

Dorothy Menasco

From: Rhonda Dulgar [rdulgar@yvlaw.net]
Sent: Tuesday, August 28, 2007 3:36 PM
To: Beth Keating; James Brew; Dianne Triplett; Mike Walls; Charles Beck; Patricia A. Christensen; Joseph A. McGlothlin; Alex Glenn; John T. Burnett; Paul Lewis, Jr.; Karin Torain; Filings@psc.state.fl.us; Lisa Bennett; Michael Twomey; Schef Wright
Subject: Electronic Filing - Docket 070052-EI
Attachments: FRF.PosthearingStatement.8-28-07.doc

a. Person responsible for this electronic filing:

Robert Scheffel Wright
Young van Assenderp, P.A.
225 South Adams Street, Suite 200
Tallahassee, FL 32301
(850) 222-7206
swright@yvlaw.net

b. Docket No. 070052-EI

In Re: Petition by Progress Energy Florida, Inc. to Recover Costs of Crystal River Unit 3 Uprate Through Fuel Clause.

c. Document being filed on behalf of the Florida Retail Federation.

d. There are a total of 5 pages.

e. The document attached for electronic filing is The Florida Retail Federation's Post-Hearing Statement.

(see attached file:FRF.PosthearingStatement.8-28-07.doc)

Thank you for your attention and assistance in this matter.

Rhonda Dulgar
Secretary to Schef Wright
Phone: 850-222-7206
FAX: 850-561-6834

8/28/2007

DOCUMENT NUMBER-DATE

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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

THE FLORIDA RETAIL FEDERATION'S POST-HEARING STATEMENT

The Florida Retail Federation (FRF), by and through its undersigned attorneys and pursuant to the prehearing and procedural orders issued in this docket, hereby files this its Post-Hearing Statement.

BASIC POSITION

The Commission should deny Progress's petition for recovery of costs associated with the CR3 Uprate Project through the Fuel Clause, through any other cost recovery clause, or through any other means that would allow Progress to realize recovery of such costs before the expiration of its current rate case stipulation. The costs at issue in this case are predominantly, if not entirely, capital costs of a type normally recovered through base rates, and accordingly, recovery through the Fuel Clause or any other cost recovery clause is inappropriate.

STATEMENT OF ISSUES AND POSITIONS

ISSUE 1: Should the Commission authorize clause recovery in lieu of base rates recovery of the prudent and reasonable costs of the following:

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

FRF Position: *No. Recovery of Phase I portion of the CR3 Uprate Project is inappropriate through the fuel clause because these costs are non-volatile, non-fuel related costs that belong in base rates *

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

FRF Position: *No. Recovery of the Phase 2 costs of the CR3 Uprate Project is inappropriate through the fuel clause because these costs are generation plant costs that belong in base rates *

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

FRF Position: *No.*

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

FRF Position: *No. Recovery of the Phase 3 costs of the CR3 Uprate Project is inappropriate through the fuel clause because these costs are generation plant costs that belong in base rates.*

2. The "point of discharge" cooling solution?

FRF Position: *No. Recovery of the "point of discharge" costs is inappropriate and should be rejected because these costs are associated with the Phase III increases in generation, which are themselves inappropriate for fuel clause recovery.*

3. Transmission upgrades associated with the CR3 Uprate Project?

FRF Position: *No. The costs of transmission upgrades associated with the CR3 Uprate Project are due to safety and reliability issues and are not associated with any fuel saving, and therefore, recovery of those costs is inappropriate through the fuel clause.*

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

FRF Position: *No. PEF has failed to justify recovery of any portion of the costs of Phase 3 of the CR3 Uprate Project in the fuel clause *

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?

FRF Position: *The Commission should not authorize clause recovery of the CR3 Uprate Project. If it does, the FRF takes no position on whether any allowed capital costs should be recovered through the Fuel Cost Recovery Clause or the Capacity Cost Recovery Clause.*

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

FRF Position: *Agree with OPC that the recovery period should coincide with the useful lives of Uprate Project components, expected to last through 2036. In contrast, PEF's proposal would unfairly impose severe intergenerational inequities on PEF's customers to enable PEF to

recoup its investment before its customers realize meaningful fuel savings.*

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

FRF Position: *No adjustments to PEF's current rates are appropriate. Agree with OPC that, regardless of base rate or fuel clause recovery, the Commission should set cost recovery periods to correspond with expected useful lives, and that otherwise, PEF's customers must be compensated for any lost NPV benefits of deferred taxes.*

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?

FRF Position: *The Commission should not authorize clause recovery of the CR3 Uprate Project. The FRF agrees with OPC that, if the Commission were to grant PEF's request for clause treatment, it should authorize a return no greater than PEF's cost of debt.*

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?

FRF Position: *The Commission should not authorize clause recovery of the CR3 Uprate Project. If the Commission does so, the FRF agrees with OPC that retail customers should pay for only the portion of the unit that is devoted to retail service.*

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?

FRF Position: *If the Commission authorizes clause recovery, then the Commission should, in order to evaluate the prudence of PEF's expenditures for these base-rate type items, require PEF to file reports at least annually that include complete information on all already-expended costs and all projected capital and fuel costs of the Project.*

ISSUE 8: Should this docket be closed?

FRF Position: *Yes.*

Respectfully submitted this 28th day of August, 2007.

S/Robert Scheffel Wright
Robert Scheffel Wright
Florida Bar No. 966721
John T. LaVia, III
Florida Bar No. 853666
Timothy R. Qualls
Florida Bar No. 15658
YOUNG VAN ASSENDERP, P.A.
225 South Adams St., Suite 200 (ZIP 32301)
Post Office Box 1833
Tallahassee, Florida 32302
(850) 222-7206 Telephone
(850) 561-6834 Facsimile

Attorneys for the Florida Retail Federation

CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by electronic mail and U.S. Mail the 28th day of August 2007, to the following:

Lisa Bennett
Florida Public Service Commission
Division of Legal Services
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Charles Beck
Joseph A. McGlothlin
Patricia A. Christensen
Office of Public Counsel
111 West Madison Street Room 812
Tallahassee, Florida 32399

Paul Lewis, Jr., Esq.
Progress Energy Florida, Inc.
106 E. College Ave., Ste. 800
Tallahassee, Florida 32301

Carlton Fields Law Firm
James M. Walls/Dianne M. Triplett
P.O. Box 3239
Tampa, Florida 33607-5736

Michael Twomey
Post Office Box 5256
Tallahassee, Florida 32314-5256

Alex Glenn/John Burnett
Progress Energy Florida, Inc.
100 Central Avenue, Suite CX1D
St. Petersburg, Florida 33701

Charles Gauthier
Division of Community Affairs
Division of Community Planning
2555 Shumard Oak Boulevard
Tallahassee, Florida 32399-2100

Michael P. Halpin
Department of Environmental Protection
2600 Blair Stone Road, MS 48
Tallahassee, Florida 32301

Florida Cable Communications Assoc.
246 E. 6th Avenue, Suite 100
Tallahassee, Florida 32303

Beth Keating
106 E. College Avenue, Suite 1200
Tallahassee, Florida 32301

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

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

S/Robert Scheffel Wright
Attorney