Progress Energy

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May 20, 2011

VIA HAND DELIVERY

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: *Petition for approval of negotiated power purchase agreement with US EcoGen Polk, LLC by Progress Energy Florida, Inc.*; Docket No. 110090-EQ

Dear Ms. Cole:

Please find enclosed for filing on behalf of Progress Energy Florida, Inc. ("PEF") the original and five (5) copies of PEF's responses to Staff's Data Request No. 2 dated May 6, 2011 in the above referenced docket.

Thank you for your assistance in this matter. Please call me at (727) 820-5184 should you have any questions.

Sincerely,

John T. Burnett LMS

John T. Burnett

JTB/lms

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PROGRESS ENERGY FLORIDA, INC.'S RESPONSES TO STAFF DATA REQUEST NO. 2
DOCKET NOS. 110090-EQ

Q1. **Please provide the dates that the 2010 and 2011 fuel forecasts referred to in Staff's First Data Request were developed. As part of this response, please identify whether any other fuel forecasts were developed in the interim, providing dates if possible.**

<u>Response</u>:
The 2010 Ten-Year Site Plan fuel forecast used in the 2010 Standard Offer was published by PEF's fuel forecasting vendor in October 2009.
The 2011 Ten-Year Site Plan fuel forecast used in the 2011 Standard Offer was published by PEF's fuel forecasting vendor in September 2010. These fuel forecasts are considered long-term forecasts. During the interim (the time between October 2009 and the September 2010), PEF received a new long-term fuel forecast in April 2010, however, this interim fuel forecast was not used in the development of the 2010 TYSP or the 2010 Standard Offer.

Q2. **Please explain or describe whether the 2010 fuel forecast used in the original filing was the most recent fuel forecast as of the April 1, 2011 filing date of the petition. If not, why did PEF select to use an older fuel forecast in its filing and not provide the most recent forecast?**

<u>Response</u>:
The 2010 Ten-Year Site Plan fuel forecast used in the original petition filing was not the most recent fuel forecast as of the April 1, 2011 filing date of the petition. PEF used the avoided costs that were applicable at the time negotiations began with US EcoGen which was early-2010. At that time, pursuant to Rule 25-17.250, FAC the negotiations were based on PEF's full avoided costs as defined by our next avoided unit identified in the 2010 Ten-Year Site Plan. In PEF's view, it is appropriate to use all of the 2010 Ten-Year Site Plan's identifiable avoided costs as a collective data set that determines the corresponding avoided unit.

Q3. **Rule 25-17.0832(3)(c), Florida Administrative Code, requires that the Commission consider whether negotiated contracts contain sufficient security provisions to ensure repayment of capacity and energy payments made to a renewable generator that exceed the avoided cost. PEF's Response to Question 5 in Staff's First Data Request shows that the contract requires insufficient collateral to repay early capacity and energy payments when using the most recent fuel forecast, and in at least one period for a credit rating using the 2010 fuel forecast and 2010 standard offer.**

a. **How does PEF intend to keep customers "whole" in the event the facility ceases to perform in those periods with insufficient collateral?**

Response:
In the event the facility ceases to perform, where the facility fails to maintain the required Annual Capacity Billing factor, PEF may draw upon the Eligible Collateral or Supplemental Eligible Collateral (performance security). PEF may use such funds to make replacement energy and/or capacity purchases as needed. US EcoGen must replenish the Eligible Collateral or Supplemental Eligible Collateral to the full amounts as shown in Appendix 5 within two, (2) Business Days.

b. **How does PEF intend to enforce performance guarantees, to replace the facility's firm capacity and energy should it fail to deliver, given that it withdraws from the same collateral?**

Response: In the event the facility fails completely and the contract terminates, the contract conforms to Rule 25-17.0832(3)(c), FAC by requiring Termination Security per Section 11.7 in the amount of the Termination Fee. The Termination fee is calculated on a monthly basis, it must be secured and US EcoGen's obligation to pay the Termination Fee survives through the termination of the contract.