



1 IN ATTENDANCE:

2 WADE LITCHFIELD, MITCH ROSS, TONY CUBA, DAVE HUSS,  
3 BERT GONZALEZ and STEVE SCROGGS, appearing, via telephone, on  
4 behalf of Florida Power & Light Company.

5 ALEX GLENN, LORI CROSS and JAVIER PORTUONDO,  
6 appearing on behalf of Progress Energy Florida.

7 ROBERT SCHEFFEL WRIGHT, appearing on behalf of the  
8 Florida Retail Federation.

9 LARRY HARRIS, JOHN SLEMKEWICZ, KATHY LEWIS, CRAIG  
10 HEWITT, CONNIE KUMMER and BILL McNULTY, appearing on behalf of  
11 the Commission staff.

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## P R O C E E D I N G S

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2 MR. HARRIS: We're here today for a Rule Development  
3 Workshop for Docket Number 060508, nuclear power plant cost  
4 recovery. This workshop was noticed in the Florida  
5 Administrative Weekly for today. I don't have the volume and  
6 number, but I can find it if anybody really wants to know.

7 You all have been to staff workshops before, so you  
8 know what to expect. But basically I'm Larry Harris. I'm the  
9 staff counsel assigned to this docket. Sitting with me to my  
10 left are John Slemkewicz and Kathy Lewis, and they're sort of  
11 the principal staff, technical staff on the rule. And then to  
12 my right is Craig Hewitt, who will be doing the statement of  
13 estimated regulatory costs for the rule.

14 This is a rule development workshop. The purpose is  
15 to get comments from you on the draft rule staff has out there.  
16 We went ahead and formed a rule, some text, and we put it out  
17 there, and we want to hear from you all whether you like it or  
18 you don't like it or you like part of it and want to make  
19 changes to part of it and things like that. So it's sort of an  
20 informal question and answer. You ask us questions, we ask you  
21 questions, and we try to sort of get your input and comments  
22 with the goal of putting together a better rule that staff will  
23 then include in a recommendation to the Commission.

24 In this one, the Legislature has directed us to  
25 develop a rule, so I think the recommendation will be that the

1 Commission should adopt a rule, but we want to propose the best  
2 language that we can. There is a sign-up sheet. I think it's  
3 in the back corner of the second table back there. I would  
4 encourage everyone to sign in and give us your email address  
5 because it helps us to have email addresses if we need to go  
6 ahead and send out further notices in the docket or information  
7 and just to keep in contact with each other. So I would  
8 encourage everyone to sign in on that sheet and put an email  
9 address, if you can.

10 I think there's an agenda also floating around. It's  
11 over there to my left in the corner and everyone can get a  
12 copy, but we'll follow the general procedure that we do for  
13 workshops. Staff will give an overview of the rule and then  
14 we'll sort of open it up to comments. We do have some people  
15 participating by the phone, and I'll ask them now that we're on  
16 the record to go ahead and introduce themselves again.

17 MR. LITCHFIELD: Thanks, Larry. This is -- and we  
18 appreciate, by the way, the opportunity to participate by phone  
19 under the circumstances.

20 This is Wade Litchfield and Mitch Ross in Juno Beach  
21 for Florida Power & Light Company.

22 MR. CUBA: This is Tony Cuba, Dave Huss and Bert  
23 Gonzalez for FPL.

24 MR. SCROGGS: Steve Scroggs for FPL.

25 MR. HARRIS: Great. Anyone else on the phone? No?

1 Cool. All right. And this is also, I do need to tell you,  
2 probably being broadcast out over our regular listening line,  
3 so there may be people listening on the phone also.

4 Alex, do you want to go ahead and introduce yourself  
5 while we're going on?

6 MR. GLENN: Sure. Alex Glenn on behalf of Progress  
7 Energy Florida.

8 MS. CROSS: Lori Cross, Progress Energy Florida.

9 MR. HARRIS: All right. And there will be an  
10 opportunity for anyone else who's in the room if they want to  
11 make comments to come up and do that. They don't have to  
12 introduce themselves right now. With that, I'm going to go  
13 ahead and turn it over to -- I think Kathy Lewis has some  
14 comments and wants to give an overview of the rule, how we got  
15 here, why we got here, and sort of what we're looking to do  
16 with this.

17 MS. LEWIS: Thank you, Larry. I'm Kathy Lewis with  
18 the Florida staff. The Florida Legislature codified its desire  
19 to promote fuel diversity and supply reliability by promoting  
20 utility investment in nuclear power in Section 366.93, Florida  
21 Statutes. One way to do that is to ensure that the cost of  
22 planning and constructing a nuclear power plant will be  
23 recovered in a fair and timely manner. The Legislature  
24 directed the Commission to adopt rules to facilitate that cost  
25 recovery. Substantial investments are required to plan and

1 construct a nuclear power plant. The draft rule is intended to  
2 provide an electric utility with greater certainty about its  
3 ability to recover all prudently incurred costs associated with  
4 the siting, designing, licensing and construction of a nuclear  
5 power plant. The draft rule is also intended to insulate the  
6 utility from any sunk costs should the plant not be completed  
7 for any reason.

8           The statute provides some specific methods for  
9 recovery of costs, but it does not in any way limit the  
10 Commission from establishing other methods. So let me assure  
11 everyone here that staff is well aware that the Legislature  
12 used the word "alternative" when it directed the PSC to  
13 establish these cost recovery mechanisms through rulemaking.  
14 Therefore, we are not foreclosing the possibility of other  
15 innovative recovery mechanisms.

16           The Legislature also specified a six-month time  
17 period for developing the rule, and staff intends to meet that  
18 deadline. The proposed rule that staff has drafted tracks the  
19 statute very closely and is intended to be a starting point for  
20 the discussion in today's workshop for you and any other  
21 interested parties to respond to in written comments.

22           We did receive some suggested edits from Progress  
23 about two weeks ago, and then on Monday we received a joint  
24 filing by Progress and Florida Power & Light. We provided  
25 copies of the joint filing with the other handouts today. And

1 I assume that that was meant to replace the previous filing, so  
2 we did not provide that.

3 I've looked at the filing and my only complaint would  
4 be that it's not in type and strike, but I can see why you did  
5 not do that. It would have been probably more confusing to do  
6 it that way. The edits that you've offered appear from my  
7 looking at it to be kind of a rearranging of staff's draft rule  
8 mixed in with the language from the statute, but it will  
9 certainly be helpful to hear your explanation of the edits that  
10 you've offered today.

11 And with that, we can begin. Mr. Glenn, would you  
12 like to start?

13 MR. GLENN: Sure. Sure. And this reflects -- the  
14 joint comments reflect those of FPL as well. So Wade or Mitch,  
15 you know, feel free to chime in at any time.

16 We -- as you mentioned, we did not provide a red line  
17 or strikeout because we thought it would be confusing. But if  
18 you would like us to do that, we'd be happy to. What we, what  
19 we really tried to do is, is, as the staff did, track the  
20 statute, and where the statute may have been somewhat unclear,  
21 to try to clarify in the term for particularly, for example,  
22 preconstruction costs and some of the definitional terms. So  
23 that was really our intent with the comments. And we can walk  
24 through item by item, if you had any questions, we could do it  
25 that way. That may be the most efficient way of doing it.

1 MS. LEWIS: That sounds good.

2 MR. GLENN: Nuclear power plant or plant, we thought  
3 that it would be important in the rule to simply have the  
4 definition which references the statute, that that's helpful so  
5 that we know that we're talking about a plant as defined in the  
6 statute.

7 Cost, we thought, was important as well to define and  
8 move that up into the definitional section.

9 Similarly with preconstruction costs, that term was  
10 not specifically defined in the statute, but we thought it  
11 would be important so that we're not debating about what  
12 preconstruction costs are at a later point in time. We just  
13 would clarify that includes your COL application as well as  
14 other costs.

15 MS. LEWIS: Excuse me. Kathy Lewis, staff. I see  
16 you added litigation costs to that. That was not in staff's  
17 draft.

18 MR. GLENN: Yeah, that was not in there. And that, I  
19 think, was -- I think that's traditional that that would be  
20 included in those types of costs, but we wanted to be clear  
21 about that.

22 MS. LEWIS: Thank you.

23 MR. GLENN: And that was a similar change to  
24 construction costs as well.

25 Subsection 3 on preconstruction costs, I think that's

1 similar to what we had in the statute.

2           And on Subsection 4, we were trying to, I think, just  
3 rearrange to track in a sense the statute.

4           MS. LEWIS: I don't have any questions on  
5 Subsection 4. Does anyone else?

6           MR. GLENN: Okay. Subsection 5, I believe the first  
7 sentence tracks the statute, and the intent there is that, you  
8 know, in the event that there is a, a stoppage of construction,  
9 you're going to be allowed to recover your prudently incurred  
10 preconstruction and construction costs.

11           Subsection 6 is a bit different than, than what the  
12 staff had proposed. I think the staff had proposed a limited  
13 base rate proceeding filing. And when we looked at the  
14 statute, we thought that how it would be done is that the  
15 statute said that you shall include it in base rates. And as  
16 this process would go forward, every year in the fuel clause  
17 we're going to be having what our projected costs are and our  
18 actuals. And in the last year of that capacity filing, fuel  
19 and capacity clause filing, you're going to have basically the  
20 final numbers of the plant. And so in a sense that would be  
21 the hearing at which you would take care of that. And then  
22 once the plant goes commercial, those numbers would go into  
23 base rates. So on an annual basis, year by year by year, we're  
24 going to be coming in with fuel and capacity clauses and  
25 projections and estimates of what it's going to be. And then

1 that last year before commercial operation you're going to have  
2 the, what's the final true-up, I would say.

3 MS. LEWIS: I think a concern for staff referencing  
4 (6)(a) is just that the utility would notify the Commission --  
5 how they would notify the Commission. And you have in this  
6 draft, "The utility may calculate and submit for Commission  
7 confirmation." Perhaps it might be better to say, "The utility  
8 shall calculate and submit for Commission confirmation."

9 MR. LITCHFIELD: I'm sorry. We're having a little  
10 difficulty hearing that portion of the conversation.

11 MS. LEWIS: This is Kathy Lewis with staff. I'll  
12 repeat it.

13 MR. LITCHFIELD: Thank you.

14 MS. LEWIS: I'm referencing (6)(a) in Progress and  
15 FPL's submitted comments. It says, "The utility may calculate  
16 and submit for Commission confirmation the increase in base  
17 rates," and so on. And I had suggested perhaps it might be  
18 better to say, "The utility shall calculate and submit for  
19 Commission confirmation."

20 MR. LITCHFIELD: All right. That's fine with us.

21 MR. GLENN: Yeah. That's fine with Progress.

22 MS. LEWIS: Thank you.

23 MR. HARRIS: And so just to make sure I understand  
24 what you're saying, basically this would be the equivalent of  
25 what we're doing today with clauses. You all would just file

1 the numbers and the Commission would handle it as part of their  
2 annual clause reviews on a yearly basis. And then at the end  
3 of that there would be the final true-up at the end of the --  
4 when it goes into the base rates; correct?

5 MR. GLENN: There would be the final filing of the  
6 revenue requirements necessary for the plant, the balance of  
7 whatever that may be, and that would go in.

8 MR. HARRIS: Okay. Well, then how would that go into  
9 base rates? I mean, that's the part -- maybe that's not a  
10 well-asked question, but I don't know that we can, at the end  
11 of five years, just say, okay, we've got now, you know, make up  
12 a number of 500 million that's now going to be in base rates,  
13 so base rates are now 500 million larger.

14 MS. CROSS: Lori Cross, Progress Energy. What we're  
15 proposing is that in the capacity clause filing in the year  
16 prior to when the plant would go in service, say like we're  
17 sitting here in August of 2006 and if we had a nuclear plant  
18 coming in in 2007, then in this year's capacity clause filing  
19 we would include in there our projected revenue requirements  
20 for that plant when it went in service. And then that would be  
21 what we would be proposing as our base rate increase would be  
22 the revenue requirements on the projected increase in rate base  
23 when that plant goes in service.

24 MR. HARRIS: Okay.

25 MS. CROSS: Okay?

1 MS. KUMMER: I'm going to jump in here for just a  
2 minute because something you said just hit me a little bit  
3 wrong. This is Connie Kummer with staff.

4 There may be a procedural problem with changing base  
5 rates in the fuel proceeding. I don't have a problem with you  
6 presenting the numbers in the fuel proceeding, but I think that  
7 procedurally you may -- there may be some difficulties with  
8 saying we're going to change base rates in fuel.

9 MR. HARRIS: And I'm nodding my head because that's  
10 sort of my question. You know, I'm not a, I'm not that expert  
11 in base rate proceedings, but just in my mind you can't  
12 increase base rates in a fuel clause. And I could be wrong  
13 about that, but just it doesn't work for me. And that's  
14 something I think staff is going to need to think about and  
15 talk about. And just off the top of my head, that's sort of a  
16 problem that I'm having. And it might not be a real problem.  
17 Staff might say, well, Larry, you're not correct. But I'm  
18 having a little bit of concern about that just hearing what  
19 you're saying.

20 MR. McNULTY: Bill McNulty with staff. I would agree  
21 with that. I don't think we've ever, in the fuel clause or any  
22 clause proceeding, ever adjusted base rates or ever presumed  
23 that we had authority to do so within that docket. And  
24 another -- well, this is -- well, I'll just leave it at that.

25 MR. HARRIS: Yeah. In my mind base rates are base

1 rate proceedings. And that's why we had included the language  
2 in our draft about a limited proceeding because we did not want  
3 to necessarily require you to come in for a fuel base, you  
4 know, a rate case, just add the nuclear plant. So we had been  
5 thinking, well, what's a way to get that in the base rates?  
6 Well, a limited proceeding. They can come in and say, here's  
7 our nuclear plant and here's the impact on base rates and we  
8 want to increase them by this amount. And that's sort of where  
9 we included that idea, and we're open to suggestions. But I'm  
10 just, I'm telling you, I just don't think I'm at a point where  
11 I can go with the fuel clause or the capacity clause or  
12 whatever we call it being an adjustment to base rates at this  
13 point. So that's probably something we're going to need to  
14 talk about in more detail.

15 MR. GLENN: We can look at that. I think one of the  
16 thoughts we had was just administrative efficiency. If we've  
17 been doing this throughout the fuel clause, you know, for the  
18 last seven or eight years or six years just from an efficiency  
19 standpoint, but we can certainly look at that.

20 MR. HARRIS: All right. And I'm certainly on board  
21 with the idea of presenting those costs and saying, okay, it's  
22 ready to go into service, here's going to be the impact. But  
23 then I think there does need to be a separate proceeding, and I  
24 don't know what we'd call it, but I think there is going to  
25 need to be some separate proceeding to actually then put that

1 into base rates. And I would, you know, sitting through the  
2 Agenda Conference yesterday, some of the intervenor type groups  
3 had concern about, you know, a coal plant going in service and  
4 wanted to be able to talk about, you know, base rates and  
5 prudence and things like that. I think we do need to have that  
6 type of review where somebody is going to have to file some  
7 kind of numbers, even if we all know what they are, and give  
8 people a chance to look at them and say were these reasonable  
9 and prudent and is this the correct base rate impact and, okay,  
10 we are now going to increase base rates by this amount and this  
11 is how it's going to be done. That's just my feeling. And I  
12 think we need to -- staff is probably going to need that, and  
13 so we'll be happy to hear more comments from you on that. But  
14 we're probably going to need to do something in the rule that  
15 does that.

16 MR. PORTUONDO: This is Javier for Progress. Isn't  
17 that what staff is doing every year as we're progressing  
18 through construction? So staff and the intervenors are seeing  
19 the progression of our expenditures on an annual basis, so  
20 there really isn't much to review in the year prior to it going  
21 commercial.

22 MR. HARRIS: Yes, and I agree with that. But I just,  
23 in my mind I think there needs to be some, and I could be  
24 wrong, but in my mind there needs to be some type of put it in  
25 the package, tie it up with a bow, and say this is it, this is

1 the final thing. And hopefully it will not be, and I would  
2 hope and encourage that it will not be some type of reopening  
3 it from day one because those have already been decided over  
4 the past five or seven or ten years. But I think there does  
5 need to be some type of rate proceeding, rate case to end up  
6 with the final impact. And I don't think we can do that  
7 through a fuel clause or a capacity clause or a nuclear power  
8 plant cost recovery clause or anything else. I just don't  
9 think a clause can be done to adjust base rates on a permanent  
10 basis. And I could be wrong and the Commissioners, obviously,  
11 might think that I'm very wrong, but that's just sort of where  
12 I am.

13 MS. LEWIS: We can continue. I think we were on six,  
14 number six.

15 MR. SLEMKEWICZ: This is John Slemkewicz with the  
16 staff. On (6)(c) I guess there's the same problem with  
17 adjusting base rates and what's, you know, what's the procedure  
18 we're going to follow to adjust base rates for the, you know,  
19 net book value of any existing generating plant that's retired.  
20 And, and the staff's version of the rule also talks about  
21 decreasing base rates once the amortization is completed,  
22 which, you know, is not in the company's draft.

23 MR. PORTUONDO: The reason we pulled it, it was not  
24 in the legislation. The legislation didn't contemplate that  
25 there would be a future adjustment to base rates other, other

1 than the typical monitoring on the part of the Commission for  
2 earnings surveillance purposes.

3 MR. SLEMKEWICZ: Of course now when I look at this,  
4 you know, this isn't like a general base rate increase where  
5 there's, you know, a lot of expenses and revenues and  
6 everything that can go up and down. Your base rates are being  
7 increased for a specific cost. And when that cost no longer  
8 exists, I don't feel that base rates should still be -- should  
9 bear that cost any longer, but --

10 MR. PORTUONDO: Well, I, you know, respectfully  
11 disagree. I mean, the legislation was pretty clear, and I  
12 think that was discussed prior to the legislation being  
13 approved and that was the consensus that was reached, that  
14 rates would be set and they would move forward just like any  
15 other base rate setting process is that things will change over  
16 time, things will go up, things will go down. And the  
17 Commission's monitoring system is the, is the basis for making  
18 sure that future adjustments are made, if necessary. But I did  
19 not contemplate an automatic reduction at the end of five  
20 years.

21 MR. SLEMKEWICZ: Well, you know, in your comments, if  
22 you could provide some documentation for that, I'd appreciate  
23 it.

24 MR. CUBA: We're having trouble here. This is Tony  
25 Cuba. We're having trouble picking up what you're saying.

1 MS. LEWIS: We'll try to speak up and move closer to  
2 the mike. Can you hear me now?

3 MR. CUBA: Yes.

4 MS. LEWIS: Okay.

5 MR. CUBA: Thank you.

6 MR. GLENN: Subsection 7 really tracks the statute.  
7 I don't think that's very controversial.

8 MS. LEWIS: All right. That gets us through it. I  
9 had a couple of just really edits, questions about the wording,  
10 so I'll go through those, and anyone else that has questions.

11 Back on Paragraph 1, just I think you want to add an  
12 "s" to nuclear power plants on the third -- line four, I mean.  
13 And then do you need the word "Florida Statutes" there? It  
14 doesn't seem to fit.

15 MR. GLENN: Yeah. That's fine.

16 MR. LITCHFIELD: Yeah. That's fine.

17 MS. LEWIS: Then down on Line 14 at (2)(b), Line 14,  
18 if you were tracking the statute, which this is where this  
19 definition for cost is coming from, I think you want after the  
20 word "construction" "or operation." That's what was in the  
21 statute, I believe.

22 On Page 3, Line 15, we would just spell out CWIP.  
23 That's construction work in progress there. And we've already  
24 noted Line 23 on Page 3 would be, "The utility shall  
25 calculate." And that's all I had.

1 MR. LITCHFIELD: This is Wade Litchfield in Juno, and  
2 we had one additional comment that we thought we would at least  
3 raise for discussion whether we come up with precise language  
4 now or not. But the document uses the term "midpoint" in at  
5 least one, maybe a couple of places in referring to the ROE  
6 that would be used for the computations. And, of course, we  
7 really don't have one at least under the terms of our current  
8 settlement agreement except for all other regulatory purposes.  
9 We don't have an authorized range under our revenue sharing  
10 plan. So I think we would just like to look at it in that  
11 context or from that perspective and make sure that we're using  
12 language that is broad enough to capture the current situation  
13 in the event that we were still in evergreen under our  
14 agreement at the time we had to implement these elements of the  
15 rule.

16 MS. LEWIS: So did you want to think about that and  
17 perhaps submit something in writing?

18 MR. LITCHFIELD: Yes. We'll be happy to do that.

19 MS. LEWIS: Thank you.

20 MR. HARRIS: Mr. Wright, did you have some comments?

21 MR. WRIGHT: Thank you, Mr. Harris. I just have a  
22 couple of very brief comments and a couple of questions; more  
23 to the staff, although I'd welcome the utilities' response to  
24 the questions as well.

25 I represent the Florida Retail Federation, as you all

1 know, and I will tell you that the Florida Retail Federation  
2 supports nuclear power, and that I've got more background in  
3 this stuff than your average bear by quite a lot. And that I  
4 support nuclear power and I think that it's potentially a good  
5 addition to anybody's generating fleet in the world,  
6 considering global warming and where we are.

7           Having said that, I actually studied nuclear power  
8 for a while, and I think we all know generically and in some  
9 cases more specifically some of the unfortunate history of  
10 nuclear power in the United States and the cost overruns that  
11 were experienced in a number of nuclear construction projects,  
12 some of which resulted even in the plants actually being  
13 terminated without being, being completed.

14           Based on what I know so far to date, I personally  
15 anyway am willing to believe that we've got a much better  
16 handle on construction management and avoiding cost overruns  
17 than we did 25 years ago. So with that background, my real  
18 questions for the staff are these, and they're all related.

19           Under the statute and under the rule where will  
20 customers have the opportunity to seek the Commission's  
21 protection against cost overruns? Would that be in the annual  
22 CCRC proceedings? For example, in those proceedings would we  
23 be able to challenge the prudence of costs incurred to date, or  
24 costs projected going forward from that point in time, or would  
25 it be in the need determination, or all of the above?

1           MR. HARRIS: I think that's a good question. I'll  
2 take a stab at it.

3           My, my guestimate at this point, and I haven't talked  
4 to the staff, and hopefully they'll correct me, would be sort  
5 of along the lines of the all of the above. I think that  
6 that's the way we tend to do things here at the Commission.

7           The problem is we need to make sure that there's no  
8 repeated relitigation of the same thing. And that is if it  
9 comes up in year three of the capacity clause and is determined  
10 by the Commission, then I think it needs to be done and we need  
11 to make sure that there's no way that it's going to come up  
12 again five years later in the need determination or eight years  
13 later in a -- if we, if the Commission determines that they  
14 want to include some type of limited base rate proceeding, it  
15 doesn't need to come up a third time. And so the problem would  
16 be ensuring that interested persons are given the opportunity  
17 to challenge costs, but then once those costs are determined to  
18 be reasonable and prudent, that it's done and it's over with.  
19 Does that answer your question? From me as a staff  
20 perspective, and I am a legal staff and not technical, but  
21 that's sort of where I'm at.

22           MR. WRIGHT: Sure. And just to be clear, you know,  
23 I'm probably as familiar with res judicata and administrative  
24 finality as anybody here, and I agree with you. You know,  
25 once, once a particular item, a particular set of facts in a

1 particular issue has been litigated and decided, that's it.

2           The question is suppose there's costs of A dollars  
3 that's litigated in year two and then there's costs of C, D and  
4 E dollars that arise and recovery of which or approval of which  
5 is sought, say, in year four. In my view of the world, the A  
6 dollars that were decided in year two are off the table. The  
7 C, D, E dollars that show up for the first time in the  
8 company's annual report in year four are at least accessible in  
9 terms of having a point of entry to address them. Would you  
10 agree with that?

11           MR. HARRIS: I would agree with that.

12           MR. WRIGHT: Okay. And I appreciate your answer as  
13 to the all of the above. I just, I need to know to advise my  
14 client as to, as to where this is going to go.

15           Did any other staff have any, any other thoughts than  
16 this?

17           MR. HARRIS: They're letting me take the bullets on  
18 this one, dude.

19           MR. WRIGHT: Hey, it's a lawyer's job. I understand.

20           MR. HARRIS: Mr. Wright came up. Is there anyone  
21 else who would like to offer some comments or ask some  
22 questions of the staff at this point? Nobody is moving  
23 forward.

24           Does anybody then have -- do any of the companies,  
25 Progress or Power & Light, have any further comments you all

1 would like to make, you know, at this stage?

2 MR. GLENN: Not at this point. This is Alex Glenn.  
3 Oh, wait.

4 MR. LITCHFIELD: None for Florida Power & Light  
5 either.

6 MR. HARRIS: Do you guys need a few minutes to think  
7 about -- Progress says they've got something.

8 MS. CROSS: Yeah. This is Lori Cross, Progress  
9 Energy. We just wanted to add some language to Section (4)(c)  
10 to clarify the first part of that.

11 MR. HARRIS: Okay.

12 MS. CROSS: The first sentence there reads, "A  
13 utility is entitled to recover, through the utility's capacity  
14 cost recovery clause, the carrying costs on the utility's  
15 annual projected construction cost balance associated with the  
16 nuclear power plant." Then we want to add this, "And shall  
17 reduce the AFUDC that would otherwise have been recovered  
18 through base rates by the same amounts."

19 Can I, can I change that again?

20 MR. HARRIS: Sure.

21 MS. CROSS: Okay. Sorry. "And shall reduce the  
22 AFUDC that would otherwise have been recorded as a cost of  
23 construction eligible for future recovery as plant-in-service."

24 MS. LEWIS: Okay. I've got to get you to say it one  
25 more time, please.

1 MS. CROSS: Okay. "And shall reduce the AFUDC that  
2 would otherwise have been recorded as a cost of construction  
3 eligible for future recovery as plant-in-service."

4 MS. LEWIS: Thank you.

5 MR. HARRIS: Go ahead.

6 MS. CROSS: And just to explain what we mean there is  
7 that to the extent the carrying costs are recovered through the  
8 capacity clause during the construction period, then the amount  
9 that we would recover through rate base would be reduced --  
10 would not include those carrying costs. That's the point we  
11 are making there. Okay?

12 MR. HARRIS: Good. Good. Bill?

13 MR. McNULTY: Yeah. Just one question about the  
14 wording on Page 3 of the company's draft, draft rule. (6)(a),  
15 the first line says, "And submit for Commission confirmation."  
16 I'm wondering if maybe the more appropriate wording would be  
17 "Commission approval." It might seem like a small issue, but  
18 my sense of it is that these, that these costs are going to be  
19 reviewed for purposes of prudence to say, you know, yes, these  
20 costs are, are recoverable, but they do stand some level of  
21 review for some of the things that Schef Wright was talking  
22 about. Any comment on that?

23 MR. LITCHFIELD: This is Wade at Florida Power &  
24 Light. I think that the intent behind the language or the word  
25 "confirmation" was to reflect that Paragraph 4 under the cost

1 recovery section of the statute, you know, essentially makes it  
2 pretty clear that upon commercial service the utility shall be  
3 allowed to increase its base rates by the projected annual  
4 revenue requirement. So I think from our perspective it would  
5 have been very much a computational assertion (phonetic) by  
6 the Commission. Approval, obviously, would greatly expand, I  
7 think, what the scope of that proceeding might entail. So  
8 that's, I think, the thrust of the use of the term  
9 "confirmation."

10 But I think it's a fair question that we probably  
11 ought to go back and talk about amongst ourselves in terms of  
12 where we think that proceeding ought to go. We're obviously  
13 interested in making sure that we do not get too far down the  
14 road with cost uncertainty, if you will. So I think from that  
15 perspective we may see eye to eye. So I'd like a chance to  
16 talk about that internally and with Progress.

17 MR. GLENN: Yeah. This is Alex Glenn. I agree with  
18 Wade's comments. You know, during the drafting of this  
19 legislation and the give and take, I think one of those, the  
20 ideas and why that Subsection 4 language was in there is  
21 because you are going to have really approval every single  
22 year, kind of a mini prudence review, I guess, every year for  
23 that plant. So that it was more of a ministerial task of once  
24 it goes in service, you already know all that. So -- but we  
25 would have to take a look at that, and I'd like to talk to

1 Florida Power & Light about that as well.

2 MS. LEWIS: Other comments from the parties or staff?

3 MR. GLENN: This is Alex Glenn. Just one final

4 comment. I did want to express our appreciation to the staff.

5 I know this is a very short time frame under the statute to get

6 a rulemaking together. And now -- and you guys have been very

7 thoughtful and diligent and we appreciate it.

8 This is an issue that's extremely important to our

9 company as we look at whether we're going to construct a new

10 nuclear plant in Florida, and we appreciate your efforts on

11 that.

12 MS. LEWIS: Thank you.

13 MR. LITCHFIELD: We echo Alex's comments. So we

14 would get you some suggested language with respect to the term

15 or the use of the term "midpoint." And then what would be the

16 next steps I guess I would ask?

17 MS. LEWIS: Yes. Thank you. That's what I was going

18 to address. So we would ask that you get that language, and

19 that anyone who has any other postworkshop comments, to please

20 provide those by September the 13th. And let me also note we

21 do have a docket number now, so please file those in the

22 docket, and that number is 060508.

23 In addition, your cost data for the statement of

24 estimated regulatory costs should be provided by September 13th

25 as well.

1 MR. LITCHFIELD: Kathy, could you please repeat the  
2 docket number? Some of the numbers didn't come through.

3 MS. LEWIS: Okay. Docket Number 060508. Did you get  
4 that?

5 MR. LITCHFIELD: Yes. Thank you very much.

6 MR. HARRIS: And I would note that for the cost data,  
7 you know, right now I guess we have two rules, we have the  
8 staff draft and then we have the changed version submitted by  
9 Progress and PEF. I don't know much about the SERC stuff, but  
10 I would imagine that Craig would either need data on both of  
11 those or on one with notes saying this will change depending on  
12 language that's used here or something. And I'll let him speak  
13 for himself, but, you know, we do have to do a SERC. And so  
14 the sooner he can start getting data, the quicker he can start  
15 working on it. And that will be a controlling factor in the  
16 staff recommendation dates; if we don't have the SERC done, we  
17 can't get the recommendation out. So, Craig, can you --

18 MR. HEWITT: Yes. We need the data as soon as  
19 possible. But, yeah, point out any differences in cost between  
20 staff's version and the utility's version. Like if our version  
21 is going to cost more than your version, that type of thing,  
22 and the transaction costs.

23 MR. HARRIS: And we've heard some suggestions for  
24 changed language. Would they want to include data for if those  
25 changes are accepted?

1           MR. HEWITT: If there are any substantial differences  
2 in cost, yes.

3           MR. HARRIS: Okay.

4           MS. LEWIS: And finally, I would note, and it says  
5 this actually on your agenda that you have, the staff  
6 recommendation we are planning to file October 12th and take  
7 this to the October 24th Agenda Conference. Of course, if we  
8 can do it sooner, we will, but that is the planned date.

9           MR. HARRIS: And also, you know, I think we need to  
10 say if it needs to be later, if your comments come in and we do  
11 need another workshop, I think we're not, you know, we're not  
12 wed to this in stone and we'll do what we need to do to set  
13 another workshop. But we do have that six-month clock, so it  
14 will have to be probably relatively quick. But we're certainly  
15 interested in meeting and making sure everyone has a chance to  
16 get their concerns across. And so we do have dates and this an  
17 estimated time frame. It could change and it will change if  
18 there's a need from your part or our part to get together again  
19 on another workshop. So I just wanted to make that very clear  
20 that this is not it's going forward and darn the torpedos it's  
21 going forward. You know, we'll work with y'all.

22           So with that, does any of the staff have anything  
23 else? The utilities, have y'all got anything? Anybody else in  
24 the room, anything to say?

25           MS. LEWIS: Thank you, everyone, for your

1 participation.

2 MR. HARRIS: Thank y'all. Have a good day.

3 (Workshop concluded at 10:15 a.m.)

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