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**Subject:** Docket 070007-EI  
**Attachments:** Docket 070007 - PEF's Prehearing Statement.DOC



Docket 070007  
PEF's Preheari.

a. Person responsible for this electronic filing:

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b. Docket No. 070007-EI

In re: Environmental Cost Recovery Clause

c. Document being filed on behalf of Progress Energy Florida, Inc.

d. There are a total of 8 pages.

e. The document attached for electronic filing is Progress Energy Florida Inc.'s Prehearing Statement.

Thank you for your cooperation.

Dana Greene, Legal Assistant to  
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DOCUMENT NUMBER-DATE

09156 OCT-5 8

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery Clause.

DOCKET NO. 070007-EI

FILED: OCTOBER 5, 2007

**PROGRESS ENERGY FLORIDA INC.'S  
PREHEARING STATEMENT**

Pursuant to the requirements of the Order Establishing Procedure (Order No. PSC-07-0174-PCO-EI), Progress Energy Florida, Inc. ("PEF") hereby submits its Prehearing Statement.

**A. Known Witnesses - PEF intends to offer the direct testimony of:**

<u>Witness</u>	<u>Proffered By</u>	<u>Issue(s)</u>
Will Garrett	Final True-up	1, 4
Kent D. Hedrick	Final True-up variances	1, 4
Patricia Q. West	Final and Estimated True-up variances Environmental compliance cost projections	1-4, 10A-10C
Lisa Lohss	Estimated True-up variances Environmental compliance cost projections	2-4
Donald R. Ennis	Environmental compliance cost projections	3, 4
Thomas Cornell	PEF's Integrated Clean Air Compliance Plan for CAIR/CAMR/CAVR	10A-C
Samuel Waters	Economic analysis of PEF's Integrated Clean Air Compliance Plan for CAIR/CAMR/CAVR	10A-C
Joseph McCallister	PEF's allowance trading strategy	3, 4, 10A-C
Maritza Iacono	Final and Estimated True-up Environmental compliance cost projections Final 2008 ECRC Factors	1-8

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**B. Known Exhibits - PEF intends to offer the following exhibits:**

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Will Garrett	PEF	<u>(WG-1)</u>	PSC Forms 42-1A through 42-8A January 2006 – December 2006
		<u>(WG-2)</u>	Capital Program Detail January 2006 – December 2006
Samuel S. Waters (Confidential)	PEF	<u>(SSW-1)</u> Confidential	Progress Energy Florida Integrated Clean Air Compliance Plan –6/01/07
		<u>(SSW-2)</u> Confidential	Summary of Alternative Compliance Plans – 2006
		<u>(SSW-3)</u> Confidential	Summary of Alternative Compliance Plans - Current
		<u>(SSW-4)</u> Confidential	Comparison of Cumulative Present Value of Revenue Requirements
		<u>(SSW-5)</u> Confidential	Impact of Allowance Price Uncertainty
Thomas Cornell (Confidential)	PEF	<u>(TC--1)</u> Confidential	Organization chart showing PEF internal management structure for Integrated Clean Air Compliance Plan
		<u>(TC-2)</u> Confidential	Organization chart showing PEF structure for management and oversight of contractors involved in the Crystal River CAIR projects
		<u>(TC-3)</u> Confidential	Composite Exhibit consisting of Letter of Intent (LOI) to enter an EPC with Environmental Projects Crystal River, along with four amendments to the LOI

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
		(TC-4) Confidential	Composite Exhibit consisting of contract with The Babcock and Wilcox Company ("B&W"), as well as associated work authorizations, for design, engineering, equipment, and other work associated with the Crystal River SCR and FGD projects
		(TC-5) Confidential	Composite Exhibit consisting of contract with Worley Parsons (and associated work authorizations) for preliminary design, engineering and other work associated with the Crystal River SCR and FGD projects
		(TC-6) Confidential	Contract with The Stebbins Engineering and Manufacturing Company for design, fabrication, construction, and assembly of two FGD Absorber Towers for Crystal River Units 4 and 5
		(TC-7) Confidential	Contract with CERAM Environmental, Inc. for the design, fabrication, delivery, and testing of the SCR catalyst for the Crystal River Units 4 and 5 SCR projects
		(TC-8) Confidential	Contract with Commonwealth Dynamics, Inc., for the design, fabrication, and construction of a Flue Gas Chimney as part of the Crystal River Units 4 and 5 scrubber projects
Maritza Iacono	PEF	(MI-1)	PSC Forms 42-1E through 42-8E January 2007 – December 2007
		(MI-2)	Capital Program Detail January 2007 – December 2007
		(MI-3)	Modular Cooling Tower Cost Breakdown
		(MI-4)	PSC Forms 42-IP through 42-7P January 2008 – December 2008

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
		(MI-5)	Capital Program Detail January 2008 – December 2008

PEF reserves the right to identify additional exhibits for the purpose of cross-examination or rebuttal.

C. **Statement of Basic Position** – none necessary.

D.-F. **Issues and Positions**

PEF's positions on the issues identified in this proceeding are as follows:

**Generic Environmental Cost Recovery Issues**

- Issue 1      What are the appropriate final environmental cost recovery true-up amounts for the period ending December 31, 2006?
- PEF:    \$2,446,714 over-recovery (Garrett)
- Issue 2      What are the estimated environmental cost recovery true-up amounts for the period January 2007 through December 2007?
- PEF:    \$3,333,530 under-recovery (Iacono, Lohss, West)
- Issue 3      What are the appropriate projected environmental cost recovery amounts for the period January 2008 through December 2008?
- PEF:    \$43,204,989 (Iacono, Lohss, West, Ennis, McCallister)
- Issue 4      What are the environmental cost recovery amounts, including true-up amounts and adjusted for revenue taxes, for the period January 2008 through December 2008?
- PEF:    \$44,123,551 (Iacono, Garrett, Hedrick, Lohss, West, Ennis, McCallister)
- Issue 5      What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2007 through December 2008?
- PEF:    For 2008 final true-up purposes, the depreciation rates used to calculate the depreciation expense are based on the applicable rates per Exhibit 2 of PEF's Settlement Agreement, dated August 23, 2005. (Iacono)
- Issue 6      What are the appropriate jurisdictional separation factors for the projected period January 2008 through December 2008?

PEF: The jurisdictional energy separation factor is calculated for each month based on retail kWh sales as a percentage of projected total system kWh sales.  
 Transmission Average 12 CP demand jurisdictional factor - 70.597%  
 Distribution Primary demand jurisdictional factor - 99.597%  
 Jurisdictional Separation Study factors were used for production demand jurisdictional factor as Production Base – 93.753%, Production Intermediate – 79.046%, and Production Peaking – 88.979%. (Iacono)

Issue 7

What are the appropriate environmental cost recovery factors for the period January 2008 through December 2008, for each rate group?

PEF: The appropriate factors are as follows:

<b>RATE CLASS</b>	<b>ECRC FACTORS</b>
Residential	0.118 cents/kWh
General Service Non-Demand	
@ Secondary Voltage	0.109 cents/kWh
@ Primary Voltage	0.108 cents/kWh
@ Transmission Voltage	0.107 cents/kWh
General Service 100% Load Factor	0.081 cents/kWh
General Service Demand	
@ Secondary Voltage	0.094 cents/kWh
@ Primary Voltage	0.093 cents/kWh
@ Transmission Voltage	0.092 cents/kWh
Curtable	
@ Secondary Voltage	0.090 cents/kWh
@ Primary Voltage	0.089 cents/kWh
@ Transmission Voltage	0.088 cents/kWh
Interruptible	
@ Secondary Voltage	0.079 cents/kWh

@ Primary Voltage	0.078 cents/kWh
@ Transmission Voltage	0.077 cents/kWh
Lighting	0.094 cents/kWh

(Iacono)

Issue 8      What should be the effective date of the environmental cost recovery factors for billing purposes?

PEF:    The new factors should be effective beginning with the first billing cycle for January 2008, and thereafter through the last billing cycle for December 2008. The first billing cycle may start before January 1, 2008, and the last billing cycle may end after December 31, 2008, so long as each customer is billed for twelve months regardless of when the factors became effective.

(Iacono)

**Company Specific Environmental Cost Recovery Issues**

Issue 10A:    Are PEF’s incurred costs with the Clean Air Interstate Rule (“CAIR”)/Clean Air Mercury Rule (“CAMR”) Program for the year 2007 reasonable and prudent?

PEF:    Yes. The costs incurred to comply with regulatory requirements under the CAIR/CAMR Program approved in Order No. PSC-05-1251-FOF-EI are reasonable and prudent. (West, Cornell, Waters, McCallister)

Issue 10B:    Are PEF’s projected costs related to the CAIR/CAMR Program for the year 2008 reasonable and prudent?

PEF:    Yes. The costs projected for 2008 to comply with regulatory requirements under the CAIR/CAMR Program approved in Order No. PSC-05-1251-FOF-EI are reasonable and prudent. (West, Cornell, Waters, McCallister)

Issue 10C:    Should the Commission approve PEF’s updated Integrated Clean Air Compliance Plan filed as a reasonable and prudent means to comply with the Clean Air Interstate Rule (“CAIR”), Clean Air Mercury Rule (“CAMR”) and Clean Air Visibility Rule (“CAVR”) and related regulatory requirements?

PEF:    Yes. PEF has performed a quantitative evaluation to compare the ability of alternative compliance plans to meet environmental requirements, while managing risks and controlling costs. This analysis demonstrates that PEF’s updated Integrated Compliance Plan represents PEF’s most cost-effective alternative for achieving and maintaining compliance with CAIR, CAMR, and CAVR, and related regulatory requirements. (West, Cornell, Waters)

PEF takes no position on other company-specific issues, which relate to other utilities.

G. Stipulated Issues

PEF is not a party to any stipulations at this time.

H. Pending Motions

PEF has no pending motions at this time.

I. Requests for Confidentiality

PEF has one pending request for confidential classification filed on August 31, 2007.

J. Requirements of Order

PEF believes that this prehearing statement complies with all the requirements of the Order on Procedure.

K. Objections to Qualifications

PEF has no objection to the qualifications of any expert witnesses in this proceeding.

RESPECTFULLY SUBMITTED this 5th day of October, 2007.

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished to all counsel of record and interested parties as listed below by e-mail and regular U.S. mail this 5th day of October, 2007.

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