

ORIGINAL
RUTLEDGE, ECENIA, PURNELL & HOFFMAN

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

STEPHEN A. ECENIA
RICHARD M. ELLIS
KENNETH A. HOFFMAN
LORENA A. HOLLEY
MICHAEL G. MAIDA
MARTIN P. McDONNELL
J. STEPHEN MENTON

POST OFFICE BOX 551, 32302-0551
215 SOUTH MONROE STREET, SUITE 420
TALLAHASSEE, FLORIDA 32301-1841

TELEPHONE (850) 681-6788
TELECOPIER (850) 681-6515

R. DAVID PRESCOTT
HAROLD F. X. PURNELL
MARSHA E. RULE
GARY R. RUTLEDGE
MAGGIE M. SCHULTZ
GOVERNMENTAL CONSULTANTS
PARSONS B. HEATH
MARGARET A. MENDUNI

December 12, 2006

Ms. Blanca S. Bayo, Director
Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center, Room 110
Tallahassee, Florida 32399-0850

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Re: In re: Progress Energy Florida, Inc.'s Petition for Approval of Southeast Supply Header Long-Term Fuel Transportation Contracts

Dear Ms. Bayo:

Enclosed for filing in the above referenced docket on behalf of Progress Energy Florida, Inc. ("PEF") are the following documents:

1. Original and fifteen copies of the Petition for Approval of Southeast Supply Header Long-Term Fuel Transportation Contracts; *11361-06*
2. Original and fifteen copiers of the Prefiled Direct Testimony of Javier Portuondo; *11362-06*
3. Original and fifteen copies of the Prefiled Direct Testimony of Kent Fonvielle; and *11363-06*
4. Original and fifteen copies of PEF's Notice of Intent to Request Confidential Classification of Exhibits KF-1 and KF-2. The information which is considered "CONFIDENTIAL" is enclosed in an envelope marked CONFIDENTIAL. *11364-06*

11365-06

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FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

11361 DEC 12 06

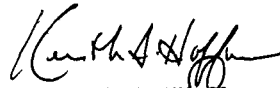
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Ms. Blanca S. Bayo, Director
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If you have any questions, please do not hesitate to contact me. Thank you for your assistance with this filing.

Sincerely,


Kenneth A. Hoffman

KAH/rl
Enclosures
progressenergy/sesh\bayo.dec1206tr

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Progress Energy Florida, Inc.'s)
Petition for Approval of Southeast Supply)
Header long-term fuel transportation)
contracts.)

Docket No. 060793-E1

Filed: December 12, 2006

PETITION

Pursuant to Sections 366.04 and 366.05, Florida Statutes, Rule 25-22.029, Florida Administrative Code and the orders of the Florida Public Service Commission ("PSC" or the "Commission"), Progress Energy Florida, Inc. ("PEF" or the "Company") respectfully petitions the Commission for approval of its long term fuel transportation contracts with Duke Energy Southeast Supply Header, LLC (an affiliate of Duke Energy Gas Transmission, LLC) and CenterPoint Energy Southeastern Pipelines Holding, L.L.C. (an affiliate of CenterPoint Energy, Inc.), hereinafter referred to as the Southeast Supply Header or "SESH" Pipeline Contracts or SESH Pipeline Project. In view of the substantial financial obligations arising from PEF's decision to enter into the SESH Pipeline Contracts and the need to remove any uncertainty concerning the prudence of entering into such contracts prior to incurring such financial obligations, PEF seeks Commission approval of the terms and conditions set forth in the SESH Pipeline Contracts on an expedited basis. The SESH Pipeline project represents the most suitable and prudent alternative for meeting PEF's objectives of enhancing the certainty, diversity and reliability of the supply of natural gas to fuel PEF's gas-fired electric power plant capacity in the State of Florida. By increasing the number of existing and potential suppliers of natural gas to PEF, the SESH Pipeline Project also is expected to foster increased competitive pricing of natural gas supplies which could result in lower natural gas prices for the benefit of PEF's retail customers. The Commission should find that entering into these

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agreements at this time is a reasonable and prudent action by the Company to maintain a reliable and adequate fuel supply over the long term. Recovery of costs pursuant to the agreements would be permitted subject to a finding of reasonableness and prudence at the time the expenses are presented for cost recovery at the Commission's annual fuel cost recovery proceedings. In order to remove any uncertainty concerning the prudence of entering into the SESH Pipeline Contracts prior to incurring the substantial financial obligations arising under such Contracts, PEF requests the Commission to approve the SESH Pipeline Contracts on or before March 15, 2007, consistent with the terms and conditions of the SESH Precedent Agreement.

In further support of this Petition, PEF states as follows:

I. Preliminary Information.

1. The Petitioner's name and address are:

Progress Energy Florida, Inc.
100 Central Avenue
St. Petersburg, FL 33701

2. All pleadings, motions, orders, and other documents directed to Petitioner should be

served on the following:

Kenneth A. Hoffman, Esq.
Marsha E. Rule, Esq.
Rutledge, Ecenia, Purnell & Hoffman, P.A.
P. O. Box 551
Tallahassee, FL 32302
(850) 681-6788 (Telephone)
(850) 681-6515 (Telecopier)

John T. Burnett, Esq.
P. O. Box 14042
St. Petersburg, FL 33733-4042
(727) 820-5184 (Telephone)
(727) 820-5249 (Telecopier)

Mr. Paul E. Lewis, Jr.
Director, Florida Regulatory Affairs
Progress Energy Florida, Inc.
106 East College Avenue
Suite 800
Tallahassee, FL 32301-7740
(850) 222-8738 (Telephone)
(850) 222-9768 (Telecopier)

II. Facts and Relevant Background.

3. PEF is an investor-owned electric utility, regulated by the Commission, and is a wholly-owned subsidiary of Progress Energy, Inc., a registered holding company under the Public Utility Holding Company Act. PEF serves approximately 1.5 million retail customers in its service area in Florida. Its service area comprises approximately 20,000 square miles in 35 of the state's 67 counties, encompassing the cities of St. Petersburg and Clearwater and densely populated areas surrounding Orlando, Ocala and Tallahassee. PEF supplies electricity at retail to approximately 350 communities in the State of Florida.

4. PEF currently has over 4300 megawatts of installed natural gas-fired generation capacity in the State of Florida and is projected to have natural gas-fired generation capacity additions of more than 2000 megawatts by the year 2014. Based on existing natural gas supply and transportation contracts, by 2009, approximately 78% of PEF's transportation capacity will be sourced from the Mobile Bay area in the Gulf of Mexico. The supply of natural gas from the Mobile Bay area and transportation into the State of Florida use the existing Florida Gas Transmission or Gulfstream Natural Gas System Pipelines. Due to declining production in the Mobile Bay area and increased demand for natural gas, PEF maintains that it is critical to maintain an adequate balance between the supply for natural gas and the increasing demand for natural gas in this region that will

assure PEF's customers of reliable access to natural gas at reasonable prices in the future.

5. After an extensive review and careful analysis of the natural gas supply and transportation options, PEF has entered into a series of agreements for natural gas transportation through the SESH Pipeline. The SESH Pipeline will have approximately 1 billion cubic feet per day of capacity and will consist of nearly 270 miles of 36-inch pipeline starting at the Perryville Hub in Northeast Louisiana and ending near Mobile County, Alabama. The proposed route will cross and interconnect with many major interstate pipelines serving the eastern United States that are not currently served by the Perryville Hub, as well as both major pipelines that serve Florida.

III. The Benefits of PEF's New Long Term Transportation Contracts.

6. The SESH Pipeline Contracts are the most prudent alternative for PEF's system, taking into account all price and non-price considerations. As previously stated, by 2009, approximately 78% of PEF's transportation capacity will be sourced from the off-shore Mobile Bay area. With declining production in this area and the high susceptibility of the Mobile Bay area to production shut downs due to the threat or impact of severe weather events, it has become critical to introduce the alternative of on-shore supply of natural gas to increase the availability of natural gas during severe weather events. This access to new supplies is essential to keep up with growing demand. With the availability of the new proposed SESH Pipeline, PEF will be able to directly access new domestic natural gas supply basins, such as the Barnett Shale and Bossier/Cotton Valley Tight Sands Natural Gas Production areas, to access alternative supplies of natural gas. These production areas, together with the addition of domestic independent producers active in the East Texas and North Louisiana supply regions, will increase the diversity and depth of PEF's existing major term gas supplier by approximately 50%.

7. The geographic diversity of supply provided by the SESH Pipeline will enhance the Company's system reliability by mitigating supply disruptions caused by hurricanes or other severe weather events since it is less likely that both the Mobile Bay area and the onshore areas in and around Texas and North Louisiana will be affected by supply interruptions at the same time. Supplier diversity and reliability will be enhanced by reducing the Company's dependence on fuel supply sources in the Gulf of Mexico.

8. PEF maintains that the SESH project could also produce short term and long term pricing benefits for its customers in the State of Florida. By increasing reliability of supply and reducing dependence on production from the Mobile Bay area, PEF will further mitigate the relatively expensive incremental gas costs for gas purchased in spot markets that arise when a predominant supplier experiences production cuts due to extreme weather or other force majeure events. Further, by enhancing the certainty, reliability and diversity of supply, PEF will position itself to secure competitive pricing from alternative on-shore suppliers of natural gas. The addition of SESH Pipeline to PEF's gas supply alternatives opens up access to a substantial number of gas suppliers thereby increasing competition in gas supply and potentially contributing to downward pressure on long-term commodity prices.

9. Finally, in Docket No. 060001-EI, the Commission recently approved the utilization of the SESH Pipeline by Florida Power & Light Company and determined that prudently incurred costs arising from the natural gas transportation service provided by SESH are properly recoverable in the annual fuel and purchased power cost recovery clause proceedings.

10. For all these reasons, and as more fully explained in the testimony and exhibits filed in support of its Petition, PEF believes the SESH Pipeline Contracts are the best and most prudent

alternative for increasing and diversifying PEF's natural gas supply and transportation needs for the short-term and the long-term for the Company's system.

IV. Relief Requested: Approval of the SESH Pipeline Contracts.

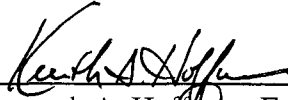
11. PEF requests Commission approval of the SESH Pipeline Contracts. While payments under the SESH Pipeline Contracts will not begin until the pipeline goes into service and no earlier than June 1, 2008, the Company seeks Commission approval now because the SESH Pipeline Contracts are the best and most prudent alternative, considering all price and non-price factors, for increasing natural gas supply and transportation to PEF's system. Commission approval of the contracts is requested prior to the contracts taking effect in light of the substantial commitment required by PEF under the terms and conditions of the contracts. PEF requests Commission approval of the SESH Pipeline Contracts on or before March 15, 2007, for the reasons stated herein.

12. PEF believes that the Commission's proposed agency action proceeding is appropriate for this Petition. PEF does not believe there is any disputed issue of material fact with respect to Commission approval of the SESH Pipeline Contracts.

WHEREFORE, PEF respectfully requests that the Commission:

- (1) Approve the terms and conditions of the SESH Pipeline Contracts;
- (2) Determine that the costs associated with the contracts are recoverable through the fuel clause subject to annual review by the Commission to ensure that the costs are being managed in a reasonable and prudent manner; and
- (3) Issue a Notice of Proposed Agency Action embodying such approval and determination in accordance with Rule 25-22.029, Florida Administrative Code.

Respectfully submitted this 12th day of December, 2006.



Kenneth A. Hoffman, Esq.

Marsha E. Rule, Esq.

Rutledge, Ecenia, Purnell & Hoffman, P.A.

P. O. Box 551

Tallahassee, FL 32302

(850) 681-6788 (Telephone)

(850) 681-6515 (Telecopier)

-- and --

John T. Burnett, Esq.

P. O. Box 14042

St. Petersburg, FL 33733-4042

(727) 820-5184 (Telephone)

(727) 820-5249 (Telecopier)

Counsel for Progress Energy Florida, Inc.

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