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Public Service Commission

June 20, 2012

John T. Burnett
Progress Energy Service Company, LLC
P.O. Box 14042
St. Petersburg, FL 33733

STAFF'S FIRST DATA REQUEST

Re: Docket No. 120103-EI- Petition of Progress Energy Florida, Inc. to modify scope of existing environmental program.

Dear Mr. Burnett:

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

1. Referring to PEF's responses to Staff 1st Set of Interrogatories, Nos. 2h and 8a, it appears that the fuel savings analysis of the Anclote units repowering project was performed only for the period 2013 – 2018.
 - a. Is the remaining life of the Anclote Units 1 and 2, after the natural gas repowering, only 5 years?
 - b. If the response to (a) is negative, what is the remaining life of the Anclote Units 1 and 2 after the repowering?
 - c. What is the remaining life of the Anclote Units 1 and 2 prior to the repowering?

2. In paragraph 8 of PEF's petition, PEF indicated that the Company has considered three options for the Anclote units 1 and 2 to comply with the new MATS rule: (1) use emission controls (specifically Low NOx burners and electrostatic precipitator (ESP)); (2) repower with 100% natural gas; and (3) discontinuation of heavy fuel oil use without conversion. Please provide the following projected information for the Anclote units throughout their remaining lives:
 - a. Annual fuel savings of each of the units after its repowering;
 - b. Annual system fuel savings of the Anclote units after repowering;
 - c. Revenue requirement of option (2), repowering the Anclote Units;

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- d. Customer bill impact (\$/1,000 KWh) of option (2), repowering the Anclote Units;
 - e. Revenue requirement of option (1), deploying emission controls;
 - f. Customer bill impact (\$/1,000 KWh) of option (1), deploying emission controls;
 - g. Customer bill impact (\$/1,000 KWh) of option (3).
3. If emission controls are installed on the Anclote units to comply with the MATS rule:
 - a. What would be the total capital costs?
 - b. What would be the annual O&M costs?
 - c. What would be the in-service date of the retrofitted units?
 4. In its response to Staff's 1st Set of Interrogatories, No. 8c, PEF indicated that it would not be feasible to construct a combined cycle plant at the Anclote site to meet a 2015 in-service date to comply with MATS.
 - a. If a combined cycle plant were constructed at the Anclote site, when could it be in-service?
 - b. Referring to the 3-year compliance time frame discussed in paragraph 6 of PEF's petition, has the Company requested a waiver of this compliance time frame from the Environmental Protection Agency?
 5. In its response to Staff's 1st Set of Interrogatories, No. 2h, PEF projected a \$250 million (nominal) fuel savings across the fleet during the period 2013 – 2018. In its response to Staff's 1st Set of Interrogatories, No. 8a, PEF also projected approximately a \$268 million (nominal) fuel savings for the same period. Please reconcile these two projections.
 6. Please refer to the Company's responses to paragraph 8 of PEF's petition, and to Staff's 1st Set of Interrogatories, Nos. 4 and 6.
 - a. Referring to paragraph 8 of the petition, is it correct that Low NOx Burners and an ESP are the most suitable emission controls to retrofit an oil or coal unit to comply with the MATS rule? If not, what other controls are available for PEF?
 - b. In its response to Interrogatory No. 6, PEF reported that currently (May 2012) each of the Crystal River (CR) Units 1 and 2 is equipped with Low NOx burners and an ESP. In its response to Interrogatory No. 4, PEF indicated its evaluation of the MATS rule compliance for CR Units 1 and 2 "are focused on the feasibility, cost and constructability of environmental controls on the units relative to alternative power options." Please clarify to what kind of environmental controls PEF is referring in its response to Interrogatory No. 4.

- c. Given the 3-year compliance time frame (paragraph 6 of the petition), please specify the most current plan that the Company is considering to bring CR Units 1 and 2 into compliance with the MATS rule.

7. Why did PEF elect to petition for the Anclote repowering project to be recovered through the ECRC rather than through the Fuel cost recovery clause? Specifically, how is that decision impacted by each of the following?
 - a. "PEF is not aware of any instances in which Florida utilities have pursued an environmental compliance strategy involving a fuel conversion" and that "PEF has developed an innovative compliance strategy . . . by avoiding the need to install more-expensive emission controls while at the same time producing fuel costs savings." (PEF's response to Staff's 1st Set of Interrogatories, No. 7);
 - b. "Environmental compliance costs" includes all costs or expenses incurred by an electric utility in complying with environmental law or regulations. (Section 366.8255(1)(d), Florida Statutes);
 - c. By Order No. PSC-94-0044-FOF-EI, the Commission specified that ECRC recoverable activities are those that are "legally required to comply with a governmentally imposed environmental regulation;"
 - d. It appears that the Anclote units repowering project can result in significant fuel savings and avoids the need to comply with an environmental rule, but the repowering project itself will not be required for compliance with any environmental rule.

8. Please explain why the proposed Anclote repowering project is the best option for PEF to bring Anclote Units 1 and 2 into compliance with the MATS rule given both the uncertainty of what PEF's final overall MATS compliance strategy will be (see PEF's response to Staff's 1st Set of Interrogatories, No. 4), and the outcome of potential litigation regarding the MATS rule

Please file the original and five copies of the requested information by Thursday, July 5, 2012 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) 413-6191 if you have any questions.

Respectfully,



Charles Murphy
Senior Attorney

John T. Burnett

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June 19, 2012

cc: Office of Commission Clerk
Diane Triplett, Progress Energy Service Company, LLC.
Gary V. Perko, Hopping Law Firm
Parties of Record (By Email)