

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery Clause

Docket No. 050007-EI

Dated: October 14, 2005

**PROGRESS ENERGY FLORIDA'S
PREHEARING STATEMENT**

Pursuant to the requirements of the Order Establishing Procedure (Order No. PSC-05-0264-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>Subject Matter</u>	<u>Issue</u>
Javier Portuondo	Final and estimated true-up Environmental Compliance Cost Projections	1-8, 10B, 10D, 10F
Kent D. Hedrick	Estimated True-up variances Environmental compliance cost projections New Sea Turtle Lighting Program	2-3, 10A
Patricia Q. West	Estimated true-up variances Environmental compliance cost projections New Arsenic Groundwater and Underground Storage Tank Programs	2-3, 10C, 10E, 10G

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

<u>Witness</u>	<u>Exhibit(s)</u>	<u>Description</u>
Javier Portuondo	JP-1	ECRC Forms 42-1A through 42-8A
	JP-2	ECRC Forms 42-1E through 42-8E
	JP-3	ECRC Forms 42-1P through 42-7P
Kent D. Hedrick	KDH-1	Rule 62B-55.006, F.A.C.
	KDH-2	Franklin County Ordinance
	KDH-3	Gulf County Ordinance
	KDH-4	Mexico Beach Ordinance

Patricia Q. West	PQW-3	Rule 62-761.510(5), F.A.C.
	PQW-4	PEF Underground Storage Tanks

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:

Generic Environmental Cost Recovery Issues

- Issue 1 What are the appropriate final environmental cost recovery true-up amounts for the period ending December 31, 2004?
- PEF: \$5,961,886 over-recovery (Portuondo)
- Issue 2 What are the estimated environmental cost recovery true-up amounts for the period January 2005 through December 2005?
- PEF: \$11,922,307 under-recovery (Portuondo, Hedrick West)
- Issue 3 What are the appropriate projected environmental cost recovery amounts for the period January 2006 through December 2006?
- PEF: \$17,526,546 (Portuondo, Hedrick, West)
- Issue 4 What are the environmental cost recovery amounts, including true-up amounts and adjusted for revenue taxes, for the period January 2006 through December 2006?
- PEF: \$23,503,878 (Portuondo)
- 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 2006 through December 2006?
- PEF: For 2006 final true-up purposes, the depreciation rates used to calculate the depreciation expense is based on the applicable rate per Exhibit 2 of the Stipulation and Settlement approved in Docket No. 050078-EI. (Portuondo)
- Issue 6 What are the appropriate jurisdictional separation factors for the projected period January 2006 through December 2006?

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 - 70.597%
 Distribution Primary demand jurisdictional factor - 99.579%
 Jurisdictional Separation Study factors were used for production demand jurisdictional factor as Production Base – 93.753%,
 Production Intermediate – 79.046%, and
 Production Peaking – 88.979%. (Portuondo)

Issue 7

What are the appropriate environmental cost recovery factors for the period January, 2006, through December, 2006, for each rate group?

PEF: The appropriate factors are as follows:

Rate Class	ECRC Factor cents/kWh
Residential	0.062
General Service Non-Demand	
@ Secondary Voltage	0.060
@ Primary Voltage	0.059
@ Transmission Voltage	0.059
General Service 100% Load Factor	0.048
General Service Demand	
@ Secondary Voltage	0.056
@ Primary Voltage	0.055
@ Transmission Voltage	0.055
Curtable	
@ Secondary Voltage	0.055
@ Primary Voltage	0.054
@ Transmission Voltage	0.054
Interruptible	
@ Secondary Voltage	0.049
@ Primary Voltage	0.049
@ Transmission Voltage	0.048
Lighting	0.050

(Portuondo)

Issue 8 What should be the effective date of the environmental cost recovery factors 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. (Portuondo)

Company Specific Environmental Cost Recovery Issues

Issue 10A: Should the Commission approve PEF's request for recovery of costs for certain Sea Turtle street lighting activities in Franklin County, Gulf County, and within the City of Mexico Beach?

PEF: Yes. The costs for the Sea Turtle Lighting Program meet the requirements of Section 366.8255 for recovery through the Environmental Cost Recovery Clause. (Hedrick)

Issue 10B: How should the costs for PEF's Sea Turtle street lighting activities be allocated to the rate classes?

PEF: The operating and maintenance costs and capitalized costs for the Sea Turtle Lighting Program should be allocated to the rate classes on a non-coincident peak demand basis. (Portuondo)

Issue 10C: Should the Commission approve PEF's request for recovery of costs to assess groundwater arsenic levels and consultant costs for development of an arsenic remediation plan at Plants Anclote, Bartow, Hines, and Crystal River?

PEF: Yes. The costs for Arsenic Groundwater Standard Program meet the requirements of Section 366.8255 for recovery through the Environmental Cost Recovery Clause. (West)

Issue 10D: How should the costs for PEF's arsenic groundwater monitoring and studies be allocated to the rate classes?

PEF: The operating and maintenance costs for the Arsenic Groundwater Standard Program should be allocated to the rate classes on a 12 coincident peak demand and 1/13 average demand basis. (Portuondo)

Issue 10E: Should the Commission approve PEF's request for recovery of costs for installing secondary containment for certain underground storage tanks and small diameter piping at the Bartow and Crystal River Power Plant sites?

PEF: Yes. The costs for the Underground Storage Tank Program meet the requirements of Section 366.8255 for recovery through the Environmental Cost Recovery Clause. (West)

Issue 10F: How should the costs for PEF's secondary containment facilities at the Bartow and Crystal River Power Plant sites be allocated to the rate classes?

PEF: The capitalized costs for the Underground Storage Tank Program should be allocated to the rate classes on a 12 coincident peak demand and 1/13 average demand basis. (Portuondo)

Issue 10G: Should the Commission approve PEF's request to recover \$52 million in 2006 projected costs relating to design, engineering, procurement of equipment, and initial construction of SCR and FGD systems for its Crystal River coal units and NOx reduction equipment for its Anclote unit.

PEF: Yes. The projected costs meet the requirements of Section 366.8255 for recovery through the Environmental Cost Recovery Clause. There is no basis for OPC's suggestion that Commission defer or create a spin-off docket concerning issues related to such costs. All parties have had sufficient time to conduct discovery or otherwise inquire about PEF's cost projections. (West)

PEF takes no position on other company-specific issues, which relate to other utilities.

G. Stipulated Issues

PEF is not a party to any stipulations at this time.

H. Pending Motions

PEF has no pending motions.

I. Requests for Confidentiality

PEF has no pending requests for confidential classification.

J. Requirements of Order

PEF believes that this prehearing statement complies with all the requirements of the Order on Procedure.

K. Objections to Qualifications

PEF has no objection to the qualifications of any expert witnesses in this proceeding.

RESPECTFULLY SUBMITTED this 14th day of October, 2004.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Progress Energy Florida's Prehearing Statement in Docket No. 050007-~~FI~~ have been furnished by electronic mail (*) or by regular U.S. mail to the following this 14th day of October, 2005.

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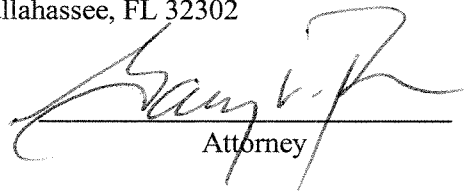
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