

070001-EE

Exhibit B

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost
recovery clause with generating
performance incentive factor.

Docket No. 070001-EI

Submitted for Filing: October 25, 2007

**PROGRESS ENERGY FLORIDA'S RESPONSES TO
STAFF'S FOURTH SET OF INTERROGATORIES (NOS. 27-40)**

Progress Energy Florida, Inc. ("PEF"), responds to Staff's Fourth Set of Interrogatories to PEF (Nos. 27-40), as follows:

INTERROGATORIES

Residual Oil

27. Do you agree that \$0.75 per barrel is a reasonable estimate of the average per barrel transportation and handling cost of residual oil from the Gulf Coast to PEF? If not, please supply the Commission with the cost(s) PEF proposes as a more reasonable estimate(s) and explain PEF's basis for its estimate(s) as opposed to the staff estimate.

Answer: PEF does not agree that \$0.75 per barrel is a reasonable estimate for transportation and handling cost of residual oil from the Gulf Coast to PEF facilities. PEF defines transportation and handling costs for estimating a reasonable weighted average annual cost per barrel as the estimated transportation costs plus other associated costs such as fuel surcharges and applicable taxes. PEF believes reasonable estimates for transportation and handling costs per barrel for 1998 through 2007 per barrel are \$1.24, \$1.27, \$1.31, \$1.38, \$1.40, \$1.46, \$1.69, \$1.77, [REDACTED] and [REDACTED], respectively. These estimates were based on reviews of information that existed for PEF's residual oil supply and estimated burn mix at PEF's facilities. While the 1998 through 2007 costs are reasonable estimates, a more detailed study would be needed to calculate precise numbers.

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