Progress Energy

JOHN BURNETT
ASSOCIATE GENERAL COUNSEL
PROGRESS ENERGY SERVICE COMPANY, LLC

March 16, 2006

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

Re: Fuel and purchased power cost recovery clause with generating performance incentive factor; Docket No. 060001-EI.

Dear Ms. Bayó:

On behalf of Progress Energy Florida, Inc. ("PEF"), please find enclosed an original and fifteen (15) copies of PEF's Responses to Staff's Informal Questions which were attached to the Informal Meeting Notice dated February 22, 2006.

If you have any questions, please don't hesitate to call me at (727) 820-5184.

Sincerely,

John T. Burnett

JTB/lms

cc: Parties of Record

100 Central Avenue (33701) • Post Office Box 14042 (33733) • St. Petersburg, Florida
Phone: 727.820.5184 • Fax: 727.820.5249 • Email: john.burnett@pgnmail.com

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of PEF's Responses to Staff's Informal Questions have been furnished via U.S. Mail this 17th day of March, 2006 to all parties of record as indicated below.

John T. Burnett LMS
JOHN T. BURNETT

Jennifer A. Rodan, Esq. Office of General Counsel Florida Public Service Commission 2540 Shumard Oak Blvd. Tallahassee, FL 32399-0850	Florida Industrial Power Users Group c/o John McWhirter, Jr. McWhirter Reeves Law Firm 400 N. Tampa Street, Ste. 2450 Tampa, FL 33602
James D. Beasley, Esq. Lee L. Willis, Esq. Ausley & McMullen Law Firm P.O. Box 391 Tallahassee, FL 32302	Norman H. Horton, Jr. Messer, Caparello & Self, P.A. P.O. Box 1876 Tallahassee, FL 32302-1876
Joseph A. McGlothlin, Esq. Office of Public Counsel c/o The Florida Legislature 111 West Madison Street, #812 Tallahassee, FL 32399	John T. Butler, Esq. Squire, Sanders & Dempsey, LLP 200 S. Biscayne Blvd., Suite 4000 Miami, FL 33131-2398
Jeffrey A. Stone, Esq. Russell A. Badders, Esq. Steven R. Griffin Beggs & Lane Law Firm P.O. Box 12950 Pensacola, FL 32591	Robert Scheffel Wright John T. LaVia, III Young van Assenderp, P.A. 225 S. Adams Street, Suite 200 Tallahassee, FL 32301
Timothy J. Perry, Esq. McWhirter Reeves Law Firm 117. S. Gadsden Street Tallahassee, FL 32301	AARP c/o Mike Twomey P.O. Box 5256 Tallahassee, FL 32314-5256
Ms. Angela Llewellyn Tampa Electric Company P.O. Box 111 Tampa, FL 33601	Karen S. White, Lt. Col., USAF Damund E. Williams, Capt., USAF AFLSA/JACL-ULT 139 Barnes Drive, Suit 1 Tyndall Air Force Base, FL 32403-5319
	R. Wade Litchfield, Esq. Florida Power & Light 700 Universe Boulevard Juno Beach, FL 33408-0420

Ms. Susan D. Ritenour Gulf Power Company One Energy Place Pensacola, FL 32520-0780 Mr. Bill Walker Florida Power & Light 215 S. Monroe Street, Ste. 810 Tallahassee, FL 32301-1859	Ms. Cheryl Martin Florida Public Utilities Company P.O. Box 3395 West Palm Beach, FL 33402-3395

PEF RESPONSES TO STAFF QUESTIONS FOR 3/20/06 MEETING
DOCKET NO. 060001-EI

Q1. What changes, if any, does PEF forecast in the 2006 monthly price of natural gas, coal, heavy oil, light oil, and nuclear fuel compared to the prices filed with this Commission in Docket No. 050001-EI in September, 2005?

Answer: At present, PEF is not forecasting any significant changes in the price of coal and nuclear. Changes as of March 10, 2006 in the price of natural gas, #6 oil and #2 oil are as follows:

Average Commodity Price Including Hedges ($/mmbtu)

	Natural Gas			#6 Oil - 1%			#6 Oil - 1.5%			#2 Oil		
	As Filed	As of 3/10/06	Variance	As Filed	As of 3/10/06	Variance	As Filed	As of 3/10/06	Variance	As Filed	As of 3/10/06	Variance
Apr-06	8.65	7.03	(1.62)	8.96	9.65	0.69	5.60	5.84	0.24	15.58	12.17	(3.41)
May-06	7.38	6.69	(0.69)	8.94	9.80	0.86	5.76	6.06	0.29	15.26	12.55	(2.71)
Jun-06	7.44	6.91	(0.52)	8.92	9.93	1.01	6.26	6.64	0.38	15.07	12.94	(2.13)
Jul-06	7.64	7.09	(0.55)	9.72	10.17	0.45	6.99	7.19	0.20	15.10	13.09	(2.01)
Aug-06	7.76	7.23	(0.53)	9.71	10.28	0.57	7.04	7.33	0.29	15.22	13.43	(1.79)
Sep-06	7.46	7.13	(0.33)	9.71	10.36	0.65	6.52	6.79	0.26	15.37	13.67	(1.70)
Oct-06	6.95	6.88	(0.06)	9.67	10.33	0.66	7.27	7.57	0.30	15.49	14.30	(1.19)
Nov-06	9.34	8.79	(0.55)	9.59	10.39	0.80	7.99	8.45	0.46	16.18	14.45	(1.73)
Dec-06	8.83	8.89	0.07	9.57	10.45	0.88	7.90	8.42	0.52	16.31	14.58	(1.73)

Commodity prices exclude transportation and include hedges.
These are weighted average prices based on generation reported in 2006 projection filing.

Q2. What plans has PEF made to ensure fuel adequacy during the 2006 hurricane season?

Answer: PEF has taken or is taking the following steps to mitigate the effects of potential coal, natural gas, and oil supply interruptions during the 2006 hurricane season:

1. Coal – PEF has executed contracts to lease two additional barges for six to twelve months in order to increase barge deliveries of coal into Crystal River prior to the start of the 2006 hurricane season. In total, six barges are now moving coal into Crystal River as compared to the four barges that have historically moved coal to Crystal River.

2. Coal – PEF has executed agreements to place three additional unit trains into service in order to increase rail deliveries into Crystal River prior to the start of the 2006 hurricane season. In total, thirteen unit trains are in service for Crystal River as compared to ten unit trains that have historically moved coal to Crystal River.

3. Natural Gas - On March 3, 2006, PEF issued a natural gas RFP in preparation for the upcoming hurricane season. The RFP requests proposals for a 5 or 10-day natural gas supply call option for the 2006 summer season delivered to Florida Gas Transmission (FGT) and/or Gulfstream Natural Gas System (GSNG) pipelines.

4. Natural Gas - To the extent possible, PEF is continuing to work with Gulfstream Natural Gas System and Florida Gas Transmission to use a portion of the existing gas in the pipelines, to the extent operationally feasible, to meet load.

5. Oil - To the extent possible, PEF will maintain fuel oil inventories at higher levels going into the hurricane season to protect against possible short-term delivery interruptions.

6. Oil - PEF has also contracted for additional oil storage in Tampa from 60,000 barrels to 210,000 barrels of #2 fuel oil capacity. This will provide additional back-up storage for the combustion turbine fleet.

Q3. What operational changes and accounting changes affect the procurement of coal and expenses flowing through the fuel clause as a result of replacement of Florida Power Corporation by Progress Energy Carolina as the coal procurement affiliate?

Answer: The consolidation of Progress Fuels Corporation's (PFC) coal procurement and transportation functions with Progress Energy Carolina's (PEC) resulted in the following changes:

1. PFC's rail cars used to transport coal to Crystal River and coal inventory in transit were sold at book value to Progress Energy Florida (PEF) on 1/1/06.

2. PFC's allowable earnings that were indirectly recovered through the fuel clause have been replaced with PEF's recovery of a return on average investment in rail cars and inventory in transit to Crystal River.

3. PFC's indirect recovery of total Selling, General & Administrative (SG&A) costs through the fuel clause has been replaced with the recovery of an allocation of PEC's Coal Procurement Department's SG&A allocated to PEC and PEF based on a time study. This time study will be reviewed periodically to determine if changes are warranted. SG&A costs that support a specific utility will be directly charged to either PEC or PEF.

Q4. What portion of the differential between forecasted units and actual units of fuel is related to 2005-2006 winter weather? What has been the impact of the weather on PEF's wholesale economy purchases and wholesale economy sales?

Answer: A re-run of the forecast used in the 2005 actual/estimated true-up filing and the 2006 projection filing for the months of November 2005 through February 2006 with actual system load yielded the following reductions in fuel burns (vs. original case with normalized forecast load):

Coal:	27,540 tons
Heavy Oil:	345,590 barrels
Light Oil:	27,360 barrels
Natural Gas:	4,602,120 mmbtu

Economy purchases remained strong through the 2005/2006 winter period due to soft power market conditions (ample supply related to moderate weather) and PEF's scheduled and unplanned outages during the period. Conversely, economy sales have been weak through the same period for the same reasons.

Q5. Is there a report available on the accomplishments of the PEF Thermal Performance Improvement Program for the past year and what were the main accomplishments?

Answer: Currently, there is not a report summarizing the accomplishments of the PEF Thermal Performance Improvement Program. The objective of the program is to monitor key performance indicators on a real-time basis. This information is then used by the operators to maintain the steam cycle at optimum efficiency. The key performance indicators are monitored daily through the Controllable Losses Displays. As a result of this, we have been able to minimize off-target operation in 2005. In summary, our main accomplishments were as follows:

- Minimized off-target steam temperature operation to turbine cycle
- Improved condenser performance
- Improved feedwater heater performance

Q6. What has been the trend in PEF steam cycle condenser performance for the past year, based on the PEF Condenser Performance Monitoring?

Answer: Overall, steam cycle condenser performance has improved as a result of use of a condenser performance monitoring tool. This tool assists in identifying performance improvement opportunities and helps to minimize time spent operating in less than optimal conditions, i.e., with air-in leakage and condenser tube fouling. The condenser performance monitor has also been used to identify improvements in condenser tube cleaning methods and frequency.

Q7. At the 3rd Quarter PEF fuel meeting at the PSC, PEF indicated that they had initiated a pilot project to evaluate a condition-based equipment monitoring tool that would provide early insight of impending equipment failures and efficiency problems at PEF units? Is the report available and what were the main results and conclusions?

Answer: PEC is currently evaluating the pilot project at one of its North Carolina generating plants. Therefore, there is no final report discussing the results or conclusions. However, we have expanded our search for a cost effective condition-based monitoring tool by requesting other vendors to participate in the study and evaluation phase of the project. Our plan is to complete the pilot project and business case in 2006. If the pilot project is successful, we plan to implement the condition-based software tool in PEF fossil steam units.

Q8. Why was the amount of wholesale sales in recent months less than expected per PEF's September 2005 projection testimony? Does this represent a trend, and if so, does PEF expect this trend to continue?

Answer: The variance in excess generation sales over the recent months was generally driven by periods of: a) moderate weather, b) scheduled and forced outages of the more economical generation, and, c) lower than anticipated power market prices. The general expectation at this time is that this trend will continue during the remainder of the year due to lower forward power market prices (relative to incremental generation costs) in the near term.

Q9. What was the cause of the forced outages at the Crytal River Unit 3 nuclear plant in December 2005 and January 2006?

Answer:
11/30-12/10: Unplanned extension of scheduled outage due to emergent need to inspect core baffle plate bolting.

12/28-1/8: Inspect and repair B & C phase step up transformer.

Q10. What were the reasons for the 4 forced outages at the Crystal River 5 coal plant in January 2006?

Answer:

1/7 0800 - 1/8 1000:	Loss of excitation trip.
1/8 1000 - 1/11 0530:	Loss of FD Fan.
1/11 1100 - 1/14 0500:	Water wall tube leak found on start up.
1/16 0000 - 1/17 1300 :	Main turbine lube oil trip.

Q11. Please reference the December 2005 Schedule A-4. Did Hines Energy have a capacity factor of 28% because of the difference between actual and forecasted system generation (230,799 MWH)? If there were other factors, please explain.

Answer: Hines generation was lower than forecasted in December 2005 due to:

a) lower than forecasted system load
b) displacement with lower cost fuels during certain portions of the month, and
c) higher than forecasted economy purchases due to soft power market conditions.