

March 1, 2012

Ann Cole, Director
Office of the Commission Clerk
PSC Recording & Filing
2540 Shumard Oak Blvd
Tallahassee, FL 32399

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COMMISSION
CLERK

Re: In re: Nuclear Cost Recovery Clause
Docket No. 120009

Dear Ms. Cole:

Enclosed for filing on behalf of Progress Energy Florida, Inc. are the following:

1. Progress Energy Florida, Inc.'s Petition to Recover Costs of the Crystal River Unit 3 Uprate Project and the Levy Units 1 and 2 Nuclear Power Plants Project as Provided in Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C. (original and 7 copies); **DN 01208-12**
2. Direct Testimony of Daryl O'Cain in Support of Actual Costs on behalf of Progress Energy Florida (original and 15 copies); **DN 01209-12**
3. Direct Testimony of Jon Franke (original and 15 copies); **DN 01210-12**
4. Direct Testimony of Will Garrett in Support of Actual Costs on behalf of Progress Energy Florida (original and 15 copies); **DN 01211-12**
5. Progress Energy Florida's First Request for Confidential Classification Regarding Portions of the Testimonies and Exhibits Filed as Part of the Company's March 1, 2012 True-Up Filing (original and 7 copies); and **DN 01212-12**
6. Notice of Filing Affidavits in Support of Progress Energy Florida, Inc.'s First Request for Confidential Classification (original and 7 copies). **DN 01214-12**

Sincerely,


Blaise N. Gamba

Enclosures

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APA	_____
ECR	<u>CD</u>
GCL	_____
RAD	_____
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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear Cost Recovery
Clause

Docket No. 120009-EI
Submitted for Filing: March 1, 2012

**PROGRESS ENERGY FLORIDA, INC.'S PETITION TO RECOVER
COSTS OF THE CRYSTAL RIVER UNIT 3 UPRATE PROJECT
AND THE LEVY UNITS 1 AND 2 NUCLEAR POWER PLANTS PROJECT 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, Florida Administrative Code, Progress Energy Florida, Inc. ("PEF" or the "Company") respectfully petitions the Florida Public Service Commission ("PSC" or the "Commission") to approve and find prudent the actual Crystal River Unit 3 ("CR3") Extended Power Uprate ("CR3 Uprate") project costs incurred in 2011, and approve and find prudent the actual Levy Nuclear Project ("LNP") costs incurred in 2011, as provided in Section 366.93, Fla. Stat. and Rule 25-6.0423, F.A.C. PEF further petitions the Commission to approve and find prudent the Company's (1) 2011 CR3 Uprate project management, contracting, and oversight controls; (2) 2011 CR3 Uprate project accounting and cost oversight controls; (3) 2011 LNP project management, contracting, and oversight controls; and (4) 2011 LNP accounting and cost oversight controls. Finally, PEF also petitions the Commission to approve the true-up of revenue requirements as presented in the contemporaneously filed testimony and exhibits and Nuclear Filing Requirements ("NFRs") for both the CR3 Uprate and LNP. These revenue requirements include preconstruction costs inclusive of carrying costs on the unrecovered

balance, carrying costs on the construction cost balance, carrying costs on the deferred tax balance, and Capacity Cost Recovery Clause ("CCRC") recoverable Operations and Maintenance ("O&M") costs.

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FPSC-COMMISSION CLERK

PEF's petition is supported by the testimony of Daryl O'Cain and Jon Franke and the testimony and exhibits of Will Garrett along with the NFR "T" schedules filed herewith and incorporated by reference.

BACKGROUND

CR3 Uprate Project.

The Commission granted PEF's petition for a determination of need for the expansion of the CR3 nuclear power plant through the CR3 Uprate project on February 7, 2007 in Order No. PSC-07-0119-FOF-EI. The CR3 Uprate project will increase the power output at CR3 by approximately 180 megawatts electric ("MWe").

The CR3 Uprate project is a three-phase project involving the engineering, design, equipment procurement, and equipment installation necessary to generate an additional, estimated 180 MWe of efficient nuclear power at the Company's existing nuclear unit. The work necessary for this project was divided into three phases to be performed during separate, planned re-fueling outages at CR3. The first phase of the work, the Measurement Uncertainty Recapture ("MUR") phase, was successfully completed during the 2007 CR3 refueling outage and it was brought online in January, 2008, providing an additional 12 MWe of nuclear energy generation. The second phase of the work, primarily Balance of Plant ("BOP") work, was performed during the 2009 CR3 16R refueling outage and was successfully installed. When CR3 returns to service the BOP phase work will yield an additional 4 MWe nuclear energy production and support the final EPU phase.

PEF is currently performing the engineering and design analyses, licensing, and material procurement necessary to complete the third and final phase of the CR3 Uprate, the Extended Power Uprate ("EPU") phase. Upon completion of the EPU work and Nuclear

Regulatory Commission (“NRC”) approval of the EPU License Amendment Request (“LAR”) for the power uprate, the Company will be able to increase the power generated at CR3 by an additional 164 MWe.

PEF incurred construction costs during 2011 for its CR3 Uprate project and seeks to recover its carrying costs on these construction expenditures, pursuant to Section 366.93, Fla. Stat., and Rule 25-6.0423, F.A.C., in this proceeding. PEF has incurred these construction costs in 2011 in preparation for the EPU phase of the CR3 Uprate project. The majority of these costs were incurred for necessary engineering analyses for the engineering change packages for the Phase 3 work, for long lead equipment payments, and for related licensing work on the Company’s EPU LAR to the NRC, and associated project management work. The testimony and exhibits of Jon Franke and Will Garrett provide further details relating to the prudence of these costs incurred for the CR3 Uprate project in 2011. Mr. Franke also provides testimony regarding the prudence of PEF’s 2011 CR3 Uprate project management, contracting, and oversight controls policies and procedures. Mr. Garrett provides testimony regarding the prudence of the 2011 CR3 Uprate project accounting and cost oversight controls.

PEF requests that the Commission find that PEF’s costs for the CR3 Uprate have been prudently incurred, and allow recovery, through the CCRC, of the carrying costs associated with the construction costs, carrying cost on the deferred tax balance, and CCRC recoverable O&M expenditures as provided in Section 366.93, Fla. Stat., and consistent with the nuclear cost recovery rule, Rule 25-6.0423, F.A.C.

Levy Nuclear Power Plant Units 1 & 2.

On August 12, 2008, the Commission issued Order No. PSC-08-0518-FOF-EI, granting PEF's petition for a determination of need for the construction of Levy Nuclear Units 1 and 2 and related facilities, including transmission facilities. The LNP will consist of two Westinghouse AP1000 nuclear-fueled generating units. In the 2010 NCRC proceeding, the Commission determined that PEF's decision to amend the Engineering, Procurement, and Construction ("EPC") contract for the LNP to focus work on obtaining the LNP Combined Operating License ("COL") and defer most other LNP work until the COL for the LNP is obtained was reasonable.

In 2011, the Company continued to implement its decision made in 2010 to proceed with the LNP on a slower pace. The 2011 LNP costs were incurred in connection with licensing application activities to support the Levy Combined Operating License Application ("COLA") to the NRC, engineering activities in support of the COLA, and activities under PEF's LNP EPC contract with Westinghouse and Shaw, Stone and Webster (the "Consortium"), and costs were incurred for Levy Transmission strategic land acquisitions. The testimony and exhibits of Daryl O'Cain and Will Garrett provide further details relating to the prudence of these costs incurred for the LNP in 2011. Mr. O'Cain also provides testimony regarding the prudence of PEF's 2011 LNP project management, contracting, and oversight controls policies and procedures. Mr. Garrett provides testimony regarding the prudence of the 2011 LNP accounting and cost oversight controls.

PEF requests that the Commission find that PEF's costs for the LNP incurred in 2011 have been prudently incurred, and allow recovery, through the CCRC, of the preconstruction costs inclusive of the carrying cost on the unrecovered balance, carrying costs on construction

costs, carrying cost on the deferred tax balance, and CCRC recoverable O&M expenditures as provided in Section 366.93, Fla. Stat. 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 Avenue North
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:

R. Alexander Glenn
alex.glenn@pgnmail.com
John T. Burnett
john.burnett@pgnmail.com
Progress Energy Florida, Inc.
P.O. Box 14042
St. Petersburg, Florida 33733
(727) 820-5587
(727) 820-5519 (fax)

James Michael Walls
mwalls@carltonfields.com
Blaise N. Gamba
bgamba@carltonfields.com
Carlton Fields, P.A.
Corporate Center Three at International Plaza
4221 W. Boy Scout Boulevard
P.O. Box 3239
Tampa, Florida 33607-5736
(813) 223-7000
(813) 229-4133 (fax)

Matthew R. Bernier
mbernier@carltonfields.com
Carlton Fields, P.A.
215 South Monroe St., Suite 500

Tallahassee, Florida 32301-1866
(850) 224-1585
(850) 222-0398 (fax)

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, Florida Statutes, 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 1.6 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.

5. In 2006, the Florida Legislature enacted Section 366.93, Florida Statutes, to encourage utility investment in nuclear electric generation through alternative cost recovery mechanisms established by the Commission. The Legislature required the design of cost recovery mechanisms that promoted utility investment in nuclear power plants and allowed for the recovery in rates of all prudently incurred costs. Pursuant to this Legislative directive, the Commission adopted Rule 25-6.0423, F.A.C., in Order No. PSC-07-0240-FOF-EI, to establish the cost recovery mechanisms required by Section 366.93. PEF seeks cost recovery pursuant to Section 366.93, Fla. Stat. and Rule 25-6.0423, F.A.C. for the CR3 Uprate project and the LNP.

III. PEF REQUESTS COST RECOVERY FOR THE CR3 UPRATE PROJECT AS PROVIDED IN SECTION 366.93, FLA. STAT., AND THE NUCLEAR COST RECOVERY RULE, RULE 25-6.0423, F.A.C.

6. The Commission approved PEF's need for the CR3 power uprate project in Order No. PSC-07-0119-FOF-EI. PEF proceeded with the CR3 Uprate project by dividing the power uprate into three phases to be performed during separate refueling outages. PEF completed Phase 1, the MUR, during the 2007 refueling outage. PEF completed work on Phase 2, the BOP phase, during the 2009 refueling outage. PEF is currently performing the engineering and design analyses, licensing, and material procurement necessary to complete the third and final phase of the CR3 Uprate, the EPU phase. Upon completion of the EPU work and NRC approval of the LAR for the power uprate, the Company will be able to increase the power generated at CR3 by an additional 164 MWe.

7. PEF requests that, pursuant to the nuclear cost recovery rule, the Commission: (1) determine the costs PEF incurred during 2011 for the CR3 Uprate project were reasonable and prudent; (2) approve, pursuant to Rule 25-6.0423(5)(c), F.A.C., PEF's final true-up of the carrying costs on its actual construction expenditures, carrying cost on deferred tax balance, and CCRC recoverable O&M for the CR3 Uprate for 2011; (3) approve and find prudent the 2011 CR3 Uprate project management, contracting, and oversight controls; and (4) approve and find prudent the 2011 CR3 Uprate accounting and cost oversight controls. Detailed descriptions of the construction expenditures, the contracts executed, the carrying costs, the over/under-recoveries, and the other information required by Rule 25-6.0423(8), F.A.C., are provided in PEF's pre-filed testimony, exhibits, and NFR schedules, which are incorporated herein by reference.

8. In 2011, PEF incurred license application, project management, permitting, on-site construction, and power block and non-power block engineering costs for the final phase of the CR3 Uprate, the EPU phase. These costs are discussed in greater detail in the testimony of Jon Franke and Will Garrett, filed contemporaneously with this Petition. This testimony demonstrates that these costs were necessary for the CR3 Uprate project and that they were prudently incurred. PEF is therefore requesting a prudence determination on these 2011 costs.

9. During 2011, PEF also incurred O&M costs associated with the CR3 Uprate for activities related to legal, corporate planning, accounting, project assurance, and nuclear generation. These costs are discussed in greater detail in the testimony of Jon Franke and Will Garrett, filed contemporaneously with this Petition. This testimony demonstrates that these costs were necessary for the CR3 Uprate project and that they were prudently incurred. PEF is therefore requesting a prudence determination on these 2011 costs.

10. Pursuant to Rule 25-6.0423, F.A.C., PEF is therefore entitled to recover through the CCRC the revenue requirements associated with these prudently incurred costs. For the time period January 2011 through December 2011, PEF is requesting a total of \$13,242,434 in revenue requirements, adjusted for the contributions to construction expenditures made by the joint owners of CR3. These costs are made up of \$15,671,698 in carrying cost on construction cost balance, \$461,200 in CCRC recoverable O&M, and \$456,177 in deferred tax asset carrying costs and (\$3,346,641) in other adjustments associated with the CR3 Uprate project. These amounts were calculated in accordance with Rule 25-6.0423, F.A.C. and consistent with the methodology approved in Docket No.

090009-EI and are set forth in greater detail in the testimony and exhibits of Jon Franke and Will Garrett.

IV. PEF REQUESTS COST RECOVERY FOR THE LEVY NUCLEAR PROJECT AS PROVIDED IN SECTION 366.93, FLORIDA STATUTES, AND THE NUCLEAR COST RECOVERY RULE, RULE 25-6.0423, F.A.C.

11. The Commission approved the need for Levy Units 1 and 2 in Order No. PSC-08-0518-FOF-EI. Further, in Docket No. 080009, pursuant to a stipulation reached between the parties, the Commission approved the reasonableness of the costs PEF incurred for the LNP during 2006 and 2007, and thereafter approved those costs and the 2008 LNP costs as prudent in Docket No. 090009. The Commission subsequently approved the 2009 and 2010 costs incurred for the LNP in Docket Nos. 100009-EI and 110009-EI, respectively.

12. PEF requests that, pursuant to the nuclear cost recovery rule, Rule 25-6.0423, F.A.C., the Commission: (1) determine the preconstruction and construction costs, carrying cost on deferred tax balance, and CCRC recoverable O&M PEF incurred during 2011 for the LNP were prudently incurred; (2) approve pursuant to Rule 25-6.0423, F.A.C. the final true-up of revenue requirements for 2011; (3) approve and find prudent the 2011 LNP project management, contracting, and oversight controls; and (4) approve and find prudent the 2011 LNP accounting and cost oversight controls. Detailed descriptions of the expenditures, the contracts executed, the carrying costs, the over/under-recoveries, and the other information required by Rule 25-6.0423(8), F.A.C. are provided in PEF's pre-filed testimony, exhibits, and NFR schedules, which are incorporated herein by reference.

13. The 2011 LNP costs were incurred for licensing; engineering, design and procurement; project management; real estate acquisition; and power block engineering.

These costs are explained in greater detail in the testimony of Daryl O’Cain filed in this Docket in support of the Company’s 2011 LNP costs. This testimony demonstrates that these costs were prudently incurred as necessary for the LNP. PEF is therefore requesting a prudence determination on these costs.

14. During 2011, PEF also incurred O&M costs associated with the LNP related to internal project management labor and expenses, legal costs, and the NuStart Energy Development LLC program, among other items. These costs are explained in greater detail in the testimony and exhibits of Daryl O’Cain and Will Garrett. This testimony demonstrates that these costs were prudently incurred as necessary for the LNP. PEF is therefore requesting a prudence determination on these costs.

15. Pursuant to Rule 25-6.0423, F.A.C., PEF requests that the Commission approve the final true-up of revenue requirements for 2011 as presented in the contemporaneously filed testimony and exhibits. For 2011, PEF has calculated total revenue requirements of \$68,385,131. This consists of \$0 in site selection costs (inclusive of carrying costs on any unrecovered balance), \$37,288,350 in preconstruction costs (inclusive of carrying costs on any unrecovered balance), \$13,130,849 in carrying cost on construction cost balance, \$1,154,469 in CCRC recoverable O&M, and \$16,811,463 in deferred tax asset carrying costs. These amounts were calculated in accordance with Rule 25-6.0423, F.A.C. and consistent with the methodology approved in Docket No. 090009-EI.

V. DISPUTED ISSUES OF MATERIAL FACT.

16. 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 for 2011 for both the CR3 Uprate project and the LNP, and to show why recovery of the capacity costs through the CCRC, as provided in Section 366.93, Fla. Stat., and Rule 25-6.0423, F.A.C., is appropriate and warranted.

VI. CONCLUSION.

17. PEF seeks an affirmative determination that PEF can recover the revenue requirements associated with the CR3 Uprate for 2011 necessary to achieve the benefits of the CR3 Uprate project as presented in its contemporaneously filed testimony and exhibits. PEF seeks a determination that the costs incurred in 2011 associated with the CR3 Uprate project were prudently incurred. PEF also seeks a determination that its 2011 CR3 Uprate project management, contracting, and oversight controls and project accounting and cost oversight controls were prudent. With regard to the LNP, PEF seeks an affirmative determination that PEF can recover the revenue requirements associated with the LNP for 2011 presented in its contemporaneously filed testimony and exhibits. PEF seeks a determination that the costs incurred in 2011 associated with the LNP were prudently incurred. PEF also seeks a determination that its 2011 LNP project management, contracting, and oversight controls and project accounting and cost oversight controls were prudent. Approval of PEF's petition for cost recovery as provided for in the statute and rule is warranted for both the CR3 Uprate project and the LNP.

WHEREFORE, for all the reasons provided in this Petition, as developed more fully in PEF's contemporaneously filed testimony and exhibits, PEF respectfully requests that the Commission:

(1) determine that the costs PEF incurred during 2011 for the CR3 Uprate project were reasonable and prudent;

(2) determine that PEF's 2011 CR3 Uprate project management, contracting, and oversight controls and project accounting and cost oversight controls were reasonable and prudent;

(3) approve, pursuant to Rule 25-6.0423(5)(c), F.A.C., PEF's final true-up of the actual expenditures and revenue requirements for the CR3 Uprate project for 2011, and allow recovery, through the CCRC, of the carrying costs associated with the construction costs, carrying cost on the deferred tax balance, and CCRC recoverable O&M expenditures;

(4) determine that the costs PEF incurred during 2011 for the LNP were reasonable and prudent;

(5) determine that PEF's 2011 CR3 Uprate project management, contracting, and oversight controls and project accounting and cost oversight controls were reasonable and prudent; and

(6) approve, pursuant to Rule 25-6.0423(5)(c), F.A.C. PEF's final true-up of the actual expenditures and revenue requirements for the LNP for 2011, and allow recovery, through the CCRC, of the preconstruction costs inclusive of carrying costs on any unrecovered balance, carrying costs on construction costs, carrying cost on the deferred tax balance, and CCRC recoverable O&M expenditures.

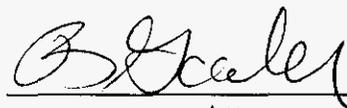
Respectfully submitted this 1st day of March, 2012.

R. Alexander Glenn
General Counsel
John Burnett
Associate General Counsel
PROGRESS ENERGY FLORIDA, INC
Post Office Box 14042
St. Petersburg, FL 33733-4042
Telephone: (727) 820-5587
Facsimile: (727) 820-5519


James Michael Walls
Florida Bar No. 0706242
Blaise N. Gamba
Florida Bar No. 0027942
Matthew R. Bernier
Florida Bar No. 0059886
CARLTON FIELDS, P.A.
Post Office Box 3239
Tampa, FL 33601-3239
Telephone: (813) 223-7000
Facsimile: (813) 229-4133

CERTIFICATE OF SERVICE

I HEREBY CERTIFY a true and correct copy of the foregoing has been furnished to counsel and parties of record as indicated below via electronic and U.S. Mail this 1st day of March, 2012.


Attorney

Keino Young
Staff Attorney
Florida Public Service Commission
2540 Shumard Oak Blvd
Tallahassee 32399
Phone: (850) 413-6218
Facsimile: (850) 413-6184
Email: anwillia@psc.fl.state.us
kyoung@psc.fl.state.us

Charles Rehwinkel
Associate Counsel
Erik Sayler
Associate Counsel
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400
Phone: (850) 488-9330
Email: rehwinkel.charles@leg.state.fl.us
Sayler.erik@leg.state.fl.us

Vicki G. Kaufman
Jon C. Moyle, Jr.
Keefe Law Firm
118 North Gadsden Street
Tallahassee, FL 32301
Phone: (850) 681-3828
Fax: (850) 681-8788
Email: vk Kaufman@kagmlaw.com
jmoyle@kagmlaw.com

Bryan S. Anderson
Jessica Cano
Kenneth Hoffman
Florida Power & Light
700 Universe Boulevard
Juno Beach, FL 33408-0420
Phone: (561) 691-7101
Facsimile: (561) 691-7135
Email: bryan.anderson@fpl.com
Jessica.cano@fpl.com
Ken.hoffman@fpl.com

Mr. Paul Lewis, Jr.
Progress Energy Florida, Inc.
106 East College Avenue, Ste. 800
Tallahassee, FL 32301-7740
Phone: (850) 222-8738
Facsimile: (850) 222-9768
Email: paul.lewisjr@pgnmail.com

James W. Brew
F. Alvin Taylor
Brickfield Burchette Ritts & Stone, PC
1025 Thomas Jefferson St NW
8th FL West Tower
Washington, DC 20007-5201
Phone: (202) 342-0800
Fax: (202) 342-0807
Email: jbrew@bbrslaw.com
ataylor@bbrslaw.com

Robert Scheffel Wright
John T. LaVia
c/o Gardner Law Firm
1300 Thomaswood Drive
Tallahassee, FL 32308
Email: schef@gbwlegal.com

Randy B. Miller *
White Springs Agricultural Chemicals, Inc.
PO Box 300
White Springs, FL 32096
Email: RMiller@pscphosphate.com

Gary A. Davis
James S. Whitlock
Gary A. Davis & Associates
61 North Andrews Avenue
P.O. Box 649
Hot Springs, NC 28743
gadavis@enviroattorney.com
jwhitlock@environattorney.com

Robert H. Smith*
11340 Heron Bay Blvd.
Coral Spring, FL 33076
Email: rpjrb@yahoo.com

* Electronic Service Only