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Public Service Commission

January 9, 2007

STAFF'S FIRST DATA REQUEST

Kenneth Hoffman, Esquire
Rutledge, Ecenia, Purnell & Hoffman
Post Office Box 551
Tallahassee, FL 32302-0551

Re: Docket No. 060793-EI - Petition for approval of long-term fuel transportation contracts with Duke Energy Southeast Supply Header, LLC and CenterPoint Energy Southeastern Pipelines Holding, L.L.C. ("SESH Pipeline Contracts"), by Progress Energy Florida, Inc.

Dear Mr. Hoffman:

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

1. Why does PEF seek approval of its long-term fuel supply and transportation contracts with the Southeast Supply Header, LLC (SESH), as opposed to only seeking Commission approval of the SESH project's costs as prudent and reasonable for fuel clause cost recovery purposes? In responding to this question, please include responses to the following questions:

A.) If the Commission only approves PEF's SESH project for cost recovery purposes and does not approve the long-term fuel supply and transportation contracts, will PEF continue with the SESH project? Please explain.

B.) Why would Commission approval of the long-term fuel supply and transportation contracts be in the public interest?

C.) Please cite all relevant examples that PEF believes serves as precedent for the Commission approving fuel transportation contracts (as opposed to Commission approval of cost recovery only).

D.) If the Commission is being asked to approve a contract, shouldn't the Commission be involved in the contract negotiations between PEF and the contracting party?

E.) If the answer to the above is yes, would this open the door to PEF inviting the Commission into other contractual negotiations and management decisions?

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F.) If Commission found portions of the language within the contract objectionable, would PEF amend the contract to include the Commission's concerns?

2. Please refer to Exhibit KF-2. Also refer to witness Fonvielle's testimony, page 9, lines 15 through 23 and continuing on to page 10, lines 1 through 7, and to page 7 of witness Portuondo's testimony:

A.) Other than the cost estimates represented on this schedule, are there any other costs associated with PEF's SESH project that are proposed to be charged to the fuel cost recovery clause? Please explain.

B.) On page 9 of witness Fonvielle's testimony, lines 17 through 19, he states the following: "PEF's participation in the SESH Pipeline Project will result in, but not be limited to, two types of invoiced costs to be passed through the fuel clause: (1) fixed demand costs and, (2) variable commodity costs." Why would PEF not limit the costs proposed to be passed through the fuel cost recovery clause to these two components?

C.) What other known costs or potential costs does witness Fonvielle propose for recovery through the fuel cost recovery clause?

D.) Please provide an analysis of the variable costs on KF-2 showing the rates and calculation of the variable costs and stating all assumptions.

E.) Has the FERC set recourse rates for the SESH pipeline? If yes, what are these rates? If no, when does PEF expect the FERC to set recourse rates for the SESH pipeline?

3. Four new LNG import terminals are proposed for the Gulf coast (Conoco, Freeport, TX; Exxon, Ingleside, TX; Sempra, Hackberry, LA; Cheniere, Sabine, LA). Also, AES has proposed a LNG import terminal for the Bahamas. These proposed terminals are expected to begin service by 2010:

A.) If these new terminals begin service as proposed, what effect will that have on the Southeast Supply Header pipeline?

B.) What effect will new LNG terminals on the Gulf coast have on PEF's use of the SESH for supply?

C.) For each LNG terminal project listed above, what is PEF's current understanding of the status of the project?

4. Did PEF consider new LNG sources from new terminals on the Gulf coast as an alternative to the SESH project? Please explain.

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5. Please refer to page 6, lines 12 through 16, of Javier Portuondo's testimony and to Kent Fonvielle's testimony, page 7, lines 14 through 21 and continuing on to page 8, lines 1 through 6. For gas to meet increasing gas requirements, what are PEF's plans for transporting this additional gas on pipelines in Florida? As part of this answer, please provide a schedule showing additional firm pipeline capacity for the years 2008 through 2012.

6. Please refer to page 6 of witness Portuondo's testimony, lines 9 through 16 and to page 9, lines 4 through 12 of witness Fonvielle's testimony regarding potential savings for PEF's customers as a result of the SESH project. Also, regarding costs, please refer to page 7 of witness Portuondo's testimony and to page 9 of witness Fonvielle's testimony, lines 15 through 23 and continuing on to page 10, lines 1 through 7.

A.) Please explain how the potential savings are calculated. Include total savings, how the savings were calculated, and the comparison to PEF's estimated annual project costs.

B.) How can the SESH project potentially cause a lower overall cost of gas for PEF's customers?

C.) Will the SESH project increase PEF's delivered price of gas? Please explain.

7. Will the SESH project allow PEF to negotiate better non-price terms for natural gas supply contracts? Please explain.

8. Will the SESH project cause PEF to buy less off-shore gas? Please explain.

9. What part of new PEF demand for natural gas will be supplied by Mobile Bay?

10. PEF's proposed share of the SESH project capacity is 200,000 MMBtu by 2009. The projected in-service date is around mid-2008.

A.) As of the SESH project's mid-2008 in-service date, does PEF intend to fully use the 200,000 MMBtu firm capacity?

B.) Will PEF have excess capacity initially or at various times? If no, please explain. If yes, what are PEF's plans for the excess capacity?

C.) Referring to Exhibit KF-2, please provide the analysis assuming 80% and 90% utilization of pipeline capacity.

D.) How will PEF's participation in the SESH project be affected if the proposed in-service date is moved back to the end of 2008?

E.) What is the SESH pipeline project's status regarding FERC regulatory approval? As part of the response to this question, please provide a timeline of the significant FERC regulatory actions, both historical and expected.

F.) Other than FERC regulatory approval, are there remaining regulatory approvals for the SESH pipeline project? If yes, please provide a summary of the remaining regulatory approvals.

11. If the Commission chooses to move consideration of this petition past the March 13, 2007 Agenda Conference, what risks would this create for PEF regarding terms in the contract and whether PEF would proceed with the contract/project?

12. Please refer to Kent Fonvielle's testimony, page 10, lines 8 through 22, and pages 11 and 12. Of the various options that PEF considered, was the SESH the lowest cost alternative? Please explain. Also, provide an analysis showing the cost of each alternative considered.

13. Please provide complete copies of any studies or analyses done by PEF or on behalf of PEF since January 1, 2005 that consider LNG as a future source of supply of natural gas for PEF.

14. Please provide complete copies of any cost/benefit analyses that justify the SESH project as the lowest cost alternative for new natural gas supply for PEF.

15. Please provide complete copies of any cost/benefit analyses or savings calculations regarding the SESH project's potential to result in savings for customers.

16. Please refer to page 6 of witness Portuondo's testimony, lines 9 through 16 and to page 9, lines 4 through 12 of witness Fonvielle's testimony. Please provide any analyses of the impact the SESH project will have on gas prices in the Mobile Bay area. Also, please provide copies of any documentation that these witnesses relied upon in making these specific statements about savings and "lower overall cost of gas for PEF's customers."

17. Please provide complete copies of all workpapers, analyses, and source documents associated with the testimony and exhibits of Javier Portuondo.

18. Please provide complete copies of all workpapers, analyses, and source documents associated with the testimony and exhibits of Kent Fonvielle.

19. Please provide complete copies of studies done by or for PEF addressing gas procurement reliability and SESH.

20. Please provide a copy of Section 3 of Rate Schedule FTS included in the Transporter's tariff.

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Please send your responses and copies of the requested information by Friday, January 19, 2007, to me, Office of General Counsel, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6230 if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Lisa C. Bennett". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Lisa C. Bennett
Attorney

LCB:jb

cc: Division of Economic Regulation (Lester, Colson)
Division of the Commission Clerk and Administrative Services (Docket file)

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