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**Timolyn Henry**

**From:** James A. McGee [jmcgee@tampabay.rr.com]  
**Sent:** Monday, October 04, 2004 4:13 PM  
**To:** Filings@psc.state.fl.us  
**Subject:** Docket No. 040001-EI, Preliminary List of Issues

This electronic filing is made by  
 James A. McGee  
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**Docket No. 040001-EI**

In re: Fuel and Purchased Power Cost Recovery Clause  
 and Generating Performance Incentive Factor.

On behalf of **Progress Energy Florida.**

Consisting of **8** pages.

The documents attached for filing are Progress Energy's  
**Preliminary List of Issues and Positions**,  
 including a filing letter and a certificate of service, and  
 Attachment A as separately attached PDF file.

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**JAMES A. MCGEE**  
ASSOCIATE GENERAL COUNSEL  
PROGRESS ENERGY SERVICE COMPANY, LLC

October 4, 2004

VIA ELECTRONIC FILING

Ms. Blanca S. Bayó, Director  
Division of the Commission Clerk  
and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Docket No. 040001-EI

Dear Ms. Bayó:

Enclosed for filing in the subject docket on behalf of Progress Energy Florida, Inc., is its Preliminary List of Issues and Positions.

Please acknowledge your receipt of the above filing as provided in the Commission's electronic filing procedures. Thank you for your assistance in this matter.

Very truly yours,

s/ James A. McGee

JAM/scc  
Enclosures

cc: Parties of record

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Fuel and Purchased Power Cost  
Recovery Clause and Generating  
Performance Incentive Factor.

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Docket No. 040001-EI

Submitted for filing:  
October 4, 2004

### **PROGRESS ENERGY FLORIDA'S PRELIMINARY LIST OF ISSUES AND POSITIONS**

Progress Energy Florida (PEF) hereby submits its Preliminary List of Issues and Positions with respect to its levelized fuel and capacity cost recovery factors and its Generating Performance Incentive Factor (GPIF) for the period of January through December 2005, and states as follows:

#### **Generic Fuel Adjustment Issues**

1. ISSUE: What are the appropriate final fuel adjustment true-up amounts for the period January through December 2003?  
PEF: \$801,428 under-recovery. (Portuondo)
2. ISSUE: What are the appropriate estimated fuel adjustment true-up amounts for the period January through December 2004?  
PEF: \$137,586,107 under-recovery. (Portuondo)
3. ISSUE: What are the appropriate total fuel adjustment true-up amounts to be collected from January through December 2005?  
PEF: \$59,230,265 under-recovery, based on PEF's proposal to recover this portion of the total December 2004 under-recovery balance of \$138,387,535 in 2005 with the remaining \$79,157,270 deferred for recovery until 2006. (Portuondo)
4. ISSUE: What is the appropriate revenue tax factor to be applied in calculating each investor owned electric utility's levelized fuel factor for the projection period of January through December 2005?  
PEF: 1.00072 (Portuondo)

5. ISSUE: What are the appropriate projected net fuel and purchased power cost recovery amounts to be included in the recovery factor for the period January through December 2005?

PEF: \$1,558,821,632 (Portuondo)

6. ISSUE: What is the appropriate levelized fuel cost recovery factor for the period of January through December 2005?

PEF: 3.869 cents per kWh (adjusted for jurisdictional losses). (Portuondo)

7. ISSUE: What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level group?

PEF:

<u>Group</u>	<u>Delivery Voltage Level</u>	<u>Line Loss Multiplier</u>	
A.	Transmission	0.9800	
B.	Distribution Primary	0.9900	
C.	Distribution Secondary	1.0000	
D.	Lighting Service	1.0000	(Portuondo)

8. ISSUE: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

PEF:

<u>Group</u>	<u>Delivery Voltage Level</u>	<u>Fuel Cost Factors (cents/kWh)</u>		
		<u>Standard</u>	<u>Time Of Use</u>	
			<u>On-Peak</u>	<u>Off-Peak</u>
A.	Transmission	3.798	4.892	3.331
B.	Distribution Primary	3.836	4.941	3.364
C.	Distribution Secondary	3.875	4.991	3.398
D.	Lighting Service	3.696		

(Portuondo)

9. ISSUE: What should be the effective date of the fuel adjustment charge and capacity cost recovery charge for billing purposes?

PEF: The new factors should be effective beginning with the first billing cycle for January 2005, and thereafter through the last billing cycle for December 2005. The first billing cycle may start before January 1, 2005, and the last billing cycle may end after December 31, 2005, so long as each customer is billed for twelve months regardless of when the factors became effective.

10. ISSUE: What is the appropriate actual benchmark level for calendar year 2004 for gains on non-separated wholesale energy sales eligible for a shareholder incentive as set forth by Order No. PSC-00-1744-PAA-EI, in Docket No. 991779-EI, issued September 26, 2000, for each investor-owned electric utility?

PEF: \$8,585,687 (Portuondo)

11. ISSUE: What is the appropriate estimated benchmark level for calendar year 2005 for gains on non-separated wholesale energy sales eligible for a shareholder incentive as set forth by Order No. PSC-00-1744-PAA-EI, in Docket No. 991779-EI, issued September 26, 2000, for each investor-owned electric utility?

PEF: \$7,888,336 (Portuondo)

### **Company-Specific Fuel Adjustment Issues**

- 14A. ISSUE: Has Progress Energy Florida confirmed the validity of the methodology used to determine the equity component of Progress Fuels Corporation's capital structure for calendar year 2003?

PEF: Yes. PEF's Audit Services Department has reviewed the analysis performed by Progress Fuels Corporation and has confirmed the appropriateness of the "short cut" method previously approved by the Commission. (Portuondo)

- 14B. ISSUE: Has Progress Energy Florida calculated the 2003 price for waterborne transportation services provided by Progress Fuels Corporation?

PEF: Yes. The waterborne transportation calculation has been properly made in accordance with the methodology consistently used for previous calculations that have been approved by the Commission. (Portuondo)

- 14C. ISSUE: Should PEF's Tolling Agreement with Shady Hills Power Company, L.L.C., be approved for cost recovery purposes, subject to subsequent review of the costs incurred pursuant to the Agreement for reasonableness and prudence?

PEF: Yes. The purchase of capacity under the Shady Hills Tolling Agreement is needed to maintain a 20% reserve margin requirement for PEF's system. The purchase of this capacity is expected to defer the need for the three 2006 combustion turbines shown in PEF's 2004 Ten-Year Site Plan beyond the planning horizon and provide savings to PEF and its customers of \$55.4 million, CPVRR, when compared to construction of these facilities. (Waters, Portuondo)

- 14D. ISSUE: Should the extension of PEF's existing Unit Power Sales (UPS) Agreement with the Southern Companies be approved for cost recovery purposes, subject to subsequent review of the costs incurred pursuant to the Agreement for reasonableness and prudence?

PEF: Yes. The purchase of capacity and energy under the extended Southern UPS Agreement is needed to maintain a 20% reserve margin requirement for PEF's system. In addition to providing a reasonable expectation of moderate

net savings, the Agreement will provide significant strategic benefits to PEF and its customers by contributing to fuel diversity, economy energy availability, increased reliability, cost certainty, and increased access to coal-fired resources. The purchase of this capacity is expected to defer the need for the 2010 combined cycle unit shown in PEF's 2004 Ten-Year Site Plan. (Waters, Portuondo)

### **Generic Generating Performance Incentive Factor Issues**

16. **ISSUE:** What is the appropriate GPIF reward or penalty for performance achieved during the period of January through December 2003?

**PEF:** \$2,139,695 reward. (Jacob)

17. **ISSUE:** What should the GPIF targets/ranges be for the period of January through December, 2005?

**PEF:** See Attachment A (page 3 of Exhibit MFJ-1). (Jacob)

### **Generic Capacity Cost Recovery Issues**

22. **ISSUE:** What is the appropriate final capacity cost recovery true-up amount for the period of January through December 2003?

**PEF:** \$6,086,681 over-recovery. (Portuondo)

23. **ISSUE:** What is the appropriate estimated capacity cost recovery true-up amount for the period of January through December 2004?

**PEF:** \$5,271,518 over-recovery. (Portuondo)

24. **ISSUE:** What is the appropriate total capacity cost recovery true-up amount to be refunded during the period January through December 2005?

**PEF:** \$11,358,199 over-recovery. (Portuondo)

25. **ISSUE:** What is the appropriate projected net purchase power capacity cost recovery amount to be included in the recovery factor for the period January through December 2005?

**PEF:** \$311,001,772. (Portuondo)

26. **ISSUE:** What are the appropriate jurisdictional separation factors to be applied to determine the capacity costs to be recovered during the period January through December 2005?

**PEF:** Base - 95.957%, Intermediate - 86.574%, Peaking - 74.562%. (Portuondo)

27. ISSUE: What are the projected capacity cost recovery factors for the period January through December 2005?

<u>PEF:</u>	<u>Rate Class</u>	<u>CCR Factor</u>
	Residential	.875 cents/kWh
	General Service Non-Demand	.793 cents/kWh
	@ Primary Voltage	.785 cents/kWh
	@ Transmission Voltage	.777 cents/kWh
	General Service 100% Load Factor	.507 cents/kWh
	General Service Demand	.697 cents/kWh
	@ Primary Voltage	.690 cents/kWh
	@ Transmission Voltage	.683 cents/kWh
	Curtailable	.630 cents/kWh
	@ Primary Voltage	.624 cents/kWh
	@ Transmission Voltage	.617 cents/kWh
	Interruptible	.534 cents/kWh
	@ Primary Voltage	.529 cents/kWh
	@ Transmission Voltage	.524 cents/kWh
	Lighting	.156 cents/kWh

(Portuondo)

Respectfully submitted,

s/ James A. McGee

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Attorney for  
PROGRESS ENERGY FLORIDA, INC.

**PROGRESS ENERGY FLORIDA**

**DOCKET NO. 040001-EI**

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true copy of the foregoing has been furnished to the following individuals by electronic mail the 4<sup>th</sup> day of October, 2004.

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s/ James A. McGee  
Attorney



## GPIF TARGET AND RANGE SUMMARY

Progress Energy Florida  
Period of: January 2005 - December 2005

Plant/Unit	Weighting Factor (%)	EAF Target (%)	EAF RANGE		Max. Fuel	Max. Fuel
			Max. (%)	Min. (%)	Savings (\$000)	Loss (\$000)
Anclote 1	1.52	94.72	97.21	89.56	1,048	(1,341)
Anclote 2	3.15	94.87	97.28	89.91	2,164	(2,883)
Crystal River 1	5.26	92.42	95.97	85.21	3,618	(1,591)
Crystal River 2	16.79	85.71	92.26	73.18	11,540	(8,324)
Crystal River 3	2.14	90.52	91.38	88.73	1,474	(1,286)
Crystal River 4	10.56	89.58	91.78	85.04	7,262	(3,395)
Crystal River 5	7.57	90.14	91.82	86.67	5,205	(1,599)
Hines 1	0.75	88.98	90.57	85.66	513	(1,299)
Tiger Bay	0.52	91.36	93.62	86.73	359	(176)
GPIF System	48.27				33,183	(21,894)

Plant/Unit	Weighting Factor (%)	ANOHR Target (BTU/KWH)	NOF	ANOHR RANGE		Max. Fuel	Max. Fuel
				Min. (BTU/KWH)	Max. (BTU/KWH)	Savings (\$000)	Loss (\$000)
Anclote 1	9.05	10117	56.0	9632	10602	6,221	(6,221)
Anclote 2	5.37	10128	57.0	9833	10424	3,689	(3,689)
Crystal River 1	3.54	9921	82.9	9576	10267	2,432	(2,432)
Crystal River 2	5.72	9662	85.9	9222	10101	3,929	(3,929)
Crystal River 3	10.52	10298	100.1	10109	10488	7,235	(7,235)
Crystal River 4	3.22	9342	96.0	9177	9508	2,215	(2,215)
Crystal River 5	3.47	9390	95.1	9209	9571	2,384	(2,384)
Hines 1	7.10	7317	81.6	7092	7541	4,878	(4,878)
Tiger Bay	3.75	7903	79.3	7638	8168	2,582	(2,582)
GPIF System	51.73					35,566	(35,566)

Issued by: Progress Energy Florida

Filed:

Suspended:

Effective:

Docket No.:

Order No.: