lines 5 +6)	(38,833)
2	Estimated/Actual True-Up Amount Approved for the Period October 2002 to December 2002	<u>N/A</u>
3	Final True-Up Amount to be Refunded/(Recovered) in the Projection Period January 2003 to December 2003 (Line 1 - Line 2)	<u><u>(38,833)</u></u>







**Progress Energy Florida, Inc.**  
 Environmental Cost Recovery Clause (ECRC)  
 Calculation of the Estimated/Actual True-Up Amount for the Period  
**October 2002 through December 2002**

Variance Report of O&M Activities  
 (In Dollars)

<u>Line</u>	(1)	(2)	(3) Variance	
	Actual	Estimated Actual	Amount	Percent
<b>1</b> Description of O&M Activities				
1 Substation Environmental Investigation, Remediation, and Pollution Prevention	26,011	36,000	(9,989)	-27.7%
1a Substation Environmental Investigation, Remediation, and Pollution Prevention - Costs	(25,000)	(25,000)	0	0.0%
2 Distribution System Environmental Investigation, Remediation, and Pollution Prevention	38,285	0	38,285	100.0%
<b>2</b> Total O&M Activities	39,296	11,000	28,296	257.2%
<b>3</b> Recoverable Costs Allocated to Energy	0	0	0	0.0%
<b>4</b> Recoverable Costs Allocated to Demand	39,296	11,000	28,296	257.2%

## Notes:

Column (1) is the End of Period Totals on Form 42-5A  
 Column (2) = Estimated actual  
 Column (3) = Column (1) - Column (2)  
 Column (4) = Column (3) / Column (2)

Progress Energy Florida, Inc.  
Environmental Cost Recovery Clause (ECRC)  
Calculation of the Estimated/Actual Period Amount  
October 2002 through December 2002

Form 42-5A

Line	O&M Activities (in Dollars)												End of Period Total	Method of Classification		
	January 02	February 02	March 02	April 02	May 02	June 02	July 02	August 02	September 02	October 02	November 02	December 02		Demand	Energy	
<b>1 Description of O&amp;M Activities</b>																
1	Substation Environmental Investigation, Remediation, and Pollution Prevention												26,011	26,011	\$26,011	0
1(a)	Substation Environmental Investigation, Remediation, and Pollution Prevention - Costs included in Base Rates												(25,000)	(25,000)	(\$25,000)	0
2	Distribution System Environmental Investigation, Remediation, and Pollution Prevention												38,285	38,285	38,285	0
2	<b>Total of O&amp;M Activities</b>												39,296	39,296	\$39,296	\$0
3	Recoverable Costs Allocated to Energy - Transm												0	0		
	Recoverable Costs Allocated to Energy - Distrib												0	0		
4	Recoverable Costs Allocated to Demand - Transm												1,011	1,011		
	Recoverable Costs Allocated to Demand - Distrib												38,285	38,285		
5	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.9729000	0.9728000	0.9761000				
	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.9729000	0.9728000	0.9761000				
6	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.72115000	0.72115000	0.72115000				
	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.9952900	0.9952900	0.9952900				
7	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
8	0	0	0	0	0	0	0	0	0	0	0	729	729			
	0	0	0	0	0	0	0	0	0	0	0	38,104	38,104			
9	<b>Total Jurisdictional Recoverable Costs for O&amp;M Activities (Lines 7 + 8)</b>												\$38,833	\$38,833		

Notes:  
(A) Line 3 x Line 5  
(B) Line 4 x Line 6

FORM 42-6A

NOT USED

FORM 42-7A

NOT USED

FORM 42-8A

NOT USED

ECRC - 2002

Month posted	Vendor	Invoice Date	Invoice #	Work Done	Amount	T or D	Purpose
Dec	SWS	11/26/2002	24365	11/04/2002	18,512.86	T	Emergency response to petroleum spill at Curlew Substation
	SWS	12/13/2002	24521	12/04/2002	441.00	T	Emergency response to petroleum spill at Curlew Substation
Dec - Accr	Pike	01/03/2003	457610	12/29/2002	3,005.00	D	Oily dirt removal from transformers in the Apopka area
Dec - Accr	Pike	01/03/2003	458737		3,005.00	D	<b>Accrual estimate per Daryl O'Cain - Actual invoice came in at \$3,473.28</b>
	Viasys	12/14/2002	105065-C	12/12/2002	1,254.00	D	Oily dirt removal from transformers in the Jamestown area
	Viasys	12/21/2002	105076-C	12/16/2002	864.00	D	Oily dirt removal from transformers in the Jamestown area
	Viasys	12/21/2002	105077-C	12/17/2002	2,996.00	D	Oily dirt removal from transformers in the Jamestown area
Dec-Accr	Viasys				2,877.00	D	<b>Accrual estimate per Daryl O'Cain - A/P has not authorized payment</b>
	SWS	11/14/2002	24239	11/09/2002	1,679.00	D	Emergency response to non-pcb transformer oil spill - Winter Pk
	US Filter	12/02/2002	9903737	11/25/2002	7,865.40	D	Disposal of oily dirt related to TRIP program
	US Filter	11/15/2002	71052721	10/08/2002	1,100.00	D	Analysis of oily dirt related to TRIP program - various spill sites
Dec	Kent				2,106.04	D	See attached documentation provided by Kent Hedrick
	Kent				498.00	T	See attached documentation provided by Kent Hedrick
	Other labor			12/04/2002	6,559.59	T	Overtime to clean up Curlew Substation
	Viasys	10/19/2002	607175	10/16/2002	1,848.00	D	Oily dirt removal from transformers in the Tarpon Springs area
	Viasys	10/19/2002	507781	10/17/2002	1,868.00	D	Oily dirt removal from transformers in the Clearwater area
	Viasys	10/26/2002	607176	10/19/2002	1,536.00	D	Oily dirt removal from transformers in the 7 Springs area
	Viasys	10/19/2002	507810	10/21/2002	2,867.00	D	Oily dirt removal from transformers in the St. Petersburg area
	Viasys	10/19/2002	507810	10/22/2002	3,243.75	D	Oily dirt removal from transformers in the St. Petersburg area
	55 GI Blk/W				170.59	D	Transformer oil leak repair

64,296.23  
(64,296.23)



Totals on Sch

Trans	26,011.23	<b>20031194</b>
Distr	38,285.00	<b>20032671</b>
	64,296.23	