



RECEIVED-FPSC

11 JUL 15 AM 11:59

COMMISSION CLERK

(Writer's Direct Dial No. 727-820-5184)

John T. Burnett
Associate General Counsel - Florida

July 14, 2011

VIA OVERNIGHT DELIVERY

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

11 JUL 15 AM 11:59

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

Dear Ms. Cole:

Please find enclosed for filing on behalf of Progress Energy Florida, Inc., the original and five copies of its responses to Staff's Third Data Request issued on July 1, 2011.

Please let me know if you have any questions. Thank you for your assistance in this matter.

Sincerely,

Blanne Burnett
John T. Burnett

COM _____

APA _____

ECR 1+1CD

GCL 1+1CD

RAID 3+3 ^{CO's} JTB:emc

SSC _____ Enclosures

ADM _____ Progress Energy Florida, Inc.

OPC _____ P.O. Box 14042

CLIK _____ St. Petersburg, FL 33733

DOCUMENT NUMBER-DATE

04885 JUL 15 =

FPSC-COMMISSION CLERK

PEF Response to Staff's 3rd Data Request (Nos. 1-2) dated July 1, 2011

1. Please refer to Attachment B of Staff DR-1, page 1 of 1. Please refer to the column for the natural gas long-term price forecast.

a) Separate the gas prices in this column between commodity and transportation. Please state and explain the assumed escalation rate used for the commodity price and the transportation price.

The attached excel file, tab Item 1a, separates the gas prices into the commodity price (Henry Hub) and the transportation price (FGT Zone 3). As noted on the table, the escalation rate was 3%. This rate was judgmentally selected based on energy related inflation guidance provided by EIA and by Progress Energy's outside consultant, PIRA Energy. PIRA Energy is recognized as a reputable source of energy-related forecasted information.

b) Why is the natural gas price forecast and fuel forecast in general shown in Attachment B of Staff DR-1 reasonable?

PEF's fuel forecasts shown in Attachment B of Staff's DR-1 are reasonable because they were developed based on the same methodology that PEF routinely uses in its work products. The forecasts were provided from recognized, reputable sources and each year beyond 2020, a reasonable escalation rate was applied based on PEF's judgment and guidance provided by EIA and PIRA Energy.

Furthermore, the fuel forecasts used in the US EcoGen contract are reasonable and appropriately applied to negotiations that began in early-2010. For consistent negotiations with all firm Renewable generators, PEF uses the fuel and As-Available energy forecast utilized by the effective Ten Year Site Plan (which defines the avoided unit and its costs) throughout the year. Negotiated contracts like with US EcoGen, can take many months to finalize and during that time, a more recent fuel forecast may become available. Upon US EcoGen's request, PEF is complying with FPSC Rule 25-17.25(6) and therefore did not change pricing terms during multi-month, good faith negotiations, (per FPSC Rule 25-17.0834(1) and Rule 25-17.24(1)). It is impractical and unreasonable to restart negotiations and analysis each time a new fuel forecast becomes available; and it would be inconsistent with the applicable Ten Year Site Plan that defines the avoided unit in which PEF is negotiating against.

- c) **Has PEF tested its fuel price forecast shown in Attachment B of Staff DR-1 for reasonableness? Please explain.**

PIRA Energy and Ventyx, an ABB Company are industry recognized and reliable sources for long term fuel forecasting. PIRA Energy has credentials upon which to base a long term natural gas forecast. However, in conjunction with this data request, PEF has completed a cursory review of the natural gas price forecasts shown in Attachment B of Staff's DR-1 to the commensurable Energy Information Administration's 2009 Annual Energy Outlook that was published in March of 2009. EIA's 2009 forecast would be the applicable and then current forecast when PEF and US EcoGen began negotiations in early-2010. EIA's 2010 forecast was published in May of 2010 after pricing terms were negotiated. PEF's forecasts shown in Attachment B of Staff's DR-1 and EIA's 2009 forecasts are comparable.

- d) **To test for reasonableness, has PEF compared the natural gas price and fuel price forecasts shown in Attachment B of Staff DR-1 to other long-term natural gas price and fuel price forecasts? Please explain.**

Please see PEF's response to Item 1c.

2. **Please refer to Attachment B of Staff DR-1, page 1 of 1. Please refer to the column for the natural gas long-term price forecast. Please compare this forecast to the reference case natural gas price forecast (Henry Hub) contained in the Energy Information Administration's 2011 Annual Energy Outlook. To convert real to nominal prices, assume an escalation rate of 2.5%. Based on this comparison, please explain the differences in forecasted prices.**

As requested, the attached excel file, tab Item 2, compares EIA's 2011 Annual Energy Outlook to PEF's Attachment B of Staff's DR-1. The differences are simply because the forecasts were performed at different times using different assumptions. PEF's Attachment B of Staff's DR-1 utilized a fuel forecast that was issued in October, 2009. The 2011 EIA forecast was issued on April 26, 2011, which is after PEF submitted the US EcoGen contract to the FPSC for approval.

Year	From Att B DR-1		
	Natural Gas (\$/MMBTU)	Henry Hub (\$/MMBTU)	FGT Zone 3 (\$/MMBTU)
2011	\$6.979	\$6.969	\$0.010
2012	\$7.184	\$7.174	\$0.010
2013	\$6.995	\$6.900	\$0.095
2014	\$7.509	\$7.400	\$0.109
2015	\$8.013	\$7.900	\$0.113
2016	\$8.619	\$8.500	\$0.119
2017	\$9.221	\$9.100	\$0.121
2018	\$9.727	\$9.600	\$0.127
2019	\$10.227	\$10.100	\$0.127
2020	\$10.627	\$10.500	\$0.127
2021	\$11.027	\$10.900	\$0.127
2022	\$11.427	\$11.300	\$0.127
2023	\$11.827	\$11.700	\$0.127
2024	\$12.227	\$12.100	\$0.127
2025	\$12.627	\$12.500	\$0.127
2026	\$13.002	\$12.875	\$0.127
2027	\$13.389	\$13.261	\$0.127
2028	\$13.787	\$13.659	\$0.127
2029	\$14.196	\$14.069	\$0.127
2030	\$14.626	\$14.495	\$0.131
2031	\$15.070	\$14.935	\$0.135
2032	\$15.527	\$15.387	\$0.139
2033	\$15.997	\$15.854	\$0.144
2034	\$16.482	\$16.334	\$0.148
2035	\$16.982	\$16.830	\$0.152
2036	\$17.497	\$17.340	\$0.157
2037	\$18.027	\$17.865	\$0.162
2038	\$18.573	\$18.407	\$0.167
2039	\$19.136	\$18.965	\$0.172
2040	\$19.716	\$19.540	\$0.177
2041	\$20.314	\$20.132	\$0.182
2042	\$20.930	\$20.742	\$0.188
2043	\$21.564	\$21.371	\$0.194

Source: 2011 - 2012 ERM Forward Curves using NYMEX

Source: 2013 - 2025 PIRA Long-Term Prices in Nominal \$/MMBtu, Published 10/21/2009

3% Escalation rate used for 2026 and beyond

Source:	US EcoGen Filing	EIA 2011 Annual Energy Outlook	EIA 2011 Annual Energy Outlook
	Henry Hub + Transportation	Henry Hub as collected without Transportation	Henry Hub in Nominal \$ without Transportation
Year:	From Att B DR-1	in 2009 (\$/MMBtu)	Using 2.5% Esc. Rate (\$/MMBtu)
2011	\$6.979	\$4.480	\$4.707
2012	\$7.184	\$4.500	\$4.846
2013	\$6.995	\$4.560	\$5.033
2014	\$7.509	\$4.570	\$5.171
2015	\$8.013	\$4.660	\$5.404
2016	\$8.619	\$4.740	\$5.634
2017	\$9.221	\$4.760	\$5.800
2018	\$9.727	\$4.810	\$6.007
2019	\$10.227	\$4.870	\$6.234
2020	\$10.627	\$5.050	\$6.626
2021	\$11.027	\$5.240	\$7.047
2022	\$11.427	\$5.390	\$7.430
2023	\$11.827	\$5.580	\$7.884
2024	\$12.227	\$5.800	\$8.400
2025	\$12.627	\$5.970	\$8.862
2026	\$13.002	\$6.100	\$9.282
2027	\$13.389	\$6.240	\$9.732
2028	\$13.787	\$6.310	\$10.087
2029	\$14.196	\$6.350	\$10.405
2030	\$14.626	\$6.400	\$10.749
2031	\$15.070	\$6.490	\$11.173
2032	\$15.527	\$6.620	\$11.682
2033	\$15.997	\$6.740	\$12.191
2034	\$16.482	\$6.870	\$12.737
2035	\$16.982	\$7.070	\$13.435
2036	\$17.497		
2037	\$18.027		
2038	\$18.573		
2039	\$19.136		
2040	\$19.716		
2041	\$20.314		
2042	\$20.930		
2043	\$21.564		

COMMISSIONERS:
ART GRAHAM, CHAIRMAN
LISA POLAK EDGAR
RONALD A. BRISÉ
EDUARDO E. BALBIS
JULIE I. BROWN

STATE OF FLORIDA



GENERAL COUNSEL
S. CURTIS KISER
(850) 413-6199

Public Service Commission

July 1, 2011

Mr. John T. Burnett, Esq.
Associate General Counsel
Progress Energy Florida, Inc.
Post Office Box 14042
St. Petersburg, Florida 33733-4042

STAFF'S THIRD DATA REQUEST

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

Dear Mr. Burnett:

By this letter, the Commission staff requests that Progress Energy Florida, Inc. (PEF) provide responses to the following data requests.¹

1. Please refer to Attachment B of Staff DR-1, page 1 of 1. Please refer to the column for the natural gas long-term price forecast.
 - a) Separate the gas prices in this column between commodity and transportation. Please state and explain the assumed escalation rate used for the commodity price and the transportation price.
 - b) Why is the natural gas price forecast and fuel forecast in general shown in Attachment B of Staff DR-1 reasonable?
 - c) Has PEF tested its fuel price forecast shown in Attachment B of Staff DR-1 for reasonableness? Please explain.
 - d) To test for reasonableness, has PEF compared the natural gas price and fuel price forecasts shown in Attachment B of Staff DR-1 to other long-term natural gas price and fuel price forecasts? Please explain.

¹ The questions below seek further clarification of PEF's responses to Staff's Data Requests (Staff DR-1).

John T. Burnett, Esq.
Associate General Counsel
Page 2
July 1, 2011

2. Please refer to Attachment B of Staff DR-1, page 1 of 1. Please refer to the column for the natural gas long-term price forecast. Please compare this forecast to the reference case natural gas price forecast (Henry Hub) contained in the Energy Information Administration's 2011 Annual Energy Outlook. To convert real to nominal prices, assume an escalation rate of 2.5%. Based on this comparison, please explain the differences in forecasted prices.

Please file the original and five copies of the requested information by July 15, 2011, with Ms. Ann Cole, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6183 if you have any questions.

Sincerely,

Pauline E. Robinson
Attorney
Office of the General Counsel

PR/gdr

cc: Office of Commission Clerk
Division of Regulatory Analysis (Phillip Ellis)