

Hopping Green & Sams

Attorneys and Counselors

Writer's Direct Dial Number
(850) 425-2359

October 3, 2005

BY HAND DELIVERY

Blanca Bayó
Director, Office of the Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 050001-EI

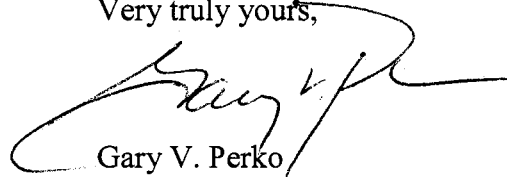
Dear Ms. Bayó:

Enclosed for filing on behalf of Progress Energy Florida, Inc. ("PEF") are the original and fifteen copies of PEF's Preliminary Statement of Issues and Positions in the above docket. I also have enclosed a diskette containing the document in Microsoft Word format.

By copy of this letter, these documents have been furnished to the parties on the attached certificate of service.

Please stamp and return the enclosed extra copy of this filing. If you have any questions regarding this filing, please give me a call at 425-2359.

Very truly yours,



Gary V. Perko

GVP/dwg
Enclosures
cc: Certificate of Service

DOCUMENT NUMBER-DATE

09376 OCT-3 05

CERTIFICATE OF SERVICE

I HEREBY CERTIFY, on behalf of Progress Energy Florida, Inc.'s Preliminary Statement of Issues and Positions in Docket No. 050001-EI have been furnished by hand-delivery (*) or regular U.S. mail to the following this 31 day of October, 2005.

Adrienne Vining, Esq. (*)
Jennifer Rodan, Esq.
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

James A. McGee
Progress Energy Services Co, LLC.
P.O. Box 14042
St. Petersburg, FL 33733-4042

John T. Butler, Esq.
Squire, Sanders & Dempsey, L.L.P.
200 S. Biscayne Bay Blvd, Suite 4000
Miami, FL 33131-2398

Lee L. Willis, Esq.
James D. Beasley, Esq.
Ausley & McMullen
P.O. Box 391
Tallahassee, FL 32302

Patricia Ann Christensen, Esq.
Office of Public Counsel
111 West Madison Street, Rm. 812
Tallahassee, FL 32399

Jeffrey A. Stone, Esq.
Russell A. Badders, Esq.
Beggs and Lane
P.O. Box 12950
Pensacola, FL 32576

Florida Industrial Power Users Group
c/o John W. McWhirter, Jr.
McWhirter Reeves
400 North Tampa Street, Suite 2450
Tampa, FL 33602

Vicki Gordon Kaufman, Esq.
Timothy J. Perry, Esq.
McWhirter Reeves, et al.
117 South Gadsden Street
Tallahassee, FL 32301

Florida Power & Light Co.
R. Wade Litchfield, Esq.
700 Universe Blvd.
Juno Beach, FL 33408-0420

Florida Power & Light Co.
Bill Walker
215 S. Monroe Street, Suite 810
Tallahassee, FL 32301

Gulf Power Company
Susan Ritenour
One Energy Place
Pensacola, FL 32520-0780

Tampa Electric Company
Angela Llewellyn
Regulatory Affairs
P.O. Box 111
Tampa, FL 33601-0111

Messer Law Firm
Norman Horton, Jr.
P.O. Box 1876
Tallahassee, FL 32302-1876

Florida Public Utilities Company
Ms. Cheryl Martin
P. O. Box 3395
West Palm Beach, FL 33402-3395

CSX Transportation, Inc.
Mark Hoffman
500 Water St., 14th Floor
Jacksonville, FL 32202

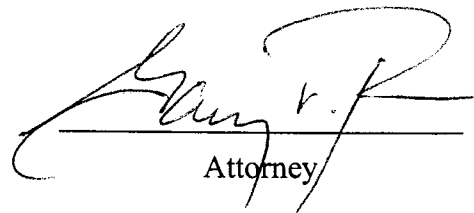
Landers Law Firm
Robert Scheffel Wright/John LaVia, III
P.O. Box 271
Tallahassee, FL 32302

Moyle Law Firm
Jon C. Moyle, Jr.
The Perkins House
118 North Gadsden Street
Tallahassee, FL 32301

Michael B. Twomey
Post Office Box 5256
Tallahassee, FL 32314-5256

R. Alexander Glenn
Deputy General Counsel - Florida
Progress Energy Service Company, LLC
P.O. Box 14042
St. Petersburg, FL 33733

Lieutenant Colonel Karen White
Major Craig Paulson
AFCESA/ULT
139 Barnes Drive
Tyndall Air Force Base, FL 32403



Attorney

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor. | DOCKET NO. 050001-EI
| DATED: October 3, 2005

**PROGRESS ENERGY FLORIDA, INC.'S
PRELIMINARY LIST OF ISSUES AND POSITIONS**

Progress Energy Florida, Inc. (PEF) hereby submits its Preliminary List of Issues and Positions with respect to its levelized fuel and capacity cost recovery factors and its Generating Performance Incentive Factor (GPIF) for the period of January through December 2006:

Generic Fuel Adjustment Issues

1. **ISSUE:** What are the appropriate final fuel adjustment true-up amounts for the period January 2004 through December 2004?
PEF: \$93,603,843 under-recovery, based on the deferral of \$79,157,270 approved in Order No. PSC-04-1276-FOF-EI and an additional under-recovery of \$14,446,573. (Portuondo)

2. **ISSUE:** What are the appropriate estimated fuel adjustment true-up amounts for the period January through December 2005?
PEF: \$171,327,261 under-recovery. (Portuondo)

3. **ISSUE:** What are the appropriate total fuel adjustment true-up amounts to be collected from January 2006 through December 2006?
PEF: \$264,931,104 under-recovery (Portuondo)

4. **ISSUE:** 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 of January 2006 through December 2006?
PEF: 1.00072 (Portuondo)

5. **ISSUE:** What are the appropriate projected net fuel and purchased power cost recovery amounts to be included in the recovery factor for the period January 2006 through December 2006?
PEF: \$2,085,684,548 (Portuondo)

PROGRESS ENERGY FLORIDA'S
 PRELIMINARY LIST OF ISSUES AND POSITIONS
 DOCKET NO. 050001-EI
 PAGE 2

6. **ISSUE:** What is the appropriate levelized fuel cost recovery factor for the period of January 2006 through December 2006?

PEF: 5.202 cents per kWh (adjusted for jurisdictional losses). (Portuondo)

7. **ISSUE:** 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 group?

PEF:

Group	Delivery Voltage Level	Line Loss Multiplier
A.	Transmission	0.9800
B.	Distribution Primary	0.9900
C.	Distribution Secondary	1.0000
D.	Lighting Service	1.0000

(Portuondo)

8. **ISSUE:** 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)					Time of Use	
Group	Delivery Voltage Level	First Tier Factor	Second Tier Factors	Levelized Factors	On-Peak	Off-Peak
A	Transmission	--	--	5.098	6.842	4.323
B	Distribution Primary	--	--	5.150	6.911	4.367
C	Distribution Secondary	4.852	5.852	5.202	6.981	4.411
D	Lighting	--	--	4.892	--	--

(Portuondo)

9. **ISSUE:** 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 2006, and thereafter through the last billing cycle for December 2006. The first billing cycle may start before January 1, 2006, and the last billing cycle may end after December 31, 2006, so long as each customer is billed for twelve months regardless of when the factors became effective.

10. ISSUE: What is the appropriate actual benchmark level for calendar year 2005 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

PEF: \$6,934,666 (Portuondo)

11. ISSUE: What is the appropriate estimated benchmark level for calendar year 2006 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

PEF: \$5,972,207 (Portuondo)

Company-Specific Fuel Adjustment Issues

- 12A. ISSUE: Should PEF's proposed inverted rate design for residential fuel factors be approved?

PEF: Yes. PEF's proposed inverted rate structure is designed to promote energy efficiency and conservation in a revenue neutral manner and is consistent with the rate design incorporated in PEF's base rates.

- 12B ISSUE: Should PEF recover the carrying costs of coal inventory in transit and coal procurement O&M costs, as well as depreciation expense, repair and maintenance expenses, property taxes and a return on investment associated with rail cars used to transport coal to Crystal River?

PEF: Yes. As part of a consolidation of PEF's coal procurement and transportation functions, ownership of railcars used to transport coal to Crystal River and coal inventory in transit is expected to transfer from Progress Fuels Corporation to PEF on January 1, 2006. In accordance with Order No. PSC-05-0945-S-EI, which approved the Stipulation and Settlement in Docket No. 050078-EI, PEF will recover its carrying costs of coal inventory in transit and its coal procurement O&M costs through the fuel recovery clause. Furthermore, consistent with established Commission policy, PEF will recover depreciation expense, repair and maintenance expenses, property taxes and a return on average investment associated with rail cars used to transport coal to Crystal River. In accordance with the approved Settlement and Stipulation in Docket No. 050078-EI, PEF will use 11.75% as its authorized return on inventory in transit and coal car investment.

- 12A. ISSUE: Should PFC's contract with MEMCO, LLC., to provide the river barge coal transportation services for PEF be approved for cost recovery purposes?

PEF: Yes. In accordance with Settlement and Stipulation approved in Order No. PSC-04-0713-AS-EI, the MEMCO contract was the result of competitive bidding process which resulted in a valid market price for the river barge component of waterborne coal

transportation services. The contract ensures that PEF will be provided cost-effective river barge transportation service. (Pitcher, Portuondo)

- 12B. ISSUE: Should PFC's contract with International Marine Terminal Partnership (IMT) to provide the terminal transloading services for PEF be approved for cost recovery purposes?

PEF: Yes. In accordance with Settlement and Stipulation approved in Order No. PSC-04-0713-AS-EI, the IMT contract was the result of competitive bidding process which resulted in a valid market price for the terminal transloading component of waterborne coal transportation services. The contract ensures that PEF will be provided cost-effective terminal transloading service. (Pitcher, Portuondo)

- 12C. ISSUE: Should PFC's contract with Dixie Carriers, Inc. (Dixie), to provide cross-Gulf coal transportation services to PEF be approved for cost recovery purposes?

PEF: Yes. In accordance with Settlement and Stipulation approved in Order No. PSC-04-0713-AS-EI, the Dixie contract was the result of competitive bidding process which resulted in valid market prices for the cross-Gulf component of waterborne coal transportation services. The contract ensures that PEF will be provided cost-effective river barge transportation service. (Pitcher, Portuondo)

- 12D. ISSUE: Should PFC's contract with Express Marine, Inc. (EMI), to provide cross-Gulf coal transportation services to PEF be approved for cost recovery purposes?

PEF: Yes. In accordance with Settlement and Stipulation approved in Order No. PSC-04-0713-AS-EI, the EMA contract was the result of competitive bidding process which resulted in valid market prices for the cross-Gulf component of waterborne coal transportation services. The contract ensures that PEF will be provided cost-effective cross-Gulf transportation service. (Pitcher, Portuondo)

- 12E. ISSUE: Should PEF's Power Purchase Agreement with Central Power & Lime, Inc., be approved for cost recovery purposes, subject to subsequent review of the costs incurred pursuant to the Agreement for reasonableness and prudence?

PEF: Yes. The purchase of capacity under the Central Power & Lime Agreement is needed to maintain a 20% reserve margin requirement for PEF's system. The purchase of this capacity and energy is expected to defer the need to acquire an equivalent amount of firm capacity and energy in the summers of 2006 and 2007, as well as the need to add a combustion turbine to meet demand in 2009. The agreement also promotes fuel diversity and price stability by providing an additional source of coal-fired energy at fixed prices. (Waters, Portuondo)

Generic Generating Performance Incentive Factor Issues

16. **ISSUE:** What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period of January 2004 through December 2004?

PEF: \$532,353 (Jacob)

17. **ISSUE:** What should the GPIF targets/ranges be for the period of January 2006 through December 2006?

PEF: See Attachment A (page 2 of Exhibit MFJ-1). (Jacob)

Generic Capacity Cost Recovery Issues

23. **ISSUE:** What is the appropriate final capacity cost recovery true-up amount for the period of January 2004 through December 2004?

PEF: \$3,696,808 under-recovery. (Portuondo)

24. **ISSUE:** What is the appropriate estimated capacity cost recovery true-up amount for the period of January 2005 through December 2005?

PEF: \$10,901,072 under-recovery. (Portuondo)

25. **ISSUE:** What is the appropriate total capacity cost recovery true-up amount to be collected/refunded during the period January 2006 through December 2006?

PEF: \$14,597,880 under-recovery. (Portuondo)

26. **ISSUE:** What is the appropriate projected net purchased power capacity cost recovery amount to be included in the recovery factor for the period January 2006 through December 2006?

PEF: \$355,852,570. (Portuondo)

27. **ISSUE:** What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2006 through December 2006?

PEF: Base - 93.753%, Intermediate - 79.046%, Peaking - 88.979%. (Portuondo)

28. **ISSUE:** What are the projected capacity cost recovery factors for the period January 2006 through December 2006?

<u>PEF:</u>	<u>Rate Class</u>	<u>CCR Factor</u>
	Residential	1.001 cents/kWh
	General Service Non-Demand	0.908 cents/kWh
	@ Primary Voltage	0.899 cents/kWh
	@ Transmission Voltage	0.889 cents/kWh
	General Service 100% Load Factor	0.578 cents/kWh
	General Service Demand	0.798 cents/kWh
	@ Primary Voltage	0.790 cents/kWh
	@ Transmission Voltage	0.782 cents/kWh
	Curtaillable	0.715 cents/kWh
	@ Primary Voltage	0.708 cents/kWh
	@ Transmission Voltage	0.701 cents/kWh
	Interruptible	0.612 cents/kWh
	@ Primary Voltage	0.606 cents/kWh
	@ Transmission Voltage	0.600 cents/kWh
	Lighting (Portuondo)	0.178 cents/kWh

Company-Specific Capacity Cost Recovery Issues

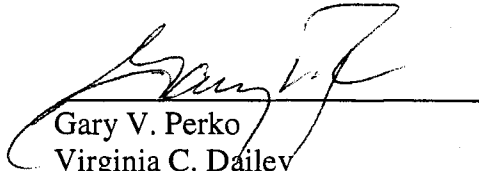
- 29A. **ISSUE:** Are PEFs actual and projected expenses for 2004 through 2006 for its post-September 11, 2001, security measures reasonable for cost recovery purposes?

PEF: Yes. In accordance with Order No. PSC-05-0945-S-EI, PEF will continue to collect its post-September 11, 2001, incremental security costs through the Capacity Cost Recovery Clause. The company's actual and projected post-September 11, 2001 incremental security costs for 2004 through 2006 are reasonable for cost recovery purposes.

RESPECTFULLY SUBMITTED this 2nd day of October, 2005.

HOPPING GREEN & SAMS, P.A.

By:


Gary V. Perko
Virginia C. Dailey
P.O. Box 6526
Tallahassee, Florida 32314
(850) 425-2313

Attorneys for Progress Energy Florida