BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 060162-EI

In re: Petition of Progress Energy Florida, Inc.
to recover modular cooling tower costs
through the fuel cost recovery clause.

DIRECT TESTIMONY OF JAVIER PORTUONDO

February 24, 2006

Q. Please state your name and business address.

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

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

A. I am employed by Progress Energy Service Company, LLC, as Director of Regulatory Planning.

Q. What is the scope of your duties?

A. Currently, I am responsible for regulatory planning, cost recovery and pricing functions for both Progress Energy Florida (PEF or "Company") and Progress Energy Carolinas.

Q. Please describe your educational background and professional experience.

A. I received a Bachelors of Science degree in Accounting from the University of South Florida. I began my employment with Florida Power Corporation in 1985. During my 20 years with Florida Power Corporation and PEF, I have held a number of financial and accounting positions. In 1993, I became Manager, Regulatory Services, and I recently became Director, Regulatory Planning.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the Company's request for recovery of reasonably and prudently incurred costs of modular cooling towers that PEF plans to install and operate at its Crystal River plant. Specifically, I will explain why recovery of the cooling tower costs through the Fuel and Purchase Power Cost Recovery Clause ("Fuel Clause") is appropriate and consistent with established Commission policy. I also will present our analysis of the fuel savings associated with this project.

Q. Are you sponsoring any Exhibits with your direct testimony?

A. Yes. I am sponsoring the following exhibits:

- Exhibit No. __ (JP-1), which is an excerpt of Schedule C-6 of the minimum filing requirements (MFRs) that PEF submitted in its recent ratemaking proceeding in Docket No. 050078-EI;

- Exhibit No. __ (JP-2), which is an excerpt of Schedule B-8 of the MFRs submitted in Docket No. 050078-EI; and
- Exhibit No. __ (JP-3), which is a table that provides PEF's projection of fuel cost savings expected to result from the modular cooling tower project.

Q. Please briefly describe the Modular Cooling Tower Project.

A. The purpose of the modular cooling tower project is to reduce fuel costs to customers by minimizing "de-rates" of PEF's Crystal River Units 1 and 2 necessary to comply with a permit limit on the temperature of cooling water discharged from the Crystal River plant ("thermal permit limit"). As discussed in more detail in the pre-filed testimony of Thomas Lawery, the project involves installation and operation of modular cooling towers in the summer months in order to reduce the discharge canal temperatures. This will enable PEF to reduce the number and extent of de-rates necessary to comply with the thermal permit limit and thereby reduce replacement fuel and purchase power costs.

Q. What is the basis for PEF's request to recover costs of the Modular Cooling Tower Project through the Fuel Clause?

A. Commission Order No. 14546 established comprehensive guidelines for the recovery of costs through the Fuel Clause. In that 1985 Order, the Commission recognized that certain unanticipated costs are appropriate for

recovery through the Fuel Clause. Specifically, the Commission recognized that recovery is appropriate for:

> Fossil fuel-related costs normally recovered through base rates but which were not recognized or anticipated in the cost levels used to determine current base rates and which, if expended, will result in fuel savings to customers. Recovery of such costs should be made on a case by case basis after Commission approval.

The Commission repeatedly has approved recovery of unanticipated costs through the Fuel Clause when those expenditures resulted in significant savings to the utility's ratepayers. See e.g., Order Nos. PSC-98-0412-FOF-EI, PSC-97-0359-FOF-EI, PSC-97-0359-FOF-EI, PSC-97-0359-FOF-EI, PSC-96-1172-FOF-EI, PSC-95-0450-FOF-EI, and PSC-94-1106-FOF-EI. As I will explain, the costs of the modular cooling tower project were unanticipated at the time of PEF's last rate case filing and will result in significant fuel cost savings to PEF's ratepayers. As such, the costs of this project qualify for recovery through the Fuel Clause under the policy set forth in Order No. 14546.

Q. Were you involved in PEF's last ratemaking proceeding in Docket No. 050078-EI?

A. Yes. I submitted pre-filed testimony in that docket and I was responsible for the preparation of the MFRs that PEF submitted on April 29, 2005.

Q. What are the projected costs of the modular cooling tower project?

A. As Mr. Lawery explains in his testimony, the project is estimated to cost approximately $2 to $3 million per year beginning in 2006. Annual costs are expected to include rental fees and other O&M expenditures. Additionally, in 2006, PEF expects to incur one-time capital expenses of approximately $1.5 million to $2 million for initial installation.

Q. Are the costs of the modular cooling tower project recovered through the base rates established in Docket No. 050078-EI?

A. No. The modular cooling tower project was not anticipated when PEF's current base rates were established in Docket No. 050078-EI. The Company's evaluation of the project was prompted by unusually high inlet water temperatures and associated de-rates during the summer of 2005. Thus, the costs of the project were not anticipated when the Company submitted its rate case MFRs in April 2005. This is demonstrated by Exhibit Nos. __ (JP-1) and __ (JP-2).

Exhibit No. __ (JP-1) is an excerpt (page 3) from MFR Schedule C-6. Among other things, Schedule C-6 presented the Company's projected operating budget for the 2006 test year. As shown on line 12 of Exhibit No. __ (JP-1),

the Company projected no rental costs associated with its fossil fuel-fired steam generating units. Had rental costs associated with the modular cooling towers been anticipated when the MFRs were filed, such costs would have been reflected on that line.

Exhibit No. __ (JP-2) is an excerpt (page 1) from MFR Schedule B-8. That schedule presented the monthly plant balances for the projected 2006 test year. Had PEF anticipated capital expenditures associated with the cooling tower project, the resulting plant addition would have been reflected on line 26 for FERC account 314. See 18 CFR Part 101, p. 382 (4-1-05 edition) (defining account 314 to include "all costs installed of main turbine-driven units and all accessory equipment" such as the "Cooling system, including towers[.]"). However, the monthly balances shown on that line do not include any increases that would accommodate plant additions for the modular cooling towers.

The costs of the modular cooling towers also were not anticipated when the Commission approved PEF's current base rates. As noted above, the Company's evaluation of the project was prompted by record high temperatures and de-rates in the summer of 2005. The evaluation was not completed until after the Commission approved PEF's current rates in September 2005.

Q. You previously stated that the project will result in significant fuel cost savings to PEF's ratepayers. Please describe the Company's analysis of fuel cost savings.

A. Fuel cost savings were analyzed based on the amount of avoided de-rates that are expected to result from the project. First, historical de-rate amounts attributable to the thermal limit were compiled for the years 2003-2005. Each hourly de-rate amount was distributed throughout the May-September period being evaluated based on the hourly load forecast for that period. The highest hourly de-rate amount recorded during the historical period was assigned to the hour with the highest projected load for the forecast period. The hour with the second highest de-rate amount was assigned to the hour with next highest projected load, and so forth. This pattern continued in order of descending de-rate volumes until each expected hour of de-rate had been assigned.

For modeling purposes, the data was summarized into a "typical" week profile for each month in the evaluation period. Avoided de-rates were capped at 330 MW based on the physical limitations of the modular cooling towers. The resulting profiles were then used as inputs to a dispatch simulation model, which projected total system costs. These costs were compared against a scenario in which no thermal de-rate parameters were imposed on the system. The difference in costs was then used to derive the $/mwh benefit of avoiding thermal de-rates. This represents gross fuel savings. Because the

modular cooling towers are expected to use approximately 6 MWs of auxiliary power, the cost of this auxiliary power was subtracted from the gross fuel savings to arrive at net fuel savings.

Q. What are the results of the fuel cost savings analysis?

A. As shown in Exhibit No. __ (JP-3), the cooling tower project is projected to result in cumulative net fuel cost savings of approximately $45 million over five years. Additionally, in each of the five years, annual fuel cost savings are projected to exceed the estimated costs of the project.

Q. How will the Company determine actual fuel cost savings resulting from implementation of the project?

A. As discussed in Mr. Lawery's testimony, a computer model will be used to predict the amount of de-rates that would be necessary to ensure permit compliance without the modular cooling towers. Once the modular towers are installed and operating, avoided de-rates can be determined by comparing the actual amount of thermal de-rates with the modular towers to the amount predicted by the model without the rental towers. Fuel cost savings then can be determined based on the replacement energy costs that would have been incurred had the thermal de-rates not been avoided. Consistent with prior practice, this calculation will be performed by a unit commitment and dispatch model, which will calculate system fuel costs by performing two model runs, one with and one without the mWh de-rates.

Market purchases and sales will be held constant in each model run due to the uncertainty and difficulty in determining market purchases and sales "after-the-fact" in the model run with the de-rates. The fuel savings will be the difference in system fuel costs between the model output with the mWh de-rates and the model output without the mWh de-rates.

Q. How does the Company propose to recover the costs of the project?

A. PEF proposes to recover all capital and O&M costs incurred for the project to the extent such costs do not exceed cumulative fuel savings over the life of the project. Actual costs incurred for the project would be subject to Commission review for prudence and reasonableness as they are submitted for recovery through the Fuel Clause.

Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

PROGRESS ENERGY FLORIDA

DOCKET NO. 050078-EI

MINIMUM FILING REQUIREMENTS

SECTION C – NET OPERATING INCOME SCHEDULES
SECTION D – COST OF CAPITAL SCHEDULES

Progress Energy

Progress Energy Florida
Docket No. _____
Witness: Javier Portuondo
Exhibit No. ___ (JP-1)
Page 2 of 2

SCHEDULE C-6 Budgeted Versus Actual Operating Revenues and Expenses

FLORIDA PUBLIC SERVICE COMMISSION

Company: PROGRESS ENERGY FLORIDA INC

Docket No 050078 E

Explanation: If the test year is PROJECTED, provide the budgeted versus actual operating revenues and expenses by primary account for a historical five year period and the forecasted data for the test year and the prior year.

Type of data shown:
XX Projected Test Year Ended 12/31/2006
XX Prior Year Ended 12/31/2005
XX Historical Year Ended 12/31/2004
Witness: Portuondo / DeSouza / Williams / Young / McDonald / Bazemore

Line No	Account No	Account Title	(C) 2000 Actual	(D) 2000 Budget	(E) 2001 Actual	(F) 2001 Budget	(G) 2002 Actual	(H) 2002 Budget	(I) 2003 Actual	(J) 2003 Budget	(K) 2004 Actual	(L) 2004 Budget	(M) 2005 Budget	(N) 2006 Budget
1	5012090	Fossil Steam Fuel	4,709	7,286	5,748	8,358	7,804	9,057	5,995	6,224	3,978	5,132	3,917	3,995
2	5182300	Nuclear Fuel - Misc & Labor	53	29	1,322	-	1,575	1,652	1,577	1,634	1,590	1,640	1,594	1,618
3	5472000	CT Fuel NP	559	590	618	5,276	702	1,120	2,319	-	2,258	3,200	3,147	3,088
4		**Non-Recoverable Fuel Handling Expense**	**5,321**	**7,905**	**7,688**	**13,644**	**10,082**	**11,829**	**9,890**	**7,858**	**7,826**	**9,972**	**8,659**	**8,702**
5														
6		**Operating Expenses - Other Base Recoverable**												
7	5000000	Oper Supv & Engineering	20,933	16,776	19,460	17,254	2,173	3,648	1,475	3,990	1,638	2,418	2,352	2,494
8	5020000	Steam Expenses	3,875	5,729	3,704	6,186	6,702	1,992	7,612	4,765	8,606	8,213	7,177	7,307
9	5040000	Steam Trans - Cr - Steam Prod	(272)	(200)	(238)	(206)	-	-	-	-				
10	5050000	Electric Expenses	1,247	2,378	1,431	1,364	(65)	87	0	322	1	263	304	304
11	5060000	Misc Stm Power Exp	18,988	13,596	11,149	13,446	21,826	17,648	21,683	25,068	18,287	20,010	21,240	24,698
12	5070000	Rents	508	626	-	-	-	-	-	-				
13		**Steam (FOS) Operations**	**45,279**	**38,905**	**35,507**	**38,044**	**30,636**	**23,375**	**30,771**	**35,146**	**28,533**	**30,904**	**31,073**	**34,803**
14	5170000	Oper Supv & Eng - Nuclear	36,749	40,794	30,071	35,215	211	(126)	136	42	6	(0)	376	386
15	5190000	Nuclear Coolants & Water					2,931	2,407	2,872	3,157	2,682	3,183	3,020	3,054
16	5200000	Steam Expenses - Nuclear	225	184	195	189	8,618	11,331	10,832	10,367	9,275	9,865	10,639	10,691
17	5210000	Steam From Oth Source - Nuc	23	-	27	-	-	-	-	-				
18	5230000	Nuclear Electric Expenses									4	-	13	11
19	5240000	Misc Nuc Power Exp - Train	22,908	22,224	19,669	13,597	28,280	28,566	29,549	24,023	29,247	32,388	32,317	34,894
20	5250000	Rents - Nuclear	12	16	(0)		-	-	-	-				
21		**Nuclear Operations**	**59,917**	**63,218**	**49,962**	**49,001**	**40,041**	**42,178**	**43,390**	**37,589**	**41,214**	**45,436**	**46,356**	**49,037**
22	5460000	Oper Supv & Engineering	6,484	7,622	7,213	9,849	2,716	7,102	7,465	9,855	8,387	7,570	6,209	6,753
23	5480000	Generation Expenses	805	819	858	828	727		3,605	**782**	**4,223**	331	180	230
24	5490000	Misc Oth Power Gen Exps	5,853	5,744	5,196	7,761	8,555	9,229	5,520	10,020	6,150	8,362	8,946	9,426
25	5500000	Rents	165	350	325	676	-	-	-	-				
26		**CT Operations**	**13,307**	**14,535**	**13,592**	**18,614**	**12,000**	**16,331**	**16,591**	**20,658**	**18,760**	**16,262**	**15,326**	**16,408**
27	5560000	Sys Con & Load Dispatch	-	-		12	4,532	6,411	4,889	5,247	5,066	6,037	2,684	2,839
28	5570001	Other Power Supply Expenses									23	-		
29		**Other Power Supply Exp - Operations**	-	-	-	**12**	**4,532**	**6,411**	**4,889**	**5,247**	**5,089**	**6,037**	**2,684**	**2,839**
30	5600000	Oper Supv & Engineering	2,289	3,047	3,304	4,755	2,617	2,926	2,600	1,350	2,606	208	1,837	1,832
31	5610000	Load Dispatching	4,418	5,827	5,517	5,511	400	-	339	314	381	(2)	4,026	4,258
32	5620000	Trans Station Expenses	297	153	11	-	510	268	159	319	183	272	277	278
33	5630000	Trans Overhead Line Expenses	-	-	-	-	56	265	53	62	313	65	70	70
34	5650000	Trans of Electricity by Others	5,398	10,435	7,016	10,436	1,178	-	-	-	3	-	-	-
35	5660000	Misc Transmission Exps	5,147	4,865	6,248	3,583	15,408	21,335	12,831	16,921	12,744	16,724	11,423	11,244
36	5670000	Substation	8	8	2	6	-	-	-	-	0			
37		**Transmission Operations**	**17,556**	**24,335**	**22,098**	**24,291**	**20,170**	**24,795**	**15,981**	**18,966**	**16,230**	**17,266**	**17,633**	**17,681**

Supporting Schedules

Recap Schedules

62

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

PROGRESS ENERGY FLORIDA

DOCKET NO. 050078-EI

MINIMUM FILING REQUIREMENTS

SECTION A – SUMMARY SCHEDULES
SECTION B – RATE BASE SCHEDULES

Progress Energy

Progress Energy Florida
Docket No. _____
Witness: Javier Portuondo
Exhibit No. ___ (JP-2)
Page 2 of 2

SCHEDULE B-8

MONTHLY PLANT BALANCES TEST YEAR - 13 MONTHS

FLORIDA PUBLIC SERVICE COMMISSION

Company: PROGRESS ENERGY FLORIDA INC

Docket No. 050078-EI

Explanation: Provide the monthly plant balances for each account or sub-account to which and individual depreciation rate is applied. These balances should be the ones used to compute the monthly depreciation expenses excluding any amortization/recovery schedules.

($000)

Type of Data Shown:

XX Projected Test Year Ended 12/31/2006

__ Prior Year Ended 12/31/2005

__ Historical Test Year Ended 12/31/2004

Witness: Portuondo, Bazemore, Williams, Young, McDonald, DeSouza

Line No.	(A) Account/ Sub-account Number	(B) Account/ Sub-account Title	(Q) Dec-2005 Month 1	(R) Jan-2006 Month 2	(S) Feb-2006 Month 3	(T) Mar-2006 Month 4	(U) Apr-2006 Month 5	(V) May-2006 Month 6	(W) Jun-2006 Month 7	(X) Jul-2006 Month 8	(Y) Aug-2006 Month 9	(Z) Sep-2006 Month 10	(AA) Oct-2006 Month 11	(AB) Nov-2006 Month 12	(AC) Dec-2006 Month 13	(AD) 13-Month Average
1																
2		**Steam Production**														
3		Anclote Plant														
4	311	Structures & Improvements	38,595	38,662	38,719	38,768	38,811	38,848	38,879	38,905	38,928	38,948	38,964	38,984	39,000	38,847
5	312	Boiler Plant Equipment	106,791	107,017	107,247	107,515	107,811	108,103	108,367	108,615	108,833	109,058	109,257	109,537	109,790	108,303
6	314	Turbogenerator Units	96,166	96,306	96,486	96,741	97,056	97,381	97,683	97,974	98,234	98,508	98,754	99,113	99,440	97,680
7	315	Accessory Electric Equipment	26,080	26,083	26,091	26,106	26,126	26,148	26,169	26,189	26,207	26,227	26,245	26,272	26,296	26,172
8	316.1	Miscellaneous Equipment	5,768	5,773	5,778	5,785	5,793	5,801	5,808	5,815	5,822	5,828	5,834	5,842	5,850	5,808
9	316.2	Miscellaneous Equipment - 5 Year Amort	122	122	122	122	122	122	122	122	122	122	122	122	122	122
10	316.3	Miscellaneous Equipment - 7 Year Amort	192	193	193	194	194	195	195	195	195	195	196	196	196	194
11		Total Anclote Plant	273,714	274,156	274,636	275,231	275,913	276,597	277,223	277,817	278,341	278,886	279,371	280,065	280,694	277,126
12																
13		Bartow Plant														
14	311	Structures & Improvements	19,805	19,981	20,123	20,236	20,326	20,399	20,457	20,503	20,540	20,570	20,594	20,613	20,628	20,367
15	312	Boiler Plant Equipment	63,220	63,246	63,269	63,292	63,316	63,337	63,356	63,374	63,389	63,404	63,417	63,434	63,449	63,346
16	314	Turbogenerator Units	26,464	26,484	26,502	26,522	26,542	26,561	26,579	26,594	26,608	26,622	26,634	26,651	26,666	26,572
17	315	Accessory Electric Equipment	13,680	13,680	13,681	13,682	13,682	13,682	13,683	13,683	13,683	13,683	13,683	13,684	13,684	13,682
18	316.1	Miscellaneous Equipment	3,070	3,072	3,083	3,108	3,144	3,184	3,222	3,259	3,293	3,330	3,363	3,414	3,460	3,231
19	316.2	Miscellaneous Equipment - 5 Year Amort	192	193	193	194	194	195	195	195	195	196	196	196	196	195
20	316.3	Miscellaneous Equipment - 7 Year Amort	163	167	171	173	175	177	179	180	181	181	182	182	183	176
21		Total Bartow Plant	126,594	126,823	127,022	127,207	127,360	127,536	127,670	127,789	127,669	127,996	128,069	128,172	128,264	127,569
22																
23		Crystal River 1 & 2 Plant														
24	311	Structures & Improvements	74,629	74,637	74,644	74,650	74,656	74,662	74,666	74,670	74,674	74,677	74,680	74,683	74,686	74,663
25	312	Boiler Plant Equipment	166,618	166,765	166,953	167,217	167,541	167,875	168,186	168,485	168,751	169,032	169,284	169,652	169,987	168,180
26	314	Turbogenerator Units	124,728	124,900	125,078	125,288	125,521	125,752	125,961	126,158	126,332	126,511	126,670	126,894	127,097	125,915
27	315	Accessory Electric Equipment	34,532	34,545	34,559	34,575	34,595	34,614	34,632	34,649	34,664	34,680	34,694	34,713	34,731	34,630
28	316.1	Miscellaneous Equipment	5,956	5,963	5,970	5,975	5,980	5,985	5,988	5,991	5,994	5,996	5,998	6,000	6,002	5,985
29	316.2	Miscellaneous Equipment - 5 Year Amort	153	154	154	155	155	155	155	156	156	156	156	156	156	155
30	316.3	Miscellaneous Equipment - 7 Year Amort	98	98	98	98	98	98	98	98	98	98	98	98	98	98
31		Total Crystal River 1 & 2 Plant	406,714	407,062	407,455	407,958	408,548	409,140	409,687	410,207	410,668	411,149	411,578	412,196	412,757	409,624
32																
33		Crystal River 4 & 5 Plant														
34	311	Structures & Improvements	149,119	149,119	149,119	149,119	149,119	149,119	149,119	149,119	149,119	149,119	149,119	149,119	149,119	149,119
35	312	Boiler Plant Equipment	466,104	466,124	466,139	466,152	466,162	466,170	466,176	466,181	466,185	466,188	466,191	466,193	466,195	466,166
36	314	Turbogenerator Units	192,498	192,498	192,498	192,498	192,498	192,498	192,498	192,498	192,498	192,498	192,498	192,498	192,498	192,498
37	315	Accessory Electric Equipment	81,115	81,122	81,128	81,133	81,136	81,139	81,142	81,144	81,145	81,146	81,147	81,148	81,149	81,138
38	316.1	Miscellaneous Equipment	11,485	11,485	11,485	11,485	11,485	11,486	11,486	11,486	11,486	11,486	11,486	11,486	11,486	11,486
39	316.2	Miscellaneous Equipment - 5 Year Amort	242	243	243	243	243	243	243	243	243	243	243	243	243	243
40	316.3	Miscellaneous Equipment - 7 Year Amort	615	615	615	615	615	615	615	615	615	615	615	615	615	615
41		Total Crystal River 4 & 5 Plant	901,179	901,206	901,227	901,245	901,258	901,269	901,278	901,285	901,291	901,296	901,299	901,302	901,304	901,265
42																

63

Supporting Schedules

Recap Schedules:

Docket No. _____
Progress Energy Florida
Witness: Javier Portuondo
Exhibit No. __ (JP-3)

Modular Cooling Tower Project

YEAR	Estimated Fuel Cost Savings
2006	$11,000,000
2007	$11,000,000
2008	$8,500,000
2009	$8,000,000
2010	$6,500,000
TOTAL	**$45,000,000**