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Subject: Docket 070703-EI Filings: PEF's Prehearing Statement
Attachments: PEF Prehearing Statement.pdf

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Docket: 070703-EI

In re: Review of coal costs for Progress Energy Florida's Crystal River Units 4 and 5 for 2006 and 2007

On behalf of Progress Energy Florida

Consisting of 9 pages

The attached document for filing is PEF's Prehearing Statement

DOCUMENT NUMBER-DATE

02216 MAR 13 8

FPSC-COMMISSION CLERK

3/13/2009

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Review of coal costs for Progress)
Energy Florida's Crystal River Units 4)
and 5 for 2006 and 2007)
_____)
Docket No. 070703-EI

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

Progress Energy Florida, Inc. ("PEF" or the "Company") hereby submits its Prehearing Statement in this matter, and states as follows:

A. APPEARANCES:

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JOHN T. BURNETT
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B. WITNESSES AND EXHIBITS:

In identifying witnesses and exhibits herein, PEF reserves the right to call such other witnesses and to use such other exhibits as may be identified in the course of discovery and preparation for the final hearing in this matter.

1. WITNESSES.

Direct Testimony.

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
Sasha Weintraub	Reasonableness and prudence of PEF coal purchases for 2006 and 2007	1,2,3

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James N. Heller	Reasonableness and prudence of PEF coal purchases for 2006 and 2007	1,2,3
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Rebuttal Testimony.

<u>Witness</u>	<u>Subject matter</u>	<u>Issues</u>
Sasha Weintraub	Rebuttal to testimony of OPC witness, David Putman	1,2,3
James N. Heller	Rebuttal to testimony of OPC witness, David Putman	1,2,3
Jennifer Stenger	Rebuttal to testimony of OPC witness, David Putman	1

2. DIRECT TESTIMONY EXHIBITS.

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
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SAW-1	Sasha Weintraub	Coal Procurement Procedures
SAW-2	Sasha Weintraub	February 3, 2006 RFP for coals for Crystal River Units 4 and 5
SAW-3	Sasha Weintraub	Bidder list of suppliers who responded to February 3, 2006 RFP
SAW-4	Sasha Weintraub	PEF's coal procurement plan for the February 3, 2006 RFP
JNH-1	James N. Heller	Educational and professional background
JNH-2	James N. Heller	Summary of PRB delivered and evaluated prices using the methodology in the Commission's October 10, 2007 order
JNH-3	James N. Heller	Economic analysis of the impact of substituting a 20% blend of PRB coal for the coal actually delivered to CR4 and CR5 during 2006 and 2007, using the methodology in the Commission's October 10, 2007 order
JNH-4	James N. Heller	Summary of PRB delivered and evaluated prices including PEF's proposed corrections

JNH-5	James N. Heller	Economic analysis of the impact of substituting a 20% blend of PRB coal for the coal actually delivered to CR4 and CR5 during 2006 and 2007, including PEF's proposed corrections
JNH-6	James N. Heller	Commission's original and PEF's adjusted capital recovery requirements associated with using a 20% blend of PRB coal at CR4 and CR5 during 2005
JNH-7	James N. Heller	PEF's adjusted capital recovery requirements associated with using a 20% blend of PRB coal at CR4 and CR5 during 2006 and 2007

3. REBUTTAL TESTIMONY EXHIBITS.

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
SAW-5	Sasha Weintraub	Composite exhibit of workpapers supporting rebuttal testimony
JNH-8	James N. Heller	Correction of Mr. Putman's Btu Displacement Errors
JNH-9	James N. Heller	Correction of Mr. Putman's Failure to Include Capital Costs
JNH-10	James N. Heller	Calculation of Rail Delivery Constraints for 2006 Shipments
JNH-11	James N. Heller	Calculation of Vessel Delivery Constraints for 2007 Shipments of Indonesian Coal
JS-1	Jennifer Stenger	Spring Creek coal specification sheets and information
JS-2	Jennifer Stenger	PT Adaro Indonesian coal specification sheets and information
JS-3	Jennifer Stenger	PT Kideco Indonesian coal specification sheets and information.
JS-4	Jennifer Stenger	Peabody Coaltrade Wyoming 8800 Btu PRB coal specification sheets and information
JS-5	Jennifer Stenger	Peabody Coaltrade Wyoming 8585 Btu PRB coal specification sheets and information
JS-6	Jennifer Stenger	Referenced pages of FPSC Order No. PSC-07-0816-FOF-EI in Docket 060658-EI
JS-7	Jennifer Stenger	We Energies coal explosion material
JS-8	Jennifer Stenger	Capital costs of certain equipment if Spring Creek coal or Indonesian coal were burned
JS-9	Jennifer Stenger	Coal quality comparisons
JS-10	Jennifer Stenger	ASTM Coal Ranking Table

JS-11	Jennifer Stenger	Evaluation Timeline for Spring Creek Coal
JS-12	Jennifer Stenger	Evaluation Timeline for Indonesian Coal
JS-13	Jennifer Stenger	Electrostatic Precipitator (ESP) Diagram
JS-14	Jennifer Stenger	B&W Unit Diagram

D. PEF'S STATEMENT OF BASIC POSITION:

In Docket 060658, the Commission heard testimony on issues related to coal purchases for Crystal River Units 4 and 5 ("CR4 and CR5") between 1996 and 2005. Subsequently, this docket was opened to consider PEF's coal procurement activities for CR4 and CR5 for the years 2006 and 2007, consistent with the Commission's final order in that docket.

In this docket, PEF filed the direct testimony of witnesses James N. Heller and Sasha Weintraub to support the prudence of PEF's coal procurement activities for CR4 and CR5 for the years 2006 and 2007. As ordered by the Commission, PEF applied the Commission's methodology in its direct testimony and compared the delivered coal costs PEF actually incurred by using Central Appalachian and imported coal at CR4 and CR5 during 2006 and 2007 with the evaluated coal costs that would have been incurred if a 20% blend of Powder River Basin ("PRB") coal had been used at CR4 and CR5 during the same time period. In its testimony, PEF uses real coal purchases that actually happened, with real costs, real pricing, and real information that is based on actual experience in the market that can be objectively verified by cold, hard facts. These comparisons are consistent with and follow the "Cost Effectiveness Test" performed by Staff in their Primary Recommendation in Docket 060658, as used in Order 07-0816-FOF-EI, pages 37-39 and Attachment A. As detailed in PEF's direct testimony, PEF's coal procurement decisions for 2006 and 2007 saved PEF's customers millions of dollars in fuel costs in those years.

On the other hand, OPC appears to start with a desired result, a determination of excess fuel costs, and then backs into that result with fictional purchases, incorrect or outdated costs, speculative and incomplete information, and other "cherry picked" data inputs that will support the apparent predetermined result that it desires. In fact, OPC uses two entirely new types of coal, (Spring Creek and Indonesian coal), that the Commission did not hear evidence on and did not consider in Docket 060658. As PEF's rebuttal testimony shows, PEF could not have been in a position to reasonably and prudently burn these new coals in 2006 and 2007 as OPC suggests, and even if PEF could have been, those coals would not have provided PEF's customers the savings that OPC alleges.

As PEF's testimony shows, PEF's coal procurement decisions for 2006 and 2007 saved PEF's customers millions of dollars in fuel costs in those years. In 2006 and 2007, PEF purchased, and continues to purchase, the most economical coal available under market conditions for CR4 and CR5. That is what PEF has done and that is what PEF will continue to do.

E. PEF'S STATEMENT OF ISSUES AND POSITIONS:

1. FACTUAL ISSUES.

Issue 1: Did the imprudences in PEF's fuel procurement activities determined in Order PSC-07-0816-FOF-EI result in the costs of coal actually delivered to Crystal River Units 4 and 5 during 2006 and 2007 being unreasonably high?

PEF Position:

No. To the contrary, PEF's coal procurement activities saved PEF's customers millions of dollars in fuel costs during 2006 and 2007.

- a. How should the reasonableness of the costs of coal delivered to Crystal River Units 4 and 5 during 2006 and 2007 be measured?

PEF Position:

Pursuant to the "Cost Effectiveness Test" performed by Staff in their Primary Recommendation in Docket 060658, as used in Order 07-0816-FOF-EI, pages 37-39 and Attachment A, and as reflected in PEF's testimony in this docket.

- b. What candidates for alternative coal purchases should the Commission consider in evaluating whether more economical coal was available for delivery to Crystal River Units 4 and 5 during 2006?

PEF Position:

None, other than the Wyoming PRB coal that the Commission heard evidence on and considered in Docket 060658. The "Cost Effectiveness Test" performed by Staff in their Primary Recommendation in Docket 060658, as used in Order 07-0816-FOF-EI, pages 37-39 and Attachment A, and as reflected in PEF's testimony in this docket, calls for a comparison of PEF's actual coal purchases in 2006 to purchases of the Wyoming PRB coal that the Commission heard evidence on and considered in Docket 060658. The Commission has not heard evidence on and did not consider the drastically different Spring Creek coal that OPC advances in its testimony in this proceeding, and the Commission should reject OPC's testimony based on OPC's failure to comply with the legal requirements set forth in Order 07-0816-FOF-EI. Additionally, PEF's rebuttal testimony demonstrates that contrary to OPC's assertions, PEF could not have even reasonably and prudently burned Spring Creek coal in the 2006 time frame as OPC contends, and the Commission should further reject OPC's testimony on this factual basis.

- c. By what amount, if any, were the costs of coal actually delivered to Crystal River Units 4 and 5 unreasonably high in 2006?

PEF Position:

None. To the contrary, PEF's coal procurement activities saved PEF's customers millions of dollars in fuel costs during 2006 and 2007.

- d. What candidates for alternative coal purchases should the Commission consider in evaluating whether more economical coal was available for delivery to Crystal River Units 4 and 5 during 2007?

PEF Position:

None, other than the Wyoming PRB coal that the Commission heard evidence on and considered in Docket 060658. The "Cost Effectiveness Test" performed by Staff in their Primary Recommendation in Docket 060658, as used in Order 07-0816-FOF-EI, pages 37-39 and Attachment A, and as reflected in PEF's testimony in this docket, calls for a comparison of PEF's actual coal purchases in 2007 to purchases of the Wyoming PRB coal that the Commission heard evidence on and considered in Docket 060658. The Commission has not heard evidence on and did not consider the drastically different Indonesian coal that OPC advances in its testimony in this proceeding, and the Commission should reject OPC's testimony based on OPC's failure to comply with the legal requirements set forth in Order 07-0816-FOF-EI. Additionally, PEF's rebuttal testimony demonstrates that contrary to OPC's assertions, PEF could not have even reasonably and prudently burned Indonesian coal in the 2007 time frame as OPC contends, and the Commission should further reject OPC's testimony on this factual basis.

- e. By what amount, if any, were the costs of coal actually delivered to Crystal River Units 4 and 5 unreasonably high in 2007?

PEF Position:

None. To the contrary, PEF's coal procurement activities saved PEF's customers millions of dollars in fuel costs during 2006 and 2007.

Issue 2: If the Commission determines that the costs of coal delivered to Crystal River Units 4 and 5 during 2006 and 2007 were unreasonably high, should it require PEF to issue a refund to its customers? If so, in what amount?

PEF Position:

No. Based on the evidence that the Commission will hear in this matter, such a determination would not be based on competent, credible evidence and would constitute reversible error.

Issue 3: Based on the evidence of PEF's fuel procurement approach and activities as they relate to Crystal River 4 and 5, what additional action, if any, should the Commission take in this docket?

PEF Position:

The Commission should close this docket.

2. LEGAL ISSUES.

- Whether OPC's testimony complies with the requirements of Order 07-0816-FOF-EI, and the "Cost Effectiveness Test" performed by Staff in their Primary Recommendation in Docket 060658, as used at pages 37-39 and Attachment A of that Order.

3. POLICY ISSUES.

- PEF is not aware of any policy issues at this time.

F. STIPULATED ISSUES.

PEF is not aware of any stipulated issues at this time.

G. PENDING MOTIONS.

PEF is not aware of any pending motions at this time.

H. PEF'S REQUESTS FOR CONFIDENTIAL CLASSIFICATION.

Request	Date Filed
Request for Confidential Classification [Regarding OPC's First Request for Production of Documents]	2/7/08

Request for Confidential Classification [Regarding OPC's Second Request for Production of Documents]	2/15/08
Notice of Intent [Regarding OPC's Second Set of Interrogatories]	2/15/08
Request for Confidential Classification [Regarding OPC's Second Set of Interrogatories]	3/7/08
Request for Confidential Classification [Regarding testimony of PEF witness, Sasha Weintraub]	10/31/08
Request for Confidential Classification [Regarding OPC's Third Request for Production of Documents]	12/8/08
Request for Confidential Classification [Regarding OPC's Fourth Request for Production of Documents]	12/15/08
Request for Confidential Classification [Regarding testimony of OPC witness, David J. Putman]	2/13/09

I. REQUIREMENTS OF PREHEARING ORDER THAT CANNOT BE MET.

None.

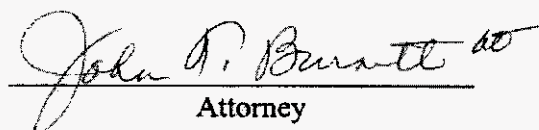
Respectfully submitted,



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY a true and correct copy of the foregoing has been furnished to counsel and parties of record as indicated below via U.S. Mail this 13 day of March, 2009.



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