

SCANNED

BRICKFIELD BURCHETTE
RITTS & STONE, PC

DISTRIBUTION CENTER

WASHINGTON, D.C.
AUSTIN, TEXAS

07 AUG 28 AM 9:17

August 27, 2007

RECEIVED-FPSC
07 AUG 28 AM 10:04
COMMISSION
CLERK

VIA FEDERAL EXPRESS

Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

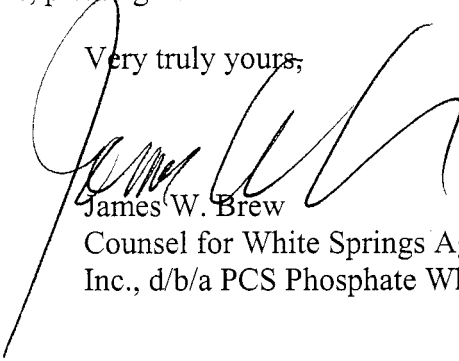
In Re: Petition by Progress Energy Florida, Inc. to Recover Costs of Crystal
River Unit 3 Uprate Through Fuel Clause – Docket No. 070052-EI

Dear Ms. Cole:

Enclosed is an original and seven (7) copies each of the *PCS Phosphate-White Springs Post-Hearing Statement* and the *Post-Hearing Brief of PCS Phosphate – White Springs*.

If you have any questions, please give me a call.

Very truly yours,



James W. Brew
Counsel for White Springs Agricultural Chemicals,
Inc., d/b/a PCS Phosphate White Springs

- CMP _____
- COM _____
- CTR _____
- ECR _____
- GCL 2 _____
- OPC _____
- RCA _____
- SCR _____
- SGA _____
- SEC _____
- OTH _____

JWB:pdi
Enclosure

Cc: All Parties of Record

DOCUMENT NUMBER-DATE

07734 AUG 28 08

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition by Progress Energy)
Florida, Inc. to recover costs of)
Crystal River Unit 3 uprate through)
fuel clause)

DOCKET NO. 070052-EI

FILED: August 28, 2007

COMMISSION
CLERK

07 AUG 28 AM 10:04

RECEIVED-FPSC

PCS PHOSPHATE- WHITE SPRINGS POST-HEARING STATEMENT

In compliance with Orders No. PSC-07-0390-PCO-EI, issued May 2, 2007, and Order No. PSC-07-0132-PCO-EI, issued May 23, 2007, establishing the prehearing procedure in this docket, and prehearing Order No. PSC-07-0625-PHO-EI (CT) issued July 31, 2007, White Springs Agricultural Chemicals, Inc., d/b/a PCS Phosphate White Springs ("White Springs") files its post hearing statement of issues.

BASIC POSITION

PEF's request to recover the costs of the CR3 uprate project through the fuel adjustment clause should be rejected. Rate ramifications of the investment should be considered in a base rate case. PEF's proposal violates the utility's commitments in its 2005 rate stipulation not to petition for recovery of costs that traditionally are addressed in base rates. The uprate is a capacity addition that does not fit within the limited exception of Commission Order 14546. Fuel clause recovery improperly guarantees PEF's return on equity for the uprate. Finally, transmission upgrade investments should not be recovered through the fuel clause. *

DOCUMENT NUMBER-DATE

07734 AUG 28 08

FPSC-COMMISSION CLERK

ISSUES AND POSITIONS

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

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

WHITE SPRINGS POSITION: *No. The measurement uncertainty recapture ("MUR") replacement of obsolete and inaccurate instrumentation has become a commonplace nuclear plant upgrade over the past decade. PEF's revised plan to perform the MUR upgrade in 2007, rather than 2009 as originally filed, does not change the fact that this is a base rate expenditure that should be subsumed among the on-going capital investments in its system that the Commission expected PEF to make as part of the 2005 rate stipulation, and no special allowance is warranted for fuel cost recovery.*

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

WHITE SPRINGS POSITION: *No. PEF's 2005 and 2006 resource plans called for additional natural gas and coal –fired generation to be built to meet expected sales growth. The utility's current TYSP effectively replaces the planned coal unit with the CR3 uprate and additional power purchases. As the CR3 uprate represents a planned baseload capacity addition, it should be treated for rate purposes like similar base load generation additions (as rate base additions in its next base rate case). Guaranteed cost recovery of the capital costs and return on the uprate investment rate is unwarranted, is inconsistent with the 2005 base rate stipulation, and is not contemplated by the limited exception created in Order 14546.*

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

1. Nuclear Core Modifications, Secondary Systems, and Other Project-related Plant Additions/Modifications?

WHITE SPRINGS POSITION: *No for the reasons stated with respect to the Phase II investment. Further, piece-meal rate decisions on major modifications or upgrades to CR3 should be avoided. PEF is free to file for a change in base rates to accommodate the Phase 3 uprate investments before the new investments are slated to enter commercial operation.*

2. The "point of discharge" cooling solution?

WHITE SPRINGS POSITION: *No. PEF estimates that its POD investment will be large (\$43 million) but it offered no actual analysis or studies of the issue, discussions with the DEP or other credible assessments to justify its request that such costs be recovered through the fuel clause. The utility bears the burden of proving the proposed investments are necessary, reasonable and prudent. PEF, however, provides only an assumed proxy that does not satisfy its burden of proof. At a minimum, the Commission should withhold any decision

on rate recovery for the proposed POD investment until PEF provides specific plans, DEP permit authorization and a Board approved capital budget.*

3. Transmission upgrades associated with the CR3 Uprate Project?

WHITE SPRINGS POSITION: *No. Any transmission upgrade changes power flows and many system variables must be considered. PEF's transmission proposal has not been developed yet. The Commission should require a complete review of PEF's transmission investments as part of its TSYR review and consider rate recovery of such added investments in base rate cases. PEF's unsubstantiated assumption that a \$83 million upgrade to a transmission line located 100 miles north of CR3 for Florida reliability purposes does not qualify for fuel clause recovery.*

4. Other costs associated with phase 3 of the CR3 Uprate Project?

WHITE SPRINGS POSITION: *No. All of these uprate costs are typical base rate charges and should be recovered through the base rate process.*

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?**

WHITE SPRINGS POSITION: *No. The uprate investments at issue are properly classified as demand related. Every effort should be made to align the recovery of these costs, in terms of timing, allocation and rate design with the normal function and classification of these plant additions. Recovering demand related costs through kwh charges, as PEF proposes, produces a basic mis-alignment of cost recovery and cost causation that the Commission should avoid.*

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

WHITE SPRINGS POSITION: * The Commission should base capital recovery of the assets based on the expected 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?**

WHITE SPRINGS POSITION: *Agrees with OPC.*

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?

WHITE SPRINGS POSITION: *Agrees with OPC.*

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?

WHITE SPRINGS POSITION: *Agrees with FIPUG.*

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?

WHITE SPRINGS POSITION: *Agrees with FIPUG.*

ISSUE 8: Should this docket be closed?

WHITE SPRINGS POSITION: *Yes.*

CERTIFICATE OF SERVICE

I, **HEREBY CERTIFY** that a true and correct copy of the foregoing document sponsored by White Springs has been furnished by Federal Express this 27th day of August, 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
8903 Crawfordville Road
Tallahassee, FL 32305

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

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

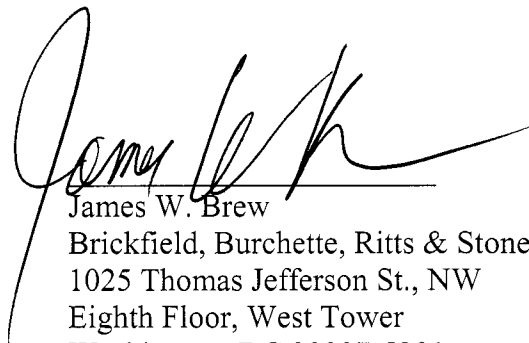
James M. Walls/Dianne M. Tripp
4221 W. Boy Scout Boulevard
Suite 1000
Tampa, FL 33607

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

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



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