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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Progress Energy Florida, Inc.  
for limited proceeding to include the  
Bartow Repowering project in base rates.

COMMISSION  
CLERK  
Docket No. 090144-EI

**PROGRESS ENERGY FLORIDA, INC.'S PETITION FOR LIMITED PROCEEDING  
TO INCLUDE THE BARTOW REPOWERING PROJECT IN BASE RATES**

Progress Energy Florida ("PEF" or the "Company") respectfully petitions the Florida Public Service Commission ("PSC" or the "Commission") for a limited proceeding to include the Bartow Repowering project in base rates. PEF's request is consistent with and authorized by its 2005 Stipulation and Settlement Agreement ("Stipulation") approved by the Commission in Order No. PSC-05-0945-S-EI, in Docket No. 050078-EI. Pursuant to the terms of that Stipulation, if PEF's retail base rate earnings fall below a 10 percent return on equity, PEF may petition the Commission to amend its base rates as a limited proceeding under Section 366.076, Florida Statutes. Accordingly, PEF requests Commission approval to include the Bartow Repowering project in base rates at the 10 percent return on equity floor established under the Stipulation approved in Order No. PSC-05-0945-S-EI and to allow a rate increase adjustment factor consistent with this request effective with the first billing cycle for July 2009. The exhibits to the

testimony of Mr. Peter Toomey filed with this Petition include the revised tariffs sheets in legislative and clean copy format, respectively, including the Bartow Repowering project in base rates, based on a 10 percent return on equity for purposes of this limited proceeding only.

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## **Request for Expedited Approval**

1. The Stipulation approved by this Commission in Order No. PSC-05-0945-S-EI authorizes the Company to amend its base rates in a limited proceeding under Section 366.076, Fla. Stat., when its retail base rate earnings fall below a 10 percent return on equity. Under the current recessionary economic conditions, which are beyond PEF's control, sales revenues are not keeping pace with the costs PEF must incur to provide customers reliable electric service, in particular, the Bartow Repowering project costs. The Bartow Repowering project is necessary for PEF to meet its obligation to satisfy its customers' capacity needs in 2009 with cost-effective, environmentally responsible sources of large-scale power generation consistent with the goals of Florida's Energy and Climate Change Action Plan. Consequently, PEF requests the Commission to approve the inclusion of the Bartow Repowering project in base rates, based on a 10 percent return on equity for purposes of this limited proceeding only, and to allow a rate increase factor of 9.12 percent effective with the first billing cycle for July 2009.

2. The current recessionary economic conditions are fairly indisputable, as are the requirement for and cost of the Bartow Repowering project, and the resulting impact on PEF's earnings. Because PEF is requesting for purposes of this proceeding to include the Bartow Repowering project in base rates based only on the 10 percent return on equity under the Commission-approved Stipulation, the request should be addressed in a limited proceeding involving just this base rate amendment in 2009. Also, PEF is simultaneously filing a petition for a general increase in base rates commencing with the first billing cycle for January 2010. Any interested party has the opportunity in that proceeding to review all of PEF's rate base expenditures and expenses. PEF, accordingly, requests Commission approval to include the current Bartow Repowering costs in base rates and to allow a rate

increase factor of 9.12 percent effective with the first billing cycle for July 2009 subject to refund, pending any necessary review of the reasonableness of those costs in the base rate proceeding.

3. In support of this Petition, the Company has filed the testimony of Kevin Murray and Peter Toomey, and the appropriate, amended tariff sheets, providing the Commission with the necessary information to issue its Proposed Agency Action (“PAA”) on the Company’s Petition. PEF, however, reserves the right to submit additional testimony addressing issues identified in any protest of the PAA Order, if necessary. For these reasons, as more fully developed below, PEF requests that the Commission approve its Petition on an expedited basis.

**I. Preliminary Information.**

4. The Petitioner’s name and address are:

Progress Energy Florida, Inc.  
299 1st Ave. N.  
St. Petersburg, Florida 33701

5. Any pleading, motion, notice, order, or other document required to be served upon PEF or filed by any party to this proceeding should be served upon the following individuals:

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## **II. Primarily Affected Utility.**

6. PEF is the utility primarily affected by the proposed request for cost recovery. PEF is an investor-owned electric utility, regulated by the Commission pursuant to Chapter 366, Fla. Stats., and is a wholly owned subsidiary of Progress Energy, Inc. The Company's principal place of business is located at 299 1st Ave. N., St. Petersburg, Florida 33701.

7. PEF serves more than 1.6 million retail customers in Florida. Its service area comprises approximately 20,000 square miles in 35 of the state's 67 counties, encompassing the densely populated areas of Pinellas and western Pasco Counties and the greater Orlando area in Orange, Osceola, and Seminole Counties. PEF supplies electricity at retail to approximately 350 communities and at wholesale to about 21 Florida municipalities, utilities, and power agencies in the State of Florida.

**III. Approval of Inclusion of the Bartow Repowering Project Costs in Base Rates Based on a 10 Percent Return on Equity for this Limited Proceeding Only is Appropriate.**

8. The Bartow Repowering project will satisfy the Company's reliability need for additional capacity beginning June 2009 in a cost-effective manner. The Bartow Repowering project, as more fully explained in the testimony of Kevin Murray, is part of the Company's "Balanced Solution" for meeting customer needs and is consistent with the goals set forth in Florida's Energy and Climate Change Action Plan submitted to the Governor by his Action Team. Part of that Plan emphasized achieving efficiency improvements at existing plants by repowering existing plants to use natural gas in place of oil. The Bartow Repowering project will replace the 1950s-era generation technology at the current Bartow Power Plant that generates power from three oil-fired units with a state-of-the-art, natural gas-fired, combined cycle plant.

9. The Bartow Repowering project includes newly configured four-on-one combined cycle units, consisting of four gas-fired combustion turbines (CTs), four heat recovery steam generators (HRSGs), and one steam turbine (a 4x4x1 configuration). The Bartow Repowering project will increase the generating capacity of the Bartow Power Plant by approximately 827 MW, improve the efficient generation of energy, reduce air emissions, and eliminate the use of heavy fuel oil. As a result, the Company will meet its need for additional capacity in a cost-effective and environmentally sensitive manner. The Bartow Repowering project is currently on schedule to commence commercial operation by June 1, 2009.

10. The total project cost is \$800.2 million (including AFUDC). This includes new generation capital expenditures of \$560.3 million, transmission capital expenditures of \$143.0 million, and \$96.9 million in AFUDC.

11. Pursuant to the Stipulation, the Company may petition the Commission for a limited proceeding pursuant to section 366.076(1), Florida Statutes, if the Company's retail base rate earnings fall below a 10 percent return on equity as reported on a Commission adjusted or pro-forma basis on a PEF monthly earnings surveillance report during the term of the Stipulation. PEF has met that condition based on its monthly earnings surveillance reports filed with the Commission. As explained in the testimony of Peter Toomey, PEF's revenues from sales under the current recessionary conditions will not cover PEF's required expenditures to meet customer reliability needs for power such as the addition of the Bartow Repowering project to PEF's system. With the addition of the Bartow Repowering project the Company's earnings will fall further below a 10 percent return on equity.

12. Section 366.076(1) provides that the Commission may conduct a limited proceeding to consider and act upon any issue within its jurisdiction, including any matter which once resolved, would require a public utility to adjust its rates. The Bartow Repowering project is appropriate for Commission consideration under this statutory provision for a limited adjustment to PEF's base rates. The Commission-approved Stipulation contemplates an adjustment to PEF's base rates in a limited proceeding when PEF's return on equity falls below 10 percent. The Bartow Repowering project is a significant expense that alone, under current recessionary economic conditions, drives PEF's equity return further below this threshold. Accordingly, PEF requests Commission approval to recover these project costs in base rates in a limited proceeding and to allow a rate increase factor of 9.12 percent consistent with this request effective with the first billing cycle for July 2009.

#### **IV. Calculation of Revenue Requirements.**

13. The total project cost of \$800.2 million (including AFUDC) equates to approximately \$126 million in expected annual revenue requirements or \$63 million for the period consistent with the increase in rates requested in this petition (July – December 2009). That calculation is based on using a 10 percent return on equity for purposes of this limited proceeding only consistent with the ROE floor agreed to in the Stipulation approved by the Commission in Order Number PSC-05-0945-S-EI. This calculation is reflected in the exhibits to Peter Toomey’s testimony.

14. PEF requests Commission approval of its Petition so that the requested, limited base rate increase is reflected in rates beginning with the first billing cycle for July 2009. Recognizing the Commission’s desire to provide as much advance notice of rate changes to customers as possible, PEF asks that this Petition be given expedited treatment and scheduled for consideration on or before the Commission’s May 5, 2009 Agenda conference. PEF further agrees, as explained above, to collect any base rate increase subject to refund, pending any necessary review of the reasonableness of the Bartow Repowering project costs in the Company’s general base rate proceeding.

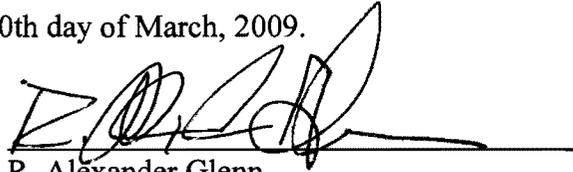
15. PEF is not aware at this time that there will be any disputed issues of material fact in this proceeding.

#### **V. Conclusion.**

For all the reasons provided in this Petition, and the supporting testimony and exhibits filed with this Petition, PEF respectfully requests that the Commission expedite this Petition and approve, subject to refund, a base rate increase, and filed tariff sheets to be effective with the 1<sup>st</sup> billing cycle for July 2009, for its costs associated with the Bartow Repowering Project, pursuant to Section 366.076(1), Florida Statutes, and the

Stipulation.

Respectfully submitted this 20th day of March, 2009.



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