

Hopping Green & Sams

Attorneys and Counselors

Writer's Direct Dial Number
(850) 425-2346

July 13, 2006

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. 060162-EI
Amended Petition of Progress Energy Florida, Inc., to recover modular cooling tower costs through the environmental cost recovery clause.

Dear Ms. Bayó:

On behalf of Progress Energy Florida, Inc. ("PEF"), I have enclosed for filing the original and fifteen copies of the following:

- Amended Petition of PEF to Recover Modular Cooling Tower Costs Through the Environmental Cost Recovery Clause; 06145-06
- Revised Pre-filed Direct Testimony of Thomas Lawery; and 06146-06
- Revised Pre-filed Direct Testimony of Javier Portuondo. 06147-06

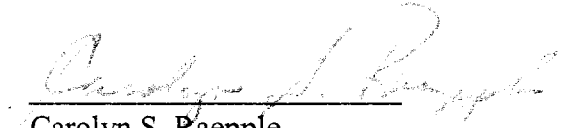
I also have enclosed a diskette containing the Amended Petition in Word format.

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 425-2346.

Very truly yours,

HOPPING GREEN & SAMS, PA.

By:


Carolyn S. Raepple
Gary V. Perko

CSR/dwg
Enclosures
cc: Certificate of Service

DOCUMENT NUMBER-DAT

06145 JUL 13 06

FPSC-COMMISSION CLERK

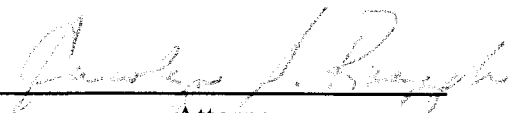
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Progress Energy Florida, Inc.'s Amended Petition to recover Modular Cooling Tower Costs Through the Environmental Coast Recovery Clause, Revised Pre-filed Direct Testimony of Thomas Lawery, and Revised Pre-filed Direct Testimony of Javier Portuondo in Docket No. 060162-EI have been furnished by hand-delivery (*) or regular U.S. mail to the following this 15th day of July, 2006.

Lisa C. Bennett (*)
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

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

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106 East College Avenue, Suite 800
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Attorney

BEFORE THE PUBLIC SERVICE COMMISSION

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

DOCKET NO. 060162-EI

FILED: July 13, 2006

AMENDED PETITION OF PROGRESS ENERGY FLORIDA, INC. TO RECOVER MODULAR COOLING TOWER COSTS THROUGH THE ENVIRONMENTAL COST RECOVERY CLAUSE

Progress Energy Florida, Inc., ("Progress Energy" or the "Company"), pursuant to Section 366.8255, Florida Statutes ("F.S.") and prior orders of the Commission, hereby amends its February 24, 2006, petition to the Commission for an order approving cost recovery of the costs of its modular cooling tower project. After consultation with Commission staff, PEF determined to file this Amended Petition, which relates back to the original filing date of February 24, 2006, to seek recovery under the Environmental Cost Recovery Clause ("ECRC"), rather than under the Fuel Clause. As further discussed below and in the amended pre-filed testimony submitted with this Amended Petition, the modular cooling tower project will allow compliance with environmental permit requirements that limit the temperature of cooling water discharged from the Crystal River plant. Specifically, the modular cooling tower project will allow compliance with those environmental permit requirements during periods of high inlet water temperatures, such as the record high temperatures experienced in the summer of 2005, exceeding the cooling capacity of the permanent cooling towers. The project will minimize plant de-rates that would otherwise be necessary to comply with the environmental permit requirements, thereby resulting in substantial fuel savings.

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Progress Energy's customers. Furthermore, the costs of the project are not recovered in the Company's current base rates or other rate adjustment clauses. As such, recovery of reasonably and prudently incurred costs for the modular cooling tower project is appropriate through the ECRC.

In further support of this Petition, Progress Energy states:

Background

1. Progress Energy Florida, Inc., is a public utility subject to the regulatory jurisdiction of the Commission under Chapter 366, Florida Statutes. The Company's principal offices are located at 100 Central Avenue, St. Petersburg, Florida.

2. All notices, pleadings and other communications required to be served on the petitioner should be directed to:

Gary V. Perko
Carolyn S. Raeppe
Hopping Green & Sams, P.A.
Post Office Box 6526
Tallahassee, FL 32314

R. Alexander Glenn
Deputy General Counsel
Progress Energy Services Company, LLC.
100 Central Avenue, Suite 1D
St. Petersburg, FL 33701-3324

3. Simultaneously with this Amended Petition, Progress Energy is submitting the revised pre-filed testimony of two witnesses to ensure the Commission has ample information to develop its proposed agency action (PAA) on the Company's request. By submitting pre-filed testimony, the Company does not imply that it believes a hearing will

be involved in the disposition of the Petition. In addition, the Company reserves its right to submit additional testimony addressing issues identified in any protest of the PAA Order.

Basis for Recovery

4. The ECRC, Section 366.8255, Florida Statutes, authorizes the Commission to review and approve recovery of environmental compliance costs prudently incurred by electric utilities.

5. In Order No. PSC-94-0044-FOF-EI, the Commission established the policy that recovery of costs associated with an environmental compliance activity through the ECRC shall be allowed if:

1. such costs were prudently incurred after April 13, 1993;
2. the activity is legally required to comply with a governmentally imposed environmental regulation enacted, became effective, or whose effect was triggered after the company's last test year upon which rates are based; and,
3. such costs are not recovered through some other cost recovery mechanism or through base rates.

As discussed below and in the amended pre-filed testimony submitted with this Amended Petition, the costs of the modular cooling tower project are unanticipated, are triggered by a change in inlet water temperatures that reached high temperatures for unprecedented periods in the summer of 2005 leading to unprecedented de-ratings of the Crystal River plant, and will result in significant savings to Progress Energy's ratepayers. As such, the costs of the project qualify for recovery through the ECRC under Section 366.8255, Florida Statutes, and Order No. PSC-94-0044-FOF-EI.

The Modular Cooling Tower Project

5. The project involves installation and operation of modular cooling towers in the summer months in order to minimize “de-rates” of Progress Energy’s Crystal River Units 1 and 2 (CR-1 and CR-2) necessary to comply with a permit limit for the temperature of cooling water discharged from the Crystal River plant (“thermal permit limit”).

6. The primary strategy for complying with the thermal permit limit is the operation of permanent cooling towers. Once the cooling capacity of the towers is reached, the only other immediate option to ensure permit compliance is to de-rate CR-1, CR-2 or both. Recently, de-rates necessary to ensure permit compliance have increased due to weather conditions beyond PEF’s control that have increased the temperature of inlet waters for the CR-1 and CR-2 cooling systems. The inlet water temperatures and associated thermal de-rates were particularly severe in summer of 2005 which, according to the National Weather Service, was the second hottest summer since 1890.

7. Because CR-1 and CR-2 are base-loaded coal units, whenever those units are de-rated Progress Energy must replace the lost generation by using more expensive oil or gas-fired units, or by purchasing higher-cost power on the open market. By minimizing the number and extent of de-rates necessary to comply with the thermal limit, the project will substantially reduce replacement fuel and purchase power costs.

8. Based on the relative efficiencies and costs of the various options, the modular cooling tower alternative is the most cost-effective option for minimizing de-rates associated with the thermal permit limit. Moreover, use of modular towers will enable

the Company to assess whether the thermal de-rate problem is a temporary or cyclical phenomenon before costs are unnecessarily expended on a permanent solution. Unlike permanent towers, the modular towers can be easily mobilized and used at other locations if they are no longer needed at the Crystal River plant at some point in the future.

Fuel Cost Savings

9. As discussed in the revised pre-filed testimony of Javier Portuondo, the modular 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.

Project Costs

10. Progress Energy estimates project costs of approximately \$2 million to \$3 million per year beginning in 2006. Project costs are expected to include O&M expenses for unit mobilization and setup, rental fees, de-mobilization, and fill replacement. Additionally, in 2006, PEF expects to incur one-time capital expenses of approximately \$1.5 million to \$2 million for installation and ancillary equipment, such as power transformers, switchgear, and cable.

No Base Rates Recovery

11. As discussed in the revised pre-filed testimony of Javier Portuondo, the modular cooling tower project was not anticipated when Progress Energy's current base rates were established in Docket No. 050078-EI. The Company's evaluation of the project was prompted by record high temperatures and associated de-rates experienced during the summer of 2005. The evaluation began after the Company submitted its rate

case MFRs in April 2005 and was completed after the Commission approved the Company's current base rates in September 2005. Thus, the costs of the project could not have been anticipated in the cost levels used to determine Company's base rates.

Prudence of Expenditures

12. Progress Energy is conducting a competitive bidding process to ensure that costs are reasonable and prudent. As part of the bid evaluation process, PEF is analyzing traditional leasing and lease-to-own options submitted by various bidders.

Recovery Mechanism

13. Progress Energy proposes to recover all costs incurred for the modular cooling towers. Actual costs incurred for the modular towers would be subject to Commission review for prudence and reasonableness as they are submitted for recovery through the ECRC.

No Material Facts in Dispute

14. Progress Energy is not aware of any dispute regarding any of the material facts contained in this petition.

Conclusion and Request for Relief

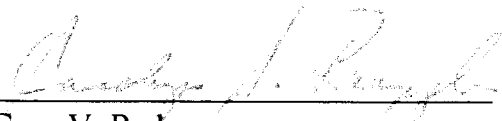
15. For the reasons discussed above and in the revised pre-filed testimony submitted with this Amended Petition, the modular cooling tower project will support Progress Energy's compliance with environmental permit requirements that limit the temperature of cooling water discharged from the Crystal River plant during periods of high inlet water temperatures that exceed the cooling capacity of the Crystal River

permanent cooling towers, and will result in fuel savings to customers. Moreover, the costs of the project were not recognized or anticipated in the cost levels used to determine current base rates. Accordingly, under Section 366.8255, Florida Statutes, and the policy established in Order No. PSC-94-0044-FOF-EI, recovery of reasonably and prudently incurred costs for the project is appropriate through the ECRC.

WHEREFORE, Progress Energy Florida, Inc., respectfully requests that the Commission enter an order approving recovery of the reasonably and prudently incurred costs of the Company's installation and operation of modular cooling towers at the Crystal River Plant through the Environmental Cost Recovery Clause.

Respectfully submitted, this 15th day of July, 2006.

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