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From: Costello, Jeanne [JCostello@CarltonFields.com]
Sent: Monday, December 11, 2006 4:13 PM
To: Filings@psc.state.fl.us
Cc: Harold Mclean; John McWhirter, Jr.; John T. Lavia, III; Joseph A. McGlothlin; Lisa Bennett; Mike Twomey; Patricia Christensen; Phyllis Davis, Asst. to P. Christensen; Rhonda Dular, Asst. to S. Wright; Schef Wright
Subject: Filings Docket 060642

Attachments: PEF Notice Filing Preliminary Issues.pdf; PEF Response in Opposition to Joint Motion to Sever and Abate.pdf



PEF Notice Filing Preliminary ...

PEF Response in Opposition to ...

<<PEF Notice Filing Preliminary Issues.pdf>> A <<PEF Response in Opposition to Joint Motion to Sever and Abate.pdf>> ttached for filing in Docket 060642 are:

1. Progress Energy Florida, Inc.'s Notice of Filing Preliminary List of Issues and Positions in Proceeding for Determination of Need for an Electrical Power Plant and Exemption from Rule 25-22.082, F.A.C.;
2. Progress Energy Florida, Inc.'s Response in Opposition to Joint Motion to Sever and Abate the Portion of the Proceeding on PEF's Petition for Determination of Need for Expansion of Crystal River 3 Nuclear Plant Relating to the Manner of Future Cost Recovery.

Paper copies will be sent to counsel of record and parties of interest as listed on the certificate of service.

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Response in Opposition
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Preliminary Issues
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FPSC-COMMISSION CLERK

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: PEF's Petition for Determination)
of Need for Expansion of an Electrical)
Power Plant, for Exemption from Rule)
25-22.082, F.A.C., and for Cost Recovery)
through the Fuel Clause)
_____)

Docket No.: 060642

Submitted for Filing: December 11, 2006

**PROGRESS ENERGY FLORIDA, INC.'S NOTICE OF FILING
PRELIMINARY LIST OF ISSUES AND POSITIONS IN PROCEEDING FOR
DETERMINATION OF NEED FOR AN ELECTRICAL POWER PLANT AND
EXEMPTION FROM RULE 25-22.082, F.A.C.**

Progress Energy Florida, Inc. ("PEF") files with the Florida Public Service Commission ("PSC" or the "Commission"), its preliminary list of issue and positions for determination by the Commission in connection with the proceeding initiated by PEF for an affirmative determination of need for its CR3 Uprate Project (the "CR3 Uprate") and for exemption from the "Bid Rule," Rule 25-22.082, F.A.C. The list of issues that must be resolved in this proceeding consistent with the Commission's jurisdiction under Section 403.519, Fla. Stats., along with PEF's position regarding each issue, are as follows:¹

1. Is there a need for the proposed CR3 Uprate, taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519?

PEF Position: Yes. PEF's proposed CR3 Uprate will provide a reliable, stable source of base load power, but the need for the CR3 Uprate is an economic need not reliability need. The

¹ PEF understands that the cost recovery issues raised in its Petition will be severed and addressed separately in this Docket at a later, mutually agreeable time. Accordingly, this preliminary list of issues and positions does not include the cost recovery issues raised by the Petition, rather, PEF only includes the issues from its Petition related to the need determination and the Bid Rule exemption. To the extent that this assumption is inaccurate or the cost recovery portion of PEF's Petition is not severed and addressed separately for any reason, however, PEF reserves the right to file an amended list of issues and positions to include the cost recovery issues in the issues to be resolved at this time in the proceeding.

CR3 Uprate will displace higher cost fossil fuel and purchase power generation with low cost nuclear generation, resulting in substantial fuel savings that provide a net benefit to customers. The CR3 Uprate's substantial economic benefits satisfy the statutory need requirements under Commission precedent and Rule 25-22.081(3), F.A.C. recognizing an economic or socio-economic need for new generation.

2. Is there a need for the proposed CR3 Uprate, taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519?

PEF Position: Yes. Nuclear energy is the lowest cost energy available on PEF's system. Producing additional nuclear energy from the CR3 Uprate, therefore, will produce energy at the lowest possible generation fuel cost. By definition, the lowest cost energy is a reasonable cost.

3. Is there a need for the proposed CR3 Uprate, taking into account the need for fuel diversity and supply reliability, as this criterion is used in Section 403.519?

PEF Position: Yes. The proposed CR3 Uprate will improve fuel diversity and supply reliability. The CR3 Uprate provides a stable source of additional base load power. Nuclear generation is not subject to the same supply interruptions or changes and price volatility that can affect generation with fossil fuels. Rather, the supply of nuclear fuel is relatively plentiful and stable in price. The Company, its customers, and the State, thus, will benefit from increased price stability, enhanced fuel diversity, and decreased reliance on foreign fuel sources resulting from the addition of nuclear capacity to the Company's system.

4. Is the CR3 Uprate Project the most cost-effective alternative available, as this criterion is used in Rule 25-22.082(18)?

PEF Position: Yes. The CR3 Uprate displaces higher cost generation on PEF's system, yielding substantial fuel savings to the net benefit of PEF's customers. PEF's customers will

receive additional generation at a net savings, not a cost, to them. This means that no entity offering a supply-side generation alternative can likely propose a lower cost alternative for the same amount of power, and certainly not from relatively clean nuclear power. Issuing a request for supply side proposals (“RFPs”), therefore, is a meaningless exercise. The CR3 Uprate, by definition of the net fuel savings benefits driving the project, is the lowest cost supply of electricity for PEF’s customers.

5. Are there any conservative measures taken by or reasonably available to PEF which might mitigate the need for the proposed CR3 Uprate?

PEF Position: No. Expanding conservation programs cannot displace the CR3 Uprate. The CR3 uprate will produce more incremental energy into the system than an equivalent amount of conservation can save. Put another way, the energy produced by 180 MW of CR3 will be greater than the energy saved by 180 MW of conservation. This occurs because conservation generally saves energy in proportion to the participant's load factor, or less, making the energy savings equivalent to a 60% load factor or less, while CR3 would be expected to produce energy at a 90% capacity factor. The difference in energy would have to be made up by the remaining generating units on the system, increasing fossil-fired generation and system emissions compared to implementation of the uprate. If the comparison were to be done on equivalent energy alone, it would take more MW of conservation to save an amount of energy equivalent to the energy produced by the CR3 upgrade, which would result in higher costs to customers.

6. Will the CR3 Uprate likely result in a lower cost supply of electricity to the utility’s general body of ratepayers, as this criterion is used in Rule 25-22.082(18)?

PEF Position: Yes. The CR3 Uprate will result in significant fuel savings from additional nuclear power at a net benefit to customers. No entity offering a supply-side generation alternative can likely propose a lower cost alternative for the same amount of power, and certainly not from relatively clean nuclear power, rendering any RFP a meaningless exercise. No other supply-side generation alternative will likely provide additional generation at a net savings to customers, and certainly not with the added environmental and fuel diversity benefits that additional nuclear generation provides. No purpose, therefore, is served from conducting an RFP for the CR3 Uprate.

7. Will the CR3 Uprate increase the reliable supply of electricity to the utility's general body of ratepayers, as this criterion is used in Rule 25-22.082(18)?

PEF Position: Yes. Nuclear generation is a reliable, stable source of base load power. Nuclear fuel is generally not subject to the same supply and price volatility as generating units using other types of fossil fuels. In addition, the increased nuclear power from the CR3 Uprate will improve fuel diversity and reduce the reliance on foreign sources of fuel, which will also improve the reliability of the supply of electricity to ratepayers.

8. Will the CR3 Uprate otherwise serve the public welfare, as this criterion is used in Rule 25-22.082(18)?

PEF Position: Yes. The public welfare will be served by adding additional, low cost nuclear fuel generation at a net savings to customers. Increased use of nuclear fuel for power generation from the CR3 Uprate reduces the reliance on out-of-state fossil fuel resources.

9. Should the Commission grant PEF's request for an exemption from the requirements of the Bid Rule, Rule 25-22.082?

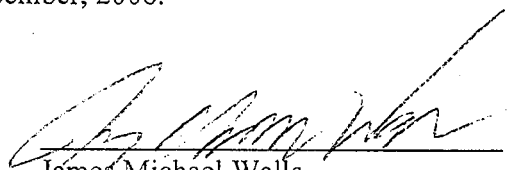
PEF Position: Yes. The Commission should exempt PEF from all requirements of the Bid Rule, including the cost cap portion in Rule 25-22.082(15). The CR3 Uprate satisfies all criteria for exemption from the Bid Rule, pursuant to Rule 25-22.082(18). Because the CR3 Uprate provides customers additional generation at a net savings, not a net cost, from a more environmentally beneficial source that enhances fuel diversity, no RFP is needed. No generation alternative can supply 180MW of additional power at a net savings to customers comparable to the economic, environmental, and fuel diversity benefits provided by the CR3 Uprate. In fact, all other supply-side generation alternatives will likely provide additional power at a net cost to customers. The CR3 Uprate, therefore, satisfies all elements of the Bid Rule exemption provision and PEF's request for an exemption from all requirements of the Bid Rule should be granted.

10. Based on the resolution of the foregoing issues, should the Commission grant PEF's Petition to determine the need for the proposed CR3 Uprate?

PEF Position: Yes, for the foregoing reasons, as more fully developed in the testimony and exhibits filed by PEF in this proceeding, the Commission should grant PEF's petition for a determination of need for the proposed CR3 Uprate.

Respectfully submitted this 11th day of December, 2006.

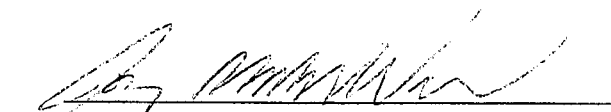
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished to all counsel of record and interested parties as listed below via electronic mail where indicated by

* and U.S. Mail this 11th day of December, 2006.



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