BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 060162-EI

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

REVISED DIRECT TESTIMONY OF JAVIER PORTUONDO

July 13, 2006

Q. Please state your name and business address.

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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.

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DOCUMENT AUMBER-DATE

- 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 Environmental Cost Recovery Clause is appropriate.

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 project involves installation and operation of modular cooling towers in order to minimize "de-rates" of PEF's Crystal River Units 1 and 2 necessary to comply with the 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 Environmental Cost Recovery Clause?

A. The ECRC, Section 366.8255, Florida Statues, authorizes the Commission to review and approve recovery of environmental compliance costs prudently incurred by electric utilities. In Order No. PSC-94-0044-FOF-EI, the Commission established the policy that recovery of such costs associated

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. Please describe the Company's analysis of fuel cost savings estimated as a result of the cooling tower project.

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.

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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 1 savings to arrive at net fuel savings. 2 3 What are the results of the fuel cost savings analysis? 4 As shown in Exhibit No. __ (JP-3), the cooling tower project is projected to Α. 5 result in cumulative net fuel cost savings of approximately \$45 million over 6 five years. Additionally, in each of the five years, annual fuel cost savings are 7 projected to exceed the estimated costs of the project. 8 9 10 How does the Company propose to recover the costs of the project? 11 PEF proposes to recover all capital and O&M costs incurred for the project. 12 Α. Actual costs incurred for the project would be subject to Commission review 13 for prudence and reasonableness as they are submitted for recovery through 14 the Environmental Cost Recovery Clause. 15 16 Does this conclude your testimony? 17

Yes, it does.

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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



CONTINUAL STREET RECATE

FLURIDA PUBLIC SERVICE COMMISSION	Explanation	If the test year is PROJECTED, provide the budgeted versus at tual	Type of data shown		1
	•	operating revenues and expenses by primary account for a	XX. Projected Test Year Ended	12/31/2006	
Company, PROGRESS ENERGY FLORIDA INC.		historical five year period and the forecasted data for the test year	XX Prior Year Ended	12.31/2005	W
		and the poor year	XX Historical Year Ended	12:31:2004	
Dricket No. 950678 E			Witness Portuondo / DeSouza / Williams / Young	g / MuDonald / Bazerr	nore

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

(A)	(3)	(C)	(Ú)	(E)	(F)	(5)	(H)	(1)	(J)	(K)	(L)	(M)	(t).
ine Account		2000	2000	2001	2001	2002	2002	2003	2003	2004	2004	2005	2006
o No		Actual	Budget	Actual	Budget	Actual	Budget	Actual	Rudget	Actual	Budget	Budget	Budget
1 5012090	Forst Steam Fuel	4,709	7,286	5.7 4 8	8 358	7.804	9,057	5 995	6,224	3,978	5 132	3,917	3 995
2 5182300	Nuclear Fuel - Misc & Lation	53	29	1,322		1 575	1 652	1,577	1,634	1,590	1 643	1 594	1.618
3 5472050	C) Fuel NP	559	590	618	5,276	702	1 120	2,319		2 258	3,200	3 147	3 088
5	Non-Recoverable Fuel Handling Expense	5,321	7,905	7,688	13,644	10,062	11,829	9,890	7,858	7,826	9,972	8,659	8,702
5	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	€ 792	1,992	7.612	4,765	8 606	8 213	7,177	7,307
9 5040000	Steam Trans - Cr - Steam Frod	(2/2)	(290)	(236)	(206)						****		1,30
10-5050000	Elector 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 8zn	17. 64 8	21 683	25,058	18 287	20,010	21 243	24 tiski
12 5070000	Reals	508	626			_					20,010	1.1.	
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 51/0000	Oper Supv & Eng - Nuclear	36 749	40,794	30 071	35,215	291	(126)	136	42	6	(()	376	366
15 5190000	Nuclea: Coolants & Water					2 931	2 407	2 872	3,157	2,682	3.163	1 020	3,054
IS 520 0J00	Steam Expenses - Nuclear	225	184	195	189	8.618	11 331	10.832	10.367	9.275	9.865	10 630	10.691
7 5210000	Steam From Uth Source - Nuc	23	,	21						5,2.0	, , ,	10.50	12,37
18 5230000	Nuclear Electric Expenses									4		13	11
19 5240060	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
20-525000 0	Rents Nuclear	12	16	(0)									
21	Nuclear Operations	59,917	63.218	49,962	49,001	40,941	42,178	43,390	37,589	41,214	45,436	46.356	49,037
92-54600000	Oper Supv & Engineering	6,484	7 622	7,213	9 849	2.716	7.102	7,465	9,855	8.387	7,570	6.200	6.753
23 5480000	Generation Expenses	805	919	858	828	727		3 605	782	4,223	331	180	230
24 5490000	Misc Oth Power Gen Exps	5 853	5,744	5,196	7,261	8 555	9,229	5,520	10,020	6,150	8 362	8.946	9 426
5 5500000	Reals	165	350	325	6/6								
1 0	CT Operations	13,307	14,535	13,592	18,614	12,000	16,331	16,591	20,658	18,760	16,262	15,326	15.408
?7 5550000	Sys Con & Load Dispatch	-	-		12	4 532	6 411	4,889	5,247	5.C66	6.037	2 684	2,839
8 5570001	Other Power Supply Expenses									23			
9	Other Power Supply Exp - Operations	•			12	4,532	6,411	4,889	5,247	5,089	6,037	2,684	2,839
9) 56 00000	Oper Supv & Engineering	2 289	3 047	3,394	4 '55	2617	2,925	2 500	1,350	2,606	208	1,837	1 832
1 5610000	t oad Dispatching	4 418	5.827	5 51/	5511	400		3.39	314	381	(2)	4,026	4 258
2 562 0000	Trans Station Expenses	297	153	11		510	268	159	319	183	272	277	278
3 5630066	Trans Overhead time Exponses					56	265	53	62	313	65	70	7ij
84 5650000	Trans of Electricity by Others	5.198	1ú.435	7.616	10,436	1 ¹⁷ ē			-	3	-		
5 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
6 5670000	Substation	ð	8	7	6					С			• •
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

FLORIDA PUBLIC SERVICE COMMISSION

PROGRESS ENERGY FLORIDA

DOCKET NO. 050078-EI

MINIMUM FILING REQUIREMENTS

SECTION A - SUMMARY SCHEDULES SECTION B - RATE BASE SCHEDULES



PRODUKTET EL MOCO

(\$600)

Provide the monthly plant balances for each account or sub-autount to

which and individual depreciation rate is applied. Trese dialances should

be the ones used to compute the monthly depreciation expenses excluding

Page 1 of 8

Progress Energy Florida Docket No.

Type .: Data Shown

Historical Test Year Ended 12/31/2004

Witness: Javier Portuondo

XX Projected Test Year Ended 120:120ceExhibit No. ____ (JP-2) Prior Year Ended 12/31/20:5

Page 2 of 2

Droset No 0500*8-Et

FLURDA FUBLIC SER, TE COMMISSION

Company PROGRESS EVERGY FEORIDA INC.

any amortization/recovery schedules

	(A):	(8)	(Q)	(D)	(2)	(7)			1147	(94)		(7-	(4.4.)	ADI	(AC)	(AE)
	Į	(0)	(4)	(R)	(8)	(1)	(L)	(4)	(W)	(X)	(1)	(Z)	(AA)	(AB)	(AC)	(AL)
	Account	Acce unif	Dec-2035	Jan 2006	Feb-2006	Mar-2005	Apr-2006	May-2006	Jun-2906	Jul-2006	Aug 2006	Sep 2006	Oct-2006	Nov-2006	Dec-2006	
mė	Sub-account	Sub account	Month	Month	Month	Month	Month	Month	⊌ o≘lh	Month	Mor it	Month	Month	Month	Month	13-Morth
lo.	Number		1	2	3	4	5	5	7	8	9	10	11	12	13	A.e/age
1								·								
2		Steam Production Anciele Plant														
4	311															
5	312	Structures & Improvements	38.595	38.562	38 719	38 768	118 56	38 848	38 879	38,935	38 928	38,948	38 964	38 584	39 500	38 84
E	314	Boiler Plant Equipment Turbogenerator Units	106,791	107.017	107.247	167.515	:37,811	108,103	108,367	108,615	168,833	109 058	109.257	109 537	109,790	198 30
7	315	Accessory Electric Equipment	96,166	96,306	96,486	96.741	97,056	97 361	97 663	97,974	98,234	98,508	98 754	99,113	39 440	97.66
Ŕ	316.1	Miscellaneous Equipment	26,380	26,083	26,091	26.106	26,126	26 148	26 169	26,189	26 207	26 227	25.245	26.272	26.296	26 17
9	316.2	• • • • • • • • • • • • • • • • • • • •	5.768	5 773	5,778	5,785	5.793	5 60 1	5,608	5.815	5.822	5.828	5,834	5.842	5,850	5,80
10	316 3	Miscellaneous Equipment - 5 Year Amort Miscellaneous Equipment - 7 Year Amort	122	122	122	122	122	122	122	122	122	122	122	122	122	12
11	310.	Folal Ancete Plant	192 273,714	193 274 156	193 274,636	194	194	!95	!95	195	195	195	196	196	196	19
12		toa Micce Plan	2/3,/14	274 156	2/4.636	275 231	275,913	276,597	277,223	277.817	278,341	278,886	279 371	280,065	280 594	277 12
13		Bartow Pram														
14	311	Structures & improvements	19,805	19.981	20,123	20,236	20.326	20,393	20,457	20.503	20.540	20.570	20,594	26,613	20 528	20 36
15	312	Boler Plant Equipment	63,220	53,246	63,269	63 292	63.316	63.337	63 356	63.374	63,389	63 404	63,417	63 434	63.449	63.34
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	26 656	26 57
t7	315	Accessory Electric Equipment	13,660	13,660	13 681	13,682	13.582	13 682	13 683	13.683	13,683	13 683	13 683	13 684	13,584	13 68.
18	316 1	Misosilaneous Equipment	3,0/0	3,072	3,083	3,108	3,144	3 164	3.222	3,259	3,293	3 330	3.363	3,414	3 460	3.23
19	31€ 2	Misuefaneous Equipment - 5 Year Amort	192	193	193	194	194	195	195	195	195	196	196	196	196	19
20	316 3	Miscellaneous Equipment - 7 Year Amon		167	171	173	175	177	179	180	181	181	182	162	183	170
21		Total Sarlow Prant	126 594	126,623	127,022	127. 2 07	127 180	127 536	127,678	127,769	127,889	127,986	128,969	128,172	128,264	127 55
22 23		0													_	
(3 24	3:1	Crystal River 1 & 2 Plant														
24 25		Structures & Improvements	74,629	74,637	74,544	74.650	74,656	74,662	74,666	74,670	74,674	74,677	74,680	74,683	74.686	74 65
26	312 314	Botor 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	168.189
27	315	Turbogenerator Units	124,728	124,900	125,078	125,268	125,521	125 752	125.961	126,158	126,332	126.511	126,670	126,894	127 067	125 915
28	316.1	Accessory Electric Equipment Miscetteneous 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	34 636
29	316.7	Miscellaneous Equipment - 5 Year Amort	5,95 6 153	5,963	5,970	5,975	5,980	5.985	5 988	5.991	5,994	5 996	5.998	6.000	6,002	5 965
10	316.3	Miscellaneous Equipment - 7 Year Amon	15.3	154	154	155	155	155	155	156	156	156	156	156	156	155
11	0.03	Iotal Crystal River 1 & 2 Plan	436,714	98 407,062	98 407,455	98 407 958	98 108 546	58 409,140	98 409 687	98 410,207	98 410.668	98	98 411 578	98 412,196	98 412 757	409.524
2		Town ory starting in a great	400,714	401,102	407,400	407,538	100 346	409,140	41.9 687	410,207	410,668	411,149	411 5/8	412,190	412,737	409.924
13		Crystal ₹ ver 4 & 5 Plant														
14	311	Structures & Improvements	149 119	149,119	149,119	149.119	149,119	149,119	143,119	149,119	149 119	149.119	149,119	149,119	149,119	149,119
5	312	Soler Plant Equipment	466,134	465,124	466 139	466,152	466.162	466 170	466 176	466 181	465,185	466,188	466,191	466.193	465,195	466 166
Æ	314	Turpogenerator Units	192,498	192,498	192,493	192,498	192 458	192,498	192,498	192,498	192,498	192,498	192,498	192,498	192,498	192,496
7	3*5	Accessory Electric Equipment	81,115	81,122	81 128	B1 133	81 136	81,139	81,142	81,144	81,145	81.146	81,147	81,148	81 149	91 138
9	3:61	Miscellar-cous Equipment	11.495	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
3	316.2	Miscerane ius Equipment - 5 Year Amon	242	243	243	243	243	243	243	243	243	243	243	243	243	243
2	366.3	Miscellaneous Equipment - 7 Year Amort	615	615	615	615	615	615	515	615	615	615	515	615	515	615
1		Total Crystal River 4 & 5 Plant	901,179	501,206	301,227	901,245	301.258	901 269	901 278	901.285	501.291	931,296	SC1.299	901.302	901 304	901 265

Docket No. <u>060162-EI</u> 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