

Hopping Green & Sams

Attorneys and Counselors

ORIGINAL

Writer's Direct Dial Number
(850) 425-2359

October 12, 2004

BY HAND DELIVERY

Blanca Bayó
Director, Office of the Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RECEIVED-EPSC
04 OCT 12 PM 3:08
COMMISSION
CLERK

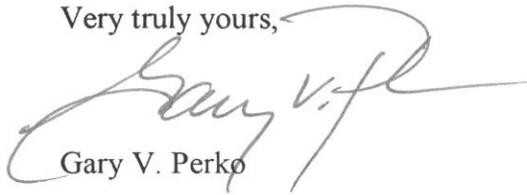
Re: Docket 040007-EI

Dear Ms. Bayó:

Enclosed for filing are the original and fifteen copies of Progress Energy Florida's Prehearing Statement in the above docket, along with a diskette containing the pleading in Word format.

Please stamp and return the enclosed extra copy of this filing. If you have any questions regarding this filing, please give me a call at 425-2359.

Very truly yours,



Gary V. Perko

GVP/mee
Enclosure
cc: Certificate of Service

- MP _____
- OM 5
- TR _____
- ECR _____
- GCL _____
- OPC _____
- MMS _____
- RCA _____
- SCR _____
- SEC 1
- OTH _____

RECEIVED & FILED


EPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

11006 OCT 12 3

FPSC-COMMISSION CLERK

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Progress Energy Florida, Inc.'s Prehearing Statement has been furnished by regular U.S. mail to the following this 12th day of October, 2004.

Marlene Stern*
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

James A. McGee
Progress Energy Florida, Inc.
P.O. Box 14042
St. Petersburg, FL 33733-4042

John T. Butler, Esq.
Steel Hector & Davis, LLP
200 S. Biscayne Bay Blvd, Ste.
Miami, FL 33131-2398

Lee L. Willis, Esq.
James D. Beasley, Esq.
Ausley & McMullen
P.O. Box 391
Tallahassee, FL 32302

Robert Vandiver, Esq.
Office of Public Counsel
111 West Madison Street, Rm. 812
Tallahassee, FL 32399

Jeffrey A. Stone, Esq.
Russell A. Badders, Esq.
Beggs and Lane
P.O. Box 12950
Pensacola, FL 32576

Florida Industrial Power Users Group
c/o John W. McWhirter, Jr.
McWhirter Reeves
400 North Tampa Street, Suite 2450
Tampa, FL 33602

*also by hand-delivery

Vicki Gordon Kaufman, Esq.
Joseph A. McGlothlin, Esq.
McWhirter Reeves, et al.
117 South Gadsden Street
Tallahassee, FL 32301

Florida Power & Light Co.
R. Wade Litchfield, Esq.
700 Universe Blvd.
Juno Beach, FL 33408-0420

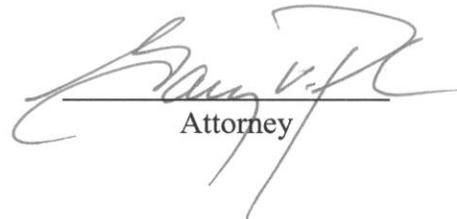
Florida Power & Light Co.
Bill Walker
215 S. Monroe Street, Suite 810
Tallahassee, FL 32301

Gulf Power Company
Susan Ritenour
One Energy Place
Pensacola, FL 32520-0780

Tampa Electric Company
Angela Llewellyn
Regulatory Affairs
P.O. Box 111
Tampa, FL 33601-0111

Progress Energy Florida, Inc.
Bonnie E. Davis
106 East College Avenue, Suite 800
Tallahassee, FL 32301-7740

Florida Public Utilities Company
Mr. John T. English
P. O. Box 3395
West Palm Beach, FL 33402-3395


Attorney

BEFORE THE PUBLIC SERVICE COMMISSION

ORIGINAL

In re: Environmental cost recovery)
clause.)
_____)

Docket No. 040007-EI
Filed: October 12, 2004

**PROGRESS ENERGY FLORIDA'S
PREHEARING STATEMENT**

Pursuant to the requirements of the Order on Procedure (Order No. PSC-04-0233-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>Issues</u>
Javier Portuondo	1-8, 10A, 10C
Kent D. Hedrick	2-3, 10B
Patricia Q. West	2-3

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

<u>Witness</u>	<u>Exhibit(s)</u>	<u>Description</u>
Javier Portuondo	JP-1	ECR Forms 42-1A through 42-8A
	JP-2 (revised (as filed 9/3/04)	ECR Forms 42-1E through 42-8E
	JP-3	ECR Forms 42-1P through 42-7P
Kent D. Hedrick	None	
Patricia Q. West	None	

C. Basic Position

The Commission should approve PEF's petition for approval of its environmental cost recovery true-up and proposed environmental cost recovery factors for the period January 2005 to December 2005.

DOCUMENT NUMBER-DATE

11006 OCT 12 3

FPSC-COMMISSION CLERK

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, 2003?

PEF: \$951,437 over-recovery (Portuondo)

Issue 2 What are the estimated environmental cost recovery true-up amounts for the period January 2004 through December 2004?

PEF: \$19,027,266 under-recovery (Portuondo, Hedrick West)

Issue 3 What are the appropriate projected environmental cost recovery amounts for the period January 2005 through December 2005?

PEF: \$30,504,449 (Portuondo, Hedrick, West)

Issue 4 What are the environmental cost recovery amounts, including true-up amounts and adjusted for revenue taxes, for the period January 2005 through December 2005?

PEF: \$48,615,256 (Portuondo)

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 2005 through December 2005?

PEF: For 2005 final true-up purposes, the depreciation rates used to calculate the depreciation expense should be the rates that are in effect during the period the allowed capital investment is in service as approved by the FPSC. (Portuondo)

Issue 6 What are the appropriate jurisdictional separation factors for the projected period January 2005 through December 2005?

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 - 72.115%
Distribution Primary demand jurisdictional factor - 99.529%
Jurisdictional Separation Study factors were used for production demand jurisdictional factor as Production Base – 95.957%,
Production Intermediate – 86.574%, and
Production Peaking – 74.562%. (Portuondo)

Issue 7

What are the appropriate environmental cost recovery factors for the period January, 2005, through December, 2005, for each rate group?

PEF: The appropriate factors are as follows:

Rate Class	ECR Factor (cents/kWh)
Residential	0.127
General Service Non-Demand	
@ Secondary Voltage	0.124
@ Primary Voltage	0.123
@ Transmission Voltage	0.122
General Service 100% Load Factor	0.103
General Service Demand	
@ Secondary Voltage	0.115
@ Primary Voltage	0.114
@ Transmission Voltage	0.113
Curtable	
@ Secondary Voltage	0.125
@ Primary Voltage	0.124
Interruptible	
@ Secondary Voltage	0.106
@ Primary Voltage	0.105
@ Transmission Voltage	0.104
Lighting	0.115

(Portuondo)

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 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. (Portuondo)

Company Specific Environmental Cost Recovery Issues

Issue 10A How should PEFI's environmental costs for the Comprehensive Demonstration Study for Cooling Water Intake structures be allocated to the rate classes? (Draper)

PEF: The proposed O&M costs should be allocated to the rate classes on a 12 coincident peak demand basis and the retail allocation to the rate classes should be made on a 12 coincident peak demand basis and a 1/13th average demand basis. (Portuondo)

Issue 10B What is the appropriate ECRC adjustment for broken water main costs of \$8,748 that were charged to an ECRC approved transformer oil remediation activity in PEFI's final true-up for 2003? (Breman, Buckley, Stern)

PEF: No adjustment should be made for the broken water main costs because they were incurred as the direct result of environmental compliance activities undertaken as part of a Commission-approved program; and would not have been incurred but for such environmental compliance activities. (Hedrick)

Issue 10C Has PEFI made reasonable effort to minimize the costs of sulfur dioxide emission allowances? (Breman, Stern)

PEF: Yes. PEF has made reasonable effort to minimize the costs of sulfur dioxide (SO₂) emission allowances by economic dispatch of its system and capturing favorable price movements in the market. The increase in SO₂ allowance costs for 2004 and 2005 is attributable to market factors. The price of allowances has increased significantly due to supply and demand constraints in the market. In anticipation of the pending Clean Air legislation, utilities with a surplus of allowances are holding them for use in future periods rather than selling them in the market. This has become an industry wide phenomenon. (Portuondo)

PEF takes no position on Issues 9A-9D, 11A, or 12A-12H, which relate to other utilities.

G. Stipulated Issues

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

H. Pending Motions

PEF has no pending motions.

I. Requests for Confidentiality

On August 6, 2004, PEF filed a Request for Confidential Classification of Staff's Audit Workpapers. By memorandum dated September 20, 2004, Staff recommended approval of the confidentiality request, but final action on the request has not been taken.

J. Requirements of Order

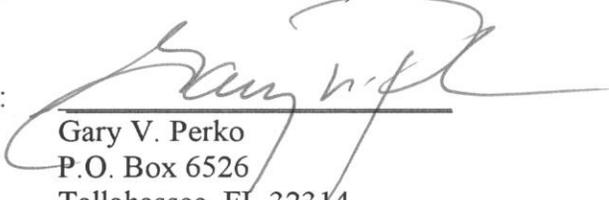
PEF believes that this prehearing statement complies with all the requirements of the Order on Procedure.

K. Objections to Qualifications

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

RESPECTFULLY SUBMITTED this 12th day of October, 2004.

HOPPING GREEN & SAMS, P.A.

By: 

Gary V. Perko
P.O. Box 6526
Tallahassee, FL 32314
(850) 425-2313

Attorneys for Progress Energy Florida, Inc.