

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Progress Energy Florida, Inc. to recover costs of the Crystal River Unit 3 uprate as provided in Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C.

Docket No. 080119-17

Submitted for Filing: February 29, 2008

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PROGRESS ENERGY FLORIDA, INC.'S PETITION TO RECOVER COSTS OF THE CRYSTAL RIVER UNIT 3 UPRATE AS PROVIDED IN SECTION 366.93, FLORIDA STATUTES, AND RULE 25-6.0423, F.A.C.

Pursuant to Section 366.93(3), Florida Statutes, and Rule 25-6.0423, F.A.C., Progress Energy Florida ("PEF" or the "Company") respectfully petitions the Florida Public Service Commission ("PSC" or the "Commission") for recovery of its carrying costs on construction expenditures for the Crystal River Unit 3 ("CR3") Power Uprate Project ("CR3 Uprate") carrying costs as provided in Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C.

BACKGROUND

On February 7, 2007, the Commission issued Order No. PSC-07-0119-FOF-EI, granting PEF's petition for a determination of need for the expansion of the CR3 nuclear power plant through the CR3 Uprate. The CR3 Uprate will increase the power output at CR3 by

CMP _____
COM 5 approximately 180 megawatts ("MWs") from about 900 MW to 1,080 MW. In a nearly identical
CTR _____ case, the Commission recently determined that Section 366.93, Fla. Stat. and Rule 25-6.0423,
ECR _____ F.A.C., applied to Florida Power & Light's ("FPL's") Turkey Point and St. Lucie nuclear power
SCL 1
OPC _____ plant uprates. See Order No. PSC-08-0021-FOF-EI (Jan. 7, 2008). Given this precedent, PEF
RCA _____ submits that the nuclear cost recovery statute and rule apply to the Company's CR3 Uprate.
SCR _____
SGA _____ PEF, therefore, seeks to recover its carrying costs on construction expenditures for the CR3
SEC _____ Uprate pursuant to Section 366.93, Fla. Stat., and Rule 25-6.0423, F.A.C., in this proceeding.
OTH _____

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The CR3 Uprate will be accomplished in three phases. PEF completed Phase I, the MUR, during the 2007 refueling outage. The MUR resulted in an increase of 12 MW to the output of CR3 beginning January 31, 2008. Phase 2 of this project involves a series of improvements to the efficiency of the secondary plant also known as the Balance of Plant (“BOP”). The Company currently anticipates that all or at least part of the turbine and electrical generator replacement can be completed during the BOP phase. PEF expects to complete the BOP phase during the 2009 refueling outage, which will result in an anticipated 28 MW increase in plant output. The third and final phase, called the Extended Power Uprate, will be completed during the 2011 refueling outage. This phase will provide the remaining megawatts necessary to achieve the total 180 MW. The joint owners of CR3 have indicated that they are electing to take their share of these additional megawatts, and their share of the costs incurred to obtain these additional megawatts, so that 165.205 MW will be available for PEF’s retail customers.

PEF has expended construction costs with respect to all three phases. PEF requests that the Commission find that PEF’s costs for the CR3 Uprate have been prudently incurred, and allow recovery, through the Capacity Cost Recovery Clause (“CCRC”), of the carrying costs associated with the construction costs, as provided in Section 366.93, Florida Statutes and consistent with the nuclear cost recovery rule, Rule 25-6.0423, F.A.C.

I. Preliminary Information.

1. The Petitioner’s name and address are:

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

2. 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.

3. 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.

4. PEF serves approximately 1.7 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. PEF REQUESTS COST RECOVERY FOR THE CR3 UPRATE AS PROVIDED IN SECTION 366.93, FLORIDA STATUTES, AND THE NUCLEAR COST RECOVERY RULE, RULE 25-6.0423, F.A.C.

5. The Commission approved PEF's need for the entire 180 MW power uprate project in Order No. PSC-07-0119-FOF-EI. The Commission, in considering FPL's need determination for power uprates at its Turkey Point and St. Lucie nuclear power plants, found, in Order No. PSC-08-0021-FOF-EI, that the FPL uprates were eligible for cost recovery pursuant to Rule 25-6.0423, F.A.C. PEF therefore requests that, pursuant to this nuclear cost recovery rule, the Commission: (1) determine the costs PEF incurred during 2006 and 2007 for the CR3 Uprate Project were reasonable and prudent; and (2) approve, pursuant to Rule 25-6.0423(5)(c), PEF's final true-up of the carrying costs on its actual construction expenditures for the CR3 Uprate for years 2006 and 2007. Detailed descriptions of the construction expenditures, the contracts executed, the carrying costs, and the other information required by Rule 25-6.0423(8), are provided in PEF's pre-filed testimony, exhibits, and Nuclear Filing Requirement ("NFR") schedules.

6. In general, PEF incurred construction costs with respect to each of the three phases of the CR3 Uprate. For the MUR, or Phase 1, the Company incurred equipment costs and costs for the installation during the 2007 scheduled outage. For Phases 2 and 3, PEF has incurred costs for certain necessary equipment and contracts for long-lead time material and work. Payments to secure such equipment and contract work were necessary to ensure timely installation of Phases 2 and 3 during the scheduled outages in 2009 and 2011, respectively. These costs are discussed in greater detail in the testimony and exhibits of

Daniel L. Roderick, filed simultaneously with this Petition.

7. For each contract it entered into, PEF took reasonable and prudent steps to ensure that value was obtained when considering both price and quality. For the lion's share of those contracts, an openly competitive bidding process was employed. PEF evaluated the responses to its Request for Proposals ("RFPs") and selected the most appropriate vendor(s) for the contract, taking into account price, quality, and other relevant factors. In some instances, where it was appropriate to select a vendor sole source, PEF chose its vendor without an RFP. The vendors chosen in this way generally had prior experience working with CR3's unique safety and technical specifications, thus allowing them to efficiently provide services for this uprate. With all contracts, PEF negotiated the most reasonable terms and conditions it could given market conditions. PEF's principal goals were to minimize risk to its customers and obtain, to the extent possible, favorable terms to provide reasonable cost certainty and appropriate risk-sharing under the circumstances.

8. As demonstrated in Mr. Roderick's testimony and exhibits, the costs PEF incurred in 2006 and 2007 for the CR3 uprate project are reasonable and prudent. Pursuant to Rule 25-6.0423, F.A.C., PEF is therefore entitled to recover through the CCRC the carrying costs associated with these prudently incurred costs. For the time period November 2006 through December 2007, PEF is requesting a total of \$928,895 in carrying costs, adjusted for the contributions to construction expenditures made by the joint owners of CR3. These costs were calculated pursuant to the nuclear cost recovery rule and are set forth in greater detail in the testimony and exhibits of Will Garrett.

VI. Disputed Issues of Material Fact.

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

in this proceeding. Through its testimony and exhibits, PEF expects to demonstrate the prudence of the costs it has incurred thus far in the CR3 Uprate project and to show why recovery of the capacity costs through the CCRC, as provided in Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C., is appropriate and warranted.

VII. Conclusion.


10. PEF seeks an affirmative determination that PEF can recover the carrying costs on the construction expenditures from November 2006 to December 2007 necessary to achieve the benefits of the CR3 Uprate project pursuant to Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C. Approval of PEF's petition for cost recovery as provided for in the statute and rule is warranted for the CR3 Uprate project.

WHEREFORE, for all the reasons provided in this Petition, as developed more fully in PEF's pre-filed testimony and exhibits, PEF respectfully requests that the PSC: (1) determine the costs PEF incurred during 2006 and 2007 for the CR3 Uprate Project were reasonable and prudent; and (2) approve, pursuant to Rule 25-6.0423(5)(c), PEF's final true-up of the carrying costs on its actual construction expenditures for the CR3 Uprate for years 2006 and 2007.

Respectfully submitted this ^{29th} day of February, 2008.

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