

Dorothy Menasco

From: John W.McWhirter [jmcwhirter@mac-law.com]
Sent: Monday, July 09, 2007 4:11 PM
To: Filings@psc.state.fl.us
Cc: Alex.Glenn; Bill McNulty; D Triplett; Earl Poucher; 'Harold McLean'; J Michael Walls; James W. Brew; Javier Portuando ; Jim Beasley; Joe McGlothlin; John Burnett; John McWhirter; Lisa Bennett; Mike Twomey; Patty Christensen, Esq.; Paul Lewis; Schef Wright
Subject: FIPUG PREHEARING STATEMENT DOCKET 070052-EI
Attachments: 0779 FIPUG's Prehearing Statement 070052-EI.doc

ORIGINAL

1. John W. McWhirter, Jr., 400 N. Tampa St. Tampa, FL 33602, jmcwhirter@mac-law.com is the person responsible for this electronic filing;
2. The filing is to be made in Docket 070052-EI, In re: Progress Energy to Recover CR#3 Costs
3. The filing is made on behalf of the Florida Industrial Power Users Group;
4. The total number of pages is 6; and
5. The attached document is the FIPUG Prehearing Statement

John W. McWhirter, Jr.
400 N. Tampa St
Suite 2450
Tampa, FL 33602
813.224.0866
813.221.1854 FAX

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

BEFORE THE PUBLIC SERVICE COMMISSION

ORIGINAL

Petition for cost recovery through) Docket No.: 070052-EI
fuel clause, by Progress Energy Florida) Filed July 9, 2007

**THE FLORIDA INDUSTRIAL POWER USERS GROUP'S
PREHEARING STATEMENT**

The Florida Industrial Power Users Group (FIPUG) hereby files its Prehearing Statement, on the date specified for prehearing statements in the CASR posted for this Docket:

A. APPEARANCES:

JOHN W. MCWHIRTER, JR., 400 North Tampa Street, Suite 2450, Tampa, Florida
33601-3350

On Behalf of the Florida Industrial Power Users Group.

B. WITNESSES:

Jeffry Pollock, all issues

C. EXHIBITS:

<u>Exhibit #</u>	<u>Witness</u>	<u>Description</u>
JP-1	Pollock	PEF 2006 Surveillance Report
JP-2	Pollock	USNR Power Uprates
JP-3	Pollock	Impact of Sales Growth
JP-4	Pollock	CCCR vs. Fuel Clause
Undesignated	Administrative Notice	2005, 2005 & 2006 Ten Year Site Plans

D. STATEMENT OF BASIC POSITION:

FIPUG supported the construction of a cost effective Nuclear Plant uprate and exemption from the bid rule because of the unique circumstances of the uprate. FIPUG opposes the proposal to recover nuclear uprate costs through the fuel clause first, it would be a direct violation of the Settlement in PEF's 2005 base rate case (Docket No. 050078). Among other things, the Settlement required that base rates remain frozen through December 2009. Second, the proposed uprate does not qualify for cost recovery through the fuel clause because (a) the costs are not fuel-related and they are not volatile; (b) nuclear uprates are neither new nor innovative; and (c) the additional capacity to be provided by the uprate is needed by PEF to meet its projected peak demands and to maintain the required reserve margins. Third, collecting these costs through the fuel clause would create a double-recovery, because PEF's base rate already reflects the recovery of nuclear capacity costs. Fourth, the proposed fuel clause recovery is improper because (a) the costs at issue are properly classified as demand-related; (b) it would result in cost shifting because demand-related costs would be recovered on a kWh basis, and (c) the proposed 10-year amortization period would fail to match the costs of the uprate (which is expected to last through 2036), with the projected benefits, which are also projected to occur through 2036 the projected remaining life of CR3, (if PEF's planned license extension is granted).

Should the Commission, nevertheless, allow special cost recovery, the nuclear uprate costs properly allocable to PEF's retail customers should be recovered through the Capacity Cost Recovery Clause (CCRC). With the exception of the transmission portion of PEF's request, the costs should be amortized over the expected remaining life

of CR3. Additional transmission costs should be amortized over not less than 40 years, consistent with the expected useful life of PEF's transmission facilities.

E. STATEMENT OF ISSUES AND POSITIONS

ISSUE 1: Should the Commission authorize clause recovery of the prudent and reasonable costs of the following:

FIPUG POSITION: No. The Commission should resist shifting additional typical base rate through guaranteed cost recovery mechanisms

A. Phase 1 of PEF's CR3 Uprate Project?

FIPUG POSITION: No. This phase does no more than off set the CR coal plant capacity deratings

B. Phase 2 of PEF's CR3 Uprate Project?

FIPUG POSITION: No. It only partially replaces the cancellation of Hines 5 & 6

C. Phase 3 of PEF's CR3 Uprate Project, including:

1. Nuclear Core Modifications, Secondary Systems, and Other Project-related Plant Additions/Modifications?
2. The "point of discharge" cooling solution?
3. Transmission upgrades associated with the CR3 Uprate Project?
4. Other costs associated with phase 3 of the CR3 Uprate Project?

FIPUG POSITION: No all of these costs are typical base rate charges.

ISSUE 2: If the Commission authorizes clause recovery of the CR3 Uprate Project, which cost recovery clause, fuel or capacity, is appropriate for capitalized costs attributable to the uprate?

FIPUG POSITION: The capacity cost recovery clause, but this approach would still authorize cost recovery in violation of the 2005 settlement agreement, and permit potential double recovery for items already adequately compensated through base rates, as stated above.

ISSUE 3: If the Commission authorizes clause recovery of the CR3 Uprate Project, what capital recovery periods should the Commission prescribe for the assets?

FIPUG POSITION: Useful life of the rate base additions

ISSUE 4: Based on the recovery periods prescribed for the CR3 Uprate Project assets, what ratemaking adjustments, if any, are necessary?

FIPUG POSITION: No position at this time

ISSUE 5: If the Commission authorizes PEF clause recovery of the CR3 Uprate Project, what return on investment should the Commission authorize PEF to include?

FIPUG POSITION: No position at this time.

ISSUE 6: If the Commission authorizes clause recovery of the CR3 Uprate Project, how should the costs associated with the project be allocated between wholesale and retail jurisdictions for rate recovery purposes?

FIPUG POSITION: In accordance with the projected wholesale sales shown in the filed ten year sight plans, approximately 12% to 15% to the wholesale market. In addition if there are any co owners of the CR # 3 these owners should make the appropriate contribution.

ISSUE 7: If the Commission authorizes clause recovery of the CR3 Uprate Project, what reports, if any, should PEF be required to file with the Commission?

FIPUG POSITION: No Position at this time

ISSUE 8: Should this docket be closed?

FIPUG POSITION: Yes

F. STIPULATED ISSUES

None.

G. PENDING MOTIONS

Motion for administrative notice of certain Commission Orders and PEF Commission filings will be forthcoming.

H. STATEMENT OF PENDING REQUESTS OR CLAIMS FOR

CONFIDENTIALITY

FIPUG has no pending requests or claims for confidentiality.

I. OBJECTIONS TO QUALIFICATIONS OF WITNESSES AS AN EXPERT

FIPUG does not anticipate challenging the qualification of any witness in this proceeding at this time.

J. STATEMENT OF COMPLIANCE WITH ORDERS ESTABLISHING PROCEDURE

There are no requirements of the Orders Establishing Procedures with which FIPUG cannot comply.

CERTIFICATE OF SERVICE

I, HEREBY CERTIFY that a true and correct copy of the foregoing document sponsored by FIPUG has been furnished by electronic and regular mail this 9th day of July, 2007, to the following:

Paul Lewis
Progress Energy Florida, Inc.
106 E. College Ave., Suite 800
Tallahassee, FL 32301-7740

John T. Burnett/R. Alexander Glenn
Post Office Box 14042
St. Petersburg, FL 33733

Mike Twomey
P.O. Box 5256
Tallahassee, FL 32314

Lisa Bennett
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

James M. Walls/Dianne M. Tripp
P.O. Box 3239
Tampa, FL 33607-5736

Robert Scheffel Wright
225 S. Adams Street, Ste. 200
Tallahassee, FL 32301

Beth Keating
106 E. College Ave. Ste. 1200
Tallahassee, FL 32301

Karin S. Torain
PCS Administration (USA), Inc
Suite 400
1101 Skokie Boulevard
Northbrook, IL 60062

James W. Brew
Brickfield, Burchette, Ritts & Stone, P.C.
1025 Thomas Jefferson St., NW
Eighth Floor, West Tower
Washington, DC 20007-5201

Joseph A. McGlothlin
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400

\s\John W McWhirter, Jr.
John McWhirter Fl Bar # 53905
McWhirter Davidson & McLean PA
400 N. Tampa Street, Ste. 2450
Tampa, FL 33602
813.224.0866