

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Environmental Cost Recovery Clause.

DOCKET NO. 080007-EI

FILED: OCTOBER 3, 2008

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

Pursuant to the requirements of the Order Establishing Procedure (Order No. PSC-080149-PCO-EI), Progress Energy Florida, Inc. ("PEF") hereby submits its Prehearing Statement.

**A. Known Witnesses - PEF intends to offer the direct testimony of:**

| <u>Witness</u>     | <u>Proffered By</u>   | <u>Issue(s)</u> |
|--------------------|---|-----------------|
| Will Garrett       | Final True-up   | 1               |
| Donald R. Ennis    | Final and Estimated True-up variances; and Environmental compliance cost projections  | 1-3             |
| Patricia Q. West   | Final and Estimated True-up variances; Environmental compliance cost projections; and Review of PEF's Integrated Clean Air Compliance Plan for CAIR/CAMR/CAVR | 1-3, 10A, 10E   |
| Dale Wilterdink    | Status and costs of Crystal River air pollution control projects  | 2-3, 10E        |
| J. Michael Kennedy | Status of PEF's Integrated Clean Air Compliance Plan for CAIR/CAMR/CAVR   | 10E             |
| Joseph McCallister | Emission allowance costs  | 2               |
| Daniel L. Roderick | Thermal Discharge Compliance Program  | 10C             |
| COM Lori Cross     | Estimated True-up   | 2-8, 10A-E      |
| ECR                | Environmental compliance cost projections   |                 |
| GCL 1              | Final 2009 ECRC Factors   |                 |

**B. Known Exhibits - PEF intends to offer the following exhibits:**

Witness                      Proffered By                      I.D. No.                      Description

OPC  
RCP 2  
SSC  
SGA 1  
ADM  
CLK

DOCUMENT NUMBER-DATE

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| <u>Witness</u>                     | <u>Proffered By</u> | <u>I.D. No.</u>         | <u>Description</u>  |
|------------------------------------|---------------------|-------------------------|---|
| Will Garrett                       | PEF                 | (WG-1)                  | PSC Forms 42-1A through 42-8A<br>January 2007 – December 2007   |
|                                    |                     | (WG-2)                  | Capital Program Detail<br>January 2008 – December 2008          |
| Patricia Q. West<br>(Confidential) | PEF                 | (PQW-1)<br>Confidential | Review of PEF's Integrated Clean<br>Air Compliance Plan -4/2/08 |
|                                    |                     |                         |   |
| Dale Wilterdink                    | PEF                 | (DW-1)                  | Crystal River Project Organizational<br>Structure               |
| Lori Cross                         | PEF                 | (LC-1)                  | PSC Forms 42-1E through 42-8E<br>January 2008 – December 2008   |
|                                    |                     | (LC-2)                  | Capital Program Detail<br>January 2008 – December 2008          |
|                                    |                     | (LC-3)                  | PSC Forms 42-IP through 42-7P<br>January 2009 – December 2009   |
|                                    |                     | (LC-4)                  | Capital Program Detail<br>January 2009 – December 2009          |

PEF reserves the right to identify additional exhibits for the purpose of cross-examination or rebuttal.

C. **Statement of Basic Position** – none necessary.

D.-F. **Issues and Positions**

PEF's positions on the issues identified in this proceeding are as follows:

**Generic Environmental Cost Recovery Issues**

**Issue 1** What are the appropriate final environmental cost recovery true-up amounts for the period ending December 31, 2007?

**PEF:** \$5,553,115 over-recovery (Garrett, Ennis, West)

**Issue 2** What are the estimated environmental cost recovery true-up amounts for the period January 2008 through December 2008?

**PEF:** \$9,872,429 under-recovery (Cross, Ennis, West, McCallister, Wilterdink)

Issue 3 What are the appropriate projected environmental cost recovery amounts for the period January 2009 through December 2009?

PEF: \$132,908,857 (Cross, Ennis, West, Wilterdink)

Issue 4 What are the environmental cost recovery amounts, including true-up amounts and adjusted for revenue taxes, for the period January 2009 through December 2009?

PEF: \$137,323,975 (Cross)

Issue 5 What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2009 through December 2009?

PEF: For 2009 final true-up purposes, the depreciation rates used to calculate the depreciation expense are based on the applicable rates per Exhibit 2 of PEF's Settlement Agreement, dated August 23, 2005. (Cross)

Issue 6 What are the appropriate jurisdictional separation factors for the projected period January 2009 through December 2009?

PEF: The jurisdictional energy separation factor is calculated for each month based on retail kWh sales as a percentage of projected total system kWh sales.  
Transmission Average 12 CP demand jurisdictional factor - 70.597%  
Distribution Primary demand jurisdictional factor - 99.597%  
Jurisdictional Separation Study factors were used for production demand jurisdictional factor as Production Base – 93.753%, Production Intermediate – 79.046%, and Production Peaking – 88.979%. (Cross)

Issue 7 What are the appropriate environmental cost recovery factors for the period January 2009 through December 2009, for each rate group?

PEF: The appropriate factors are as follows:

| <b>RATE CLASS</b>          | <b>ECRC FACTORS</b> |
|----------------------------|---------------------|
| Residential                | 0.368 cents/kWh     |
| General Service Non-Demand |                     |
| @ Secondary Voltage        | 0.343 cents/kWh     |
| @ Primary Voltage          | 0.340 cents/kWh     |
| @ Transmission Voltage     | 0.336 cents/kWh     |

|                                  |                 |
|----------------------------------|-----------------|
| General Service 100% Load Factor | 0.291 cents/kWh |
| General Service Demand           |                 |
| @ Secondary Voltage              | 0.307 cents/kWh |
| @ Primary Voltage                | 0.304 cents/kWh |
| @ Transmission Voltage           | 0.301 cents/kWh |
| Curtable                         |                 |
| @ Secondary Voltage              | 0.287 cents/kWh |
| @ Primary Voltage                | 0.284 cents/kWh |
| @ Transmission Voltage           | 0.281 cents/kWh |
| Interruptible                    |                 |
| @ Secondary Voltage              | 0.296 cents/kWh |
| @ Primary Voltage                | 0.293 cents/kWh |
| @ Transmission Voltage           | 0.290 cents/kWh |
| Lighting                         | 0.252 cents/kWh |

(Cross)

**Issue 8**

What should be the effective date of the environmental cost recovery factors for billing purposes?

**PEF:** The new factors should be effective beginning with the first billing cycle for January 2009, and thereafter through the last billing cycle for December 2009. The first billing cycle may start before January 1, 2009, and the last billing cycle may end after December 31, 2009, so long as each customer is billed for twelve months regardless of when the factors became effective.

(Cross)

**Company Specific Environmental Cost Recovery Issues**

**Issue 10A**

Should the Commission approve PEF's request for recovery through the Environmental Cost Recovery Clause of costs for its Greenhouse Gas Inventory and Reporting Program?

**PEF:** Yes. The costs for this program meet the requirements of Section 366.8255 for recovery through the Environmental Cost Recovery Clause. (West, Cross)

Issue 10B How should the costs of the Greenhouse Gas Inventory and Reporting Program be allocated to the rate classes?

PEF: Operating and maintenance costs for the Greenhouse Gas Inventory and Reporting Program should be allocated to rate classes on Energy. (Cross)

Issue 10C Should the Commission approve PEF's request for recovery through the Environmental Cost Recovery Clause of costs for its Thermal Discharge Compliance Program?

PEF: Yes. The costs for this program meet the requirements of Section 366.8255 for recovery through the Environmental Cost Recovery Clause. (Roderick, Cross)

Issue 10D How should the costs of the Thermal Discharge Compliance Program be allocated to the rate classes?

PEF: In 2009, there are no revenue requirements to allocate. In future years, when there are revenue requirements, operating and maintenance costs should be allocated on an energy basis and capital costs should be allocated on a demand basis. (Cross)

Issue 10E Should PEF continue to recover Capital and O&M costs associated with its CAVR, CAIR and CAMR compliance projects in light of the vacatur of CAMR and potential vacatur of CAIR?

PEF: Yes. Given the state of knowledge at this time, continuing forward with the projects included in PEF's Commission-approved Integrated Clean Air Compliance Plan is reasonable and prudent. At this time, CAIR is still in effect pending action on petitions for rehearing of the panel decision vacating CAIR. Additionally, existing and reasonably foreseeable environmental regulations may require implementation of the projects independent of CAIR and CAMR. PEF will continue to evaluate its options in light of future developments concerning CAIR and other regulatory initiatives. (Cross, Kennedy, Wilterdink, West).

G. Stipulated Issues

PEF is not a party to any stipulations at this time.

H. Pending Motions

PEF has no pending motions at this time.

I. Requests for Confidentiality

PEF has three pending requests for confidential classification filed on the following dates: April 2, 2008 [DN02548-08]; May 29, 2008 [DN04582-08]; August 4, 2008 [DN06820-08]; August 29, 2008 [DN07896-08]; and September 15, 2008 [DN07685-08].

J. Requirements of Order

PEF believes that this prehearing statement complies with all the requirements of the Order on Procedure.

K. Objections to Qualifications

PEF has no objection to the qualifications of any expert witnesses in this proceeding.


RESPECTFULLY SUBMITTED this 3rd day of October, 2008.

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished to all counsel of record and interested parties as listed below by electronic mail and regular U.S. mail this 3rd day of October, 2008.

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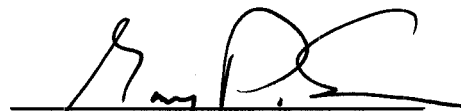
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