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ORIGINAL

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May 4, 2007

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

In re: PEF's Petition to Recover Costs of Crystal River Unit 3 Uprate through the Fuel Clause
Docket No. 070052

Dear Ms. Cole:

Enclosed for filing on behalf of Progress Energy Florida, Inc. are the original and fifteen (15) copies of the following Amended Direct Testimony:

(1) Javier Portuondo; 03770-07

(2) Daniel L. Roderick; and 03771-07

(3) Samuel S. Waters. 03772-07

Also enclosed is one (1) CD of the above amended direct testimony.

If you or your Staff have any questions regarding this, please contact me at (813) 229-4145.

* CD forwarded to ECR*

Sincerely,

Dianne M. Triplett

Dianne M. Triplett

CMP ____
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CTR original
ECR* ____
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to Recover Costs of Crystal River Unit 3 Uprate through the Fuel Clause

DOCKET NO. 070052
Submitted for filing:
May 4, 2007

ORIGINAL

AMENDED DIRECT TESTIMONY OF JAVIER PORTUONDO

ON BEHALF OF PROGRESS ENERGY FLORIDA

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IN RE: PETITION TO RECOVER THE COSTS OF THE CRYSTAL RIVER UNIT 3 UPRATE THROUGH THE FUEL CLAUSE

BY PROGRESS ENERGY FLORIDA

FPSC DOCKET NO. 070052

AMENDED DIRECT TESTIMONY OF

JAVIER PORTUONDO

I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Javier Portuondo. My business address is 410 South Wilmington Street, Raleigh, North Carolina, 27601.

Q. By whom are you employed and in what capacity?

A. I am employed by Progress Energy Service Company, LLC, as Director of Regulatory Planning.

Q. What is the scope of your duties?

A. Currently, I am responsible for regulatory planning, cost recovery, and pricing functions for both Progress Energy Florida ("PEF" or the "Company") and Progress Energy Carolinas.

Q. Please describe your educational background and professional experience.

A. I received a Bachelors of Science degree in Accounting from the University of South Florida. I began my employment with Florida Power Corporation in 1985. During my 21 years with Florida Power Corporation and PEF, I have held a number of financial and accounting positions. In 1993, I became Manager, Regulatory Services, and I recently became Director, Regulatory Planning.

II. PURPOSE AND SUMMARY OF AMENDED TESTIMONY

Q. Did you previously file direct testimony in this proceeding?

A. Yes.

Q. What is the purpose of your previously filed direct testimony?

A. The purpose of my testimony is to support the Company's request for recovery of reasonably and prudently incurred costs of the Crystal River Unit 3 ("CR3") power uprate project. Specifically, I will explain why recovery of the power uprate costs, transmission-related project costs, and Point of Discharge ("POD") related project costs through the Fuel and Purchase Power Cost Recovery Clause ("Fuel Clause") is appropriate and consistent with established Commission policy.

Q. Why are you amending your previously filed direct testimony?

A. After further evaluation and meetings with the Nuclear Regulatory Commission ("NRC") regarding the proposed uprate project, the Company has determined that

part of the uprate project work originally scheduled for the 2009 refueling and steam generator replacement outage can be accelerated and performed during the 2007 refueling outage. The reasons for this change are explained in the amended direct testimony of Daniel L. Roderick. I am amending my direct testimony to explain that, with the acceleration of part of the power uprate project to the 2007 refueling outage, the Company's customers will begin to receive an additional 12 MWe of nuclear power beginning in 2008, with the corresponding fuel savings, and the Company will need to recover the costs of this first phase of the CR3 power uprate project in the 2007 Fuel and Purchased Power Docket.

Q. Are you sponsoring any Exhibits with your direct testimony?

A. Yes. I am sponsoring the following exhibits that were prepared under my supervision:

- Exhibit No. ___ (JP-1), which is an excerpt of Schedule B-13 of the Minimum Filing Requirements ("MFRs") submitted in Docket No. 050078-EI.
- Exhibit No. ___ (JP-2), which is an excerpt of Schedule B-2 of the MFR's submitted in Docket No. 050078-EI.
- Exhibit No. ___ (JP-3), which is an excerpt of Schedule B-1 of the MFR's submitted in Docket No. 050078-EI.

These exhibits are true and correct.

Q. Please summarize your testimony.

A. The CR3 power uprate project will provide PEF's customers substantial fuel savings expected to be in excess of $2.6 billion by the end of 2036 with an expected net present value of savings to costs of $320 million to the retail customer. The power uprate project achieves these savings by displacing fossil fuel generation capacity with additional nuclear generation capacity and, thus, enhancing fuel diversity on the Company's system. The Commission has long sought to encourage innovative utility projects and programs that reduce total customer costs by providing the incentive of cost recovery under the Fuel Clause for such projects and programs. Under well established Commission precedent, cost recovery under the Fuel Clause is authorized when the costs (1) were not anticipated and included in current base rates and (2) generate fuel savings for customers. The costs of the CR3 power uprate project were not anticipated and they are not included in the Company's current base rates and the project costs generate substantial fuel savings for PEF's customers. As a result, under Commission precedent, the Commission should grant PEF's petition requesting that the Commission find that the CR3 power uprate costs are eligible for cost recovery under the Fuel Clause.

III. OVERVIEW OF THE PROJECT

Q. Please describe the CR3 power uprate project.

A. The CR3 power uprate project will increase the power output of CR3 by approximately 180 MWe, resulting in a capacity increase in the unit from about 900 MWe to 1,080 MWe. As discussed in more detail in the amended pre-filed

testimony of Danny Roderick, the project has three major phases. The first part of the project will require modifications to plant instrumentation and associated calculations to allow measurement uncertainty recovery ("MUR"). These modifications are expected to increase output by approximately 12 MWe towards the end of 2007. The second part of the project involves replacement of the turbine line components to take advantage of greater steam efficiencies in the turbines and electrical generator. These modifications are expected to increase output by approximately 28 MWe at the end of 2009. The third part of the project will involve increasing the power or thermal megawatts ("MW's") produced in the reactor core by making changes to the core that will allow for use of more highly enriched uranium. The increase in CR3 capacity will require modifications to the transmission system and modifications to address POD thermal limit issues to reap the full benefit of the power uprate. The work required by the project will be completed during the CR3 fuel outages in the 2007 refueling outage, 2009 generator replacement and refueling outage, and the 2011 refueling outage at CR3.

Q. What are the projected costs of the CR3 power uprate project?

A. As Mr. Roderick explains in his testimony, the project is estimated to cost approximately $381.8 million in total, with the power uprate itself requiring approximately $250 million and the modifications to the transmission system and to address the POD issues caused by the additional power and heat generated by the power uprate estimated at $89 million and $43 million, respectively. The Company will continue to analyze the issues surrounding the CR3 power uprate project, in

particular the transmission and POD impacts and available remedies, and refine its cost estimates as the time for work on the project draws closer.

Q. Why is the Company requesting Commission approval of the CR3 power uprate project at this time?

A. The Company began incurring expenditures in 2006 and is continuing to make expenditures to ensure that work necessary for the power uprate itself can be done during the 2007, 2009, and 2011 scheduled refueling outages for the CR3 unit.

Q. Why has the Company proposed this project?

A. The primary purpose of the CR3 power uprate project is to reduce fuel costs to customers by displacing energy from higher cost fossil fuel with low cost nuclear fuel. The power uprate at CR3 is not needed to meet a need for additional power to ensure customers a continued supply of reliable power, although the uprate will increase the base load power available to the Company. Rather, the CR3 power uprate meets an economic need for cheaper power and greater fuel diversity as nuclear fuel from the power uprate displaces more expensive fossil fuels and purchased power on the Company's system. The CR3 power uprate project generates substantial fuel cost savings for the Company's customers. The Company is proposing the CR3 power uprate project to give its customers the benefit of these substantial fuel cost savings.

Q. What are the results of the fuel cost savings analysis?

A. The CR3 power uprate project is expected to produce approximately $2.6 billion in fuel savings by the end of year 2036. With the expected net present value ("NPV") of fuel savings to the retail customers of $640 million and a NPV of the costs of only $320 million, this will result in a NPV savings to the retail customer of almost $320 million. These fuel savings benefits are further explained in the amended direct testimony of Samuel S. Waters.

IV. COST RECOVERY FOR THE PROJECT

Q. Are the costs of the CR3 uprate project recovered through the Company's base rates?

A. No. The CR3 power uprate project was not anticipated when PEF's current base rates were established in Docket No. 050078-EI. The costs of the project, therefore, were not included when the Company submitted its MFRs in its most recent base rate proceeding in Docket No. 050078-EI in April 2005. This is demonstrated by Exhibit No.___ (JP-1), Exhibit No. ___ (JP-2), and Exhibit No. ___ (JP-3).

Exhibit No. __ (JP-1) is an excerpt (page 1) from MFR Schedule B-13. That schedule presented the construction work in progress ("CWIP") for the projected 2006 test year. The only project for nuclear production on this schedule is for the Crystal River 3 Steam Generator replacement. The $230 million shown on line 11 for this project does not include any costs associated with the planned uprate. Further, Exhibit No. ___ (JP-2) is an excerpt (page 1) from MFR Schedule B-2. That schedule shows rate base adjustments. On line 28 of this schedule an

adjustment is made to back out CWIP bearing an allowance for funds used during construction ("AFUDC"). The CWIP associated with the Steam Generator replacement is backed out of rate base on this line. Exhibit No. ___ (JP-3) is an excerpt (page 1) of MFR Schedule B-1. That schedule shows the adjusted rate base. It can be seen on line 31 of this schedule that the CWIP associated with the Steam Generator replacement is backed out of rate base for the 2006 test year. To summarize, the Crystal River uprate would have been associated with Nuclear Production. The only major project for nuclear production in the test year is the Steam Generator replacement. No costs associated with the CR3 power uprate project are included in the CWIP for the Steam Generator replacement. Even if there had been costs for the CR3 power uprate project on line 11 of MFR Schedule B-13, which is not the case, the entry on line 11 shows that all these costs were backed out of rate base on MFR Schedules B-1 and B-2, as I have explained above. With the approval of the rate case settlement agreement in Docket No. 050078-EI, the Commission approved the Company's MFRs for purposes of establishing the Company's baseline costs in its next base rate proceeding. Order No. PSC-05-0945-S-EI, Docket No. 050078-EI (Sept. 28, 2005), p. 2, Attachment A, ¶ 17.

Q. How does the Company propose to recover the costs of the project?

A. PEF proposes to recover through the Fuel Clause all capital costs incurred for the CR3 power uprate, necessary transmission system changes, and any costs incurred to offset the POD impact for the project, including a return on average investment and taxes, to the extent such costs do not exceed cumulative expected fuel savings over

the life of the project. The Company will not begin recovery through the Fuel Clause until the CR3 power uprate goes into commercial service. For phase one of the CR3 power uprate project, recovery is expected to commence at the beginning of 2008. PEF anticipates requesting recovery of these costs as part of the 070001 Fuel and Purchased Power docket. For phases two and three, recovery is expected to begin at the end of 2009 and 2011, respectively. Actual costs incurred for the CR3 power uprate project would be subject to Commission review for prudence and reasonableness as they are submitted for recovery through the Fuel Clause. PEF will submit follow-up testimony as the costs of the project become more firm to establish the proposed recovery under the Fuel Clause.

Q. Does Commission precedent support the recovery of the CR3 power uprate costs, transmission-related project costs, and POD-related project costs through the Fuel Clause?

A. Yes. There is a long line of Commission authority supporting the timely recovery through the Fuel Clause of costs that are necessary to reduce total costs and benefit customers. Beginning in 1981, in Order No. 9957 in Docket No. 810001-EU, the Commission granted Florida Power & Light Company's ("FPL") petition to revise the definition of costs which may be included within the Fuel Clause to allow the recovery of capacity costs associated with FPL's purchases of "coal-by-wire" from the Southern Company. Order No. 9957, Docket No. 810001-EU, 1981 Fla. PUC LEXIS 531 (April 20, 1981). FPL argued that such costs should be recovered through the Fuel Clause when they had the effect of lowering revenue requirements.

Excluding such costs from recovery under the Fuel Clause, FPL further argued, would penalize FPL's stockholders for making prudent management decisions that serve to reduce total costs. Order No. 9957, 1981 Fla. PUC Lexis 531, *3-*6.

The Commission agreed that the definition of recoverable costs under the Fuel Clause should be revised to permit the recovery of the capacity costs associated with FPL's economy purchases from the Southern Company when those transactions served to lower overall costs to ratepayers. The Commission noted that such purchases on many occasions "will have the effect of replacing expensive, oil-fired generation with cheaper "coal-by-wire", lessening the revenues required from ratepayers and also decreasing the need for imported oil." Order No. 9957, 1981 Fla. PUC Lexis 531, *5, *6. Accordingly, the Commission granted FPL's petition, recognizing that the capacity purchase costs were not recovered in FPL's base rates, and allowed FPL to recover the costs through the Fuel Clause.

Q. What policy did the Commission establish in Order No. 9957?

A. The Commission wanted everyone to understand that it intended to encourage innovative projects that reduced costs and benefited customers. As the Commission explained: "... [w]e wish to indicate that the underlying principle governing our decision --- that utilities must be encouraged to take innovative actions designed to benefit customers and to lower overall costs --- has application elsewhere." Order No. 9957, 1981 Fla. PUC LEXIS *7. (emphasis supplied). The Commission intended this principle to be broadly applied, i.e., by "application elsewhere", whenever necessary to ensure that utilities recovered their costs to provide savings

to ratepayers. Indeed, the Commission pointed out that the subject of acquiring inexpensive "coal-by-wire" on an economical basis was just an example of the type of innovative "ideas and programs" that the Commission hoped to encourage utilities to pursue to take advantage of the opportunity to lower costs to customers. Id.

Q. What conditions did regulated electric utilities face in the early 1980's?

A. Following the oil embargo and crises of the mid- and late 70's, regulated utilities and their customers faced rising fossil fuel costs and increasing interest rates by the late 70's and early 80's. At the same time, utilities were experiencing continued growth in customers and customer demand for energy in Florida. This situation led to the passage of the Florida Energy Efficiency and Conservation Act ("FEECA") in 1980. FEECA emphasized conservation measures to control the growth rate of peak demand and reduce energy consumption and to reduce the consumption of expensive fossil fuel resources. One such conservation measure adopted by the Commission was the Oil Backout Rule, which provided cost recovery to utilities for the economic displacement of oil generation in Florida. Former Rule 25-17.016, F.A.C. Both the Florida Legislature and the Commission recognized the need for greater fuel diversity and the reduction in customer energy costs.

Q. Do similar conditions exist today?

A. Yes, they do, although they are maybe not as extreme as the late 70's and early 80's. While population growth in Florida has abated from the peak years in the 80's, the

State's population still continues to grow. Also, with this population growth, utilities are continuing to experience growth in customer energy usage. And, while Florida utilities, especially PEF, have made great strides on fuel diversity, fossil fuel resources remain a necessary, significant source of fuel for energy production in Florida. Unfortunately, PEF and other regulated utilities are again faced with rising fossil fuel costs and interest rates. These conditions prompted the Governor to issue an Executive Order in late 2005 directing the Department of Environmental Protection ("DEP") to develop a comprehensive energy plan for the State of Florida. One of the directives in that order was the development of options for diversifying Florida's electric generation capacity. The Commission, regulated utilities in Florida, and others were invited to provide input in the development of that plan.

One of the principle recommendations in the Florida Energy Plan is the promotion of fuel diversity. To this end, the Florida legislature passed legislation in 2006 amending the Florida Electrical Power Plant Siting Act ("PPSA") to include fuel diversity as one criterion for the installation of electrical power plants. In this way, the Florida Energy Plan intended fuel diversity to be a high priority in the Commission's decision-making processes.

Q. Is the CR3 power uprate project consistent with the goals of the Florida Energy Plan and the recent legislation?

A. Yes, it is. The CR3 power uprate will increase the contribution of nuclear fuel to the mix of resources available to PEF thereby improving the Company's fuel diversity. Indeed, to the extent that the power uprate displaces higher cost fossil fuels with

lower cost nuclear fuel the fuel diversity is only enhanced. This enhancement is significant because, as I have noted, the total fuel savings from the CR3 power uprate project exceed $2.6 billion. Enhancement of PEF's fuel diversity will also enhance the fuel diversity state-wide, contributing to the goal established in the Florida Energy Plan and 2006 legislation.

Q. Is there any other Commission precedent for the recovery of the CR3 power uprate project costs through the Fuel Clause?

A. Yes. Both before and after Commission Order No. 9957 in 1981 the Commission has acted consistent with the principle laid down in Order No. 9957 by allowing cost recovery through the Fuel Clause for utility expenditures designed to benefit customers by reducing overall utility costs.

In early 1980 in Dockets Nos. 790898-EU and 74680-CI, the Commission allowed FPL to recover through the Fuel Clause capital, O&M, and fuel costs associated with an experimental project to determine the feasibility of burning a coal and oil mixture in a boiler originally designed to burn only oil in an effort to displace oil with other fuels. Order No. 9224, Dockets Nos. 790898-EU and 74680-CI, 1980 Fla. PUC LEXIS 519 (Jan. 30, 1980). Interestingly, the expected net savings to the customer from the project would be realized only if the modifications were successful. Id. at *3-*4. Yet, the Commission still granted FPL's petition, explaining that the Commission was "impressed by the initiative the company is taking in its search for more economical and more readily available sources of boiler fuel" and believed "the overwhelming importance of the task" of taking the

initiative to pursue more economical energy production for the benefit of the customer justified including the costs within the Fuel Clause. Id. at *5.

Likewise, in 1985 in Commission Order No. 14546, the Commission again recognized that certain, unanticipated costs are appropriate for recovery through the Fuel Clause when they result in fuel savings to customers. Specifically, the Commission recognized that, prospectively, proper charges under the Fuel Clause included "fossil fuel-related costs normally recovered through base rates but which were not recognized or anticipated in the cost levels used to determine current base rates and which, if expended, will result in fuel savings to customers." Order No. 14546, Docket No. 850001-EI-B, 1985 Fla. PUC LEXIS 531, *11-*12 (July 8, 1985). In subsequent orders, the Commission repeatedly has approved the recovery of costs through the Fuel Clause when those expenditures resulted in significant savings to the utility's ratepayers. See, e.g., Order No. PSC-98-0412-FOF-EI, Docket No. 980001-EI, 1998 WL 173332 (March 20, 1998); Order No. PSC-97-0359-FOF-EI, Docket No. 970001-EI, 1997 WL 199376 (March 31, 1997); Order No. PSC-95-0450-FOF-EI, Docket No. 950001-EI, 1995 WL 220901 (April 6, 1995); and Order No. PSC-94-1106-FOF-EI, Docket No. 940391-EI, 1994 Fla. PUC LEXIS 1126 (Sept. 7, 1994).

Q. Did the Commission limit the costs that may be recovered through the Fuel Clause to fossil fuel-related costs in Order No. 14546?

A. No, the Commission did not, if the reference to "fossil fuel-related costs" is intended to mean costs associated only with fossil fuel units and their related equipment,

material, or facilities. Although the Commission used the term "fossil fuel-related costs" in its list of the proper future charges to the Fuel Clause, the Commission nowhere expressly limited the Fuel Clause recovery to costs associated with fossil fuel units and their related equipment, material, or facilities, that resulted in fuel savings to ratepayers.

Instead, the Commission's express finding approved the stipulation of the parties and adopted "the provisions therein as its own." Order No. 14546, 1985 Fla. PUC Lexis 531, *8. (emphasis supplied). In those provisions, the parties recommended a policy that "was flexible enough to allow for recovery through fuel adjustment clauses of expenses normally recovered through base rates when utilities are in a position to take advantage of a cost-effective transaction, the costs of which were not recognized or anticipated in the level of costs used to establish the utility's base rates." Id. at *8-*9. (emphasis supplied). In approving these provisions, then, the Commission's policy is a "flexible" one, allowing the recovery of "expenses" when they (1) were normally recovered in base rates but not anticipated and included in current base rates and (2) resulted in a "cost-effective transaction," i.e. generated fuel savings for ratepayers.

The reference to "fossil fuel-related costs" in the subsequent list of costs recoverable in the future might have come from the example the parties provided in the stipulation of an expense that met the test of a "cost-effective transaction" under the recommended flexible policy. They explained that "one example" was "the cost of an unanticipated short-term lease of a terminal to allow a utility to receive a shipment of low cost oil." Order No. 14546, 1985 Fla. PUC Lexis 531, *9. The

example, therefore, was a cost related to the fuel supply for a fossil fuel generating unit, but the parties' stipulation and the Commission's subsequent adoption of the provisions of that stipulation as its own makes clear it was just an example and not intended to be a limitation.

Indeed, any such limitation is inconsistent with the "underlying principle" encouraging cost-saving innovation that the Commission followed before and after Order No. 14546. As I have explained, the Commission intended to encourage utilities to take innovative action benefiting customers with lower costs by providing them the incentive of cost recovery through the Fuel Clause. Denying cost recovery through the Fuel Clause for costs other than "fossil" unit, facilities, equipment, or material costs, even though they result in fuel savings to customers, discourages – not encourages – innovative, cost-saving projects.

Additionally, it simply makes no sense for the Commission to draw a distinction about the type of cost incurred when the real issue is whether the costs incurred result in fuel savings to customers and were not addressed in determining current base rates. The more logical and thus reasonable construction of the reference to "fossil fuel-related costs" in the list of recoverable costs under the Fuel Clause in Order No. 14546, then, is a shorthand reference to all costs that result in the reduction in use of, or replacement of, fossil fuels. This construction of the term "fossil fuel-related costs" is consistent with the fundamental purpose of the order by providing for the recovery of all costs associated with the generation of fuel savings for the benefit of customers.

Q. Has the Commission actually limited cost recovery under the Fuel Clause to costs associated with fossil fuel units and their related equipment, material, or facilities that result in fuel savings to customers?

A. No. In 1996, the Commission in fact approved the recovery of costs associated with a power uprate of FPL's nuclear units at Turkey Point through the Fuel Clause. Order No. PSC-96-1172-FOF-EI, Docket No. 960001-EI (Sept. 19, 1996). FPL estimated that, at a cost of approximately $10 million, FPL could obtain a 31 MW increase in nuclear capacity that would result in estimated fuel savings of $198 million, or a net present value of $97 million to FPL's customers. The Commission noted that the "savings are due to the difference between low cost nuclear fuel replacing higher cost fossil fuel." Order No. PSC-96-1172-FOF-EI, 1996 WL 554613, p. 6. In approving FPL's request, the Commission expressly relied on Order No. 14546 allowing "a utility to recover fossil-fuel related costs which result in fuel savings when those costs were not previously addressed in determining base rates." Id. This Order confirms that "fossil fuel-related costs" means any cost or expense that generates fuel savings by reducing the use of, or replacing the use of, expensive fossil fuels.

Likewise, while most proceedings involving requests for cost recovery through the Fuel Clause of costs that resulted in fuel savings to customers have involved fossil fuel units or their related facilities, equipment, or material, the Commission has never said that only these specific types of costs can be recovered under the Fuel Clause. In fact, in 1994 when FPL sought to recover the cost of converting its Manatee oil units to burn Orimulsion rather than oil under the Oil

Backout Rule or, alternatively, the Fuel Clause under Order No. 14546, the Commission granted FPL's request for recovery under the Fuel Clause and made no reference to whether the costs were "fossil fuel-related costs." Rather, the Commission emphasized that Order No. 14546 authorized recovery through the Fuel Clause of "costs 'normally recovered through base rates but which were not recognized or anticipated in the cost levels used to determine current base rates and which, if expended, will result in fuel savings to customers.'" Order No. PSC-94-1106-FOF-EI, Docket No. 940391-EI, 1994 Fla. PUC LEXIS 1126, pp. *5-*6 (Sept. 7, 1994). Again, the Commission's emphasis was on whether the costs incurred resulted in fuel savings to customers and not on the exact type of costs that were incurred.

Q. Is the Company's cost recovery request in this proceeding consistent with the result in Docket No. 960001-EI involving FPL's nuclear uprate proceeding?

A. Yes, it is. FPL was permitted to recover through the Fuel Clause the cost of the thermal power uprate including a return on average investment at its current weighted average cost of capital as well as applicable taxes, subject to a true-up of original projections and to verify the prudence of the individual cost components for recovery. Order No. PSC-96-1172-FOF-EI, 1996 WL 554613, p. 7. PEF seeks a similar recovery here. The only difference is the magnitude of the thermal uprate and costs and the resulting fuel savings benefits to customers. While PEF's thermal uprate costs are higher, an estimated $381.8 million compared to FPL's $10 million for a 180 MWe versus a 31 MWe uprate, the fuel savings benefits are also more

substantial, over $2.6 billion in PEF's thermal uprate compared to $198 million in FPL's thermal uprate.

Q. Has the Commission recognized the fuel cost savings benefits of nuclear generation in other Fuel Clause matters before the Commission?

A. Yes, it has. Beginning with its Order No. PSC-01-2516-EI, the Commission has authorized the recovery of security expenditures incurred in response to the terrorist attacks of September 11, 2001 through the Fuel Clause even though security costs were traditionally and historically recovered through base rates. In granting this cost recovery the Commission explained that "[w]e find that recovery of this incremental cost through the fuel clause is appropriate in this instance because there is a nexus between protection of FPL's nuclear generation facilities and the fuel cost savings that result from the continued operation of those facilities." Order No. PSC-01-2516-EI, Docket No. 010001-EI, 2001 WL 1677492, p. 3 (Dec. 26, 2001). The Commission was willing to allow the recovery through the Fuel Clause of the non-fuel related additional security costs because the Commission understood the fuel savings value of nuclear operations.

PEF, through the CR3 power uprate project, is actually seeking to enhance its nuclear operations to generate even more fuel savings for customers than currently exist from the operation of CR3. The recovery of the CR3 power uprate costs, transmission-related project costs, and POD-related project costs through the Fuel Clause is consistent with the Commission's understanding of the fuel savings value of nuclear operations in general and PEF's nuclear facility in particular.

Q. Do you believe the Commission still supports the underlying principle from Order No. 9957 that utilities should be encouraged to take innovative action designed to benefit customers by lowering their costs?

A. Yes I do, because the Commission says it does. In the Commission's Mission Statement the Commission explains that its mission in relevant part is to emphasize "incentive-based approaches, where feasible" with respect to rate of return regulated utilities. The "underlying principle" in Order No. 9957, where the Commission encouraged innovation that benefited customers by allowing recovery through the Fuel Clause of a utility's costs because they resulted in significant fuel savings to customers, is fully consistent with the Commission's current Mission Statement. Further, as I have explained in my testimony, the Commission has consistently followed this "underlying principle" in Order No 14546 and its subsequent rulings applying that Order by rewarding utility efforts to generate fuel savings for ratepayers through cost recovery for those efforts under the Fuel Clause.

Q. Should the Commission grant PEF's request for recovery of the CR3 power uprate costs, transmission-related project costs, and POD-related project costs through the Fuel Clause?

A. Yes. The costs of the CR3 power uprate and potential transmission and POD modifications for the project including a return on average investment at our current weighted average cost of capital as well as applicable taxes, clearly qualify for recovery through the Fuel Clause under the policy set forth in Orders Nos. 9957 and

14546 and their progeny. For the estimated $381.8 million cost of the CR3 power uprate transmission, and POD modifications for the project, PEF's customers will receive over $2.6 billion in fuel savings and the State and PEF's customers will receive added fuel diversity from the additional, low cost, base load nuclear power.

Q. Does this conclude your testimony?

A. Yes, it does.

DOCKET NO. 070052
PROGRESS ENERGY FLORIDA
EXHIBIT NO. ____ (JP-1)
PAGE 1 OF 1

SCHEDULE B-13

CONSTRUCTION WORK IN PROGRESS

FLORIDA PUBLIC SERVICE COMMISSION

Company: PROGRESS ENERGY FLORIDA INC.

Docket No. 050078-EI

Explanation: For each major construction project whose cost of completion exceeds exceeds 0.2 percent (.002) of gross plant, and for smaller projects within each category shown taken as a group, provide the requested data concerning projects for the test year.

Type of Data Shown:

XX Projected Test Year Ended 12/312006
__ Prior Year Ended 12/312005
__ Historical Test Year Ended 12/312004

Witness: Portuondo / Williams / Young / McDonald / DeSouza / Slusser

Line No.	(A) Project No	(B) Project Description	(C) Year End CWIP Balance	(D) Estimated Additional Project Costs	(E) Total Cost of Completion	(F) Initial Project Budget Per Construction Bid	(G) Date Construction Started	(H) Expected Completion Date	(I) Percent Complete (C/(E)	(J) Amount of AFUDC Charged	(K) 13 Month Average Balance	(L) Jurisdictional Factor	(M) Jurisdictional Amount
1													
2		STEAM PRODUCTION											
3		Major Projects:											
4		Crystal River Coal Yard Upgrade	34,252	51,418	85,670	85,670	Mar-05	Dec-07	40.0%	0	16,142		
5													
6		Minor Projects:	12,471								11,251		
7		Total Steam Projects	46,723	51,418	85,670	85,670				-	27,393		
8													
9		NUCLEAR PRODUCTION											
10		Major Projects:											
11		CR3 Steam Generator Replacement	57,986	172,364	230,350	170,000				0	47,117		
12													
13		Minor Projects:	3,168								3,367		
14		Total Nuclear Projects	61,155	172,364	230,350	170,000				-	50,484		
15													
16		HYDRAULIC PRODUCTION											
17		*none*											
18													
19		OTHER PRODUCTION											
20													
21		Hines unit 3	597	-	247,500	226,500	Jan-02	Dec-05	100.0%	-	524		
22		Hines unit 4	145,190	76,310	221,500	221,500	Jun-04	Dec-07	65.5%	7,667	98,266		
23		Subtotal Major Projects	145,787	76,310	469,000	448,000				7,667	98,790		
24													
25		Minor Projects:	8,903								7,848		
26		Total Other Projects	154,690	76,310	469,000	448,000				7,667	106,638		
27													

Supporting Schedules:

Recap Schedules:

DOCKET NO. 070052
PROGRESS ENERGY FLORIDA
EXHIBIT NO. ____ (JP-2)
PAGE 1 OF 1

SCHEDULE B-2 — RATE BASE ADJUSTMENTS

FLORIDA PUBLIC SERVICE COMMISSION

Company: PROGRESS ENERGY FLORIDA INC.

Docket No. 060078-EI

Explanation: List and explain all proposed adjustments to the 13-month average rate base for the test year, the prior year and the most recent historical year. List the adjustments included in the last case that are not proposed in the current case that are not proposed in the current case and the reasons for excluding them.

Type of Data Shown:

X Projected Test Year Ended 12/31/2006
__ Prior Year Ended 12/31/2005
__ Historical Test Year Ended 12/31/2004
Witness: Portuondo / Slusser

Line No.	(A) Adjustment Title	(B) Reason for Adjustment or Omission (provide supporting schedule)	(C) Adjustment Amount ($000)	(D) Jurisdictional Factor	(E) Jurisdictional Amount of Adjustment (B) x (D) ($000)
1	**Adjustments to System Per Books:**				
2	Remove ARO	(1)	$352,555	N/A	
3	Remove ECCR	(2)	7,749	N/A	
4	Remove ECRC	(3)	(19,255)	N/A	
5	Remove Fuel	(4)	(44,574)	N/A	
6	Remove SCRC	(5)	(139,000)	N/A	
7	Remove NUP	(6)	(8,034)	N/A	
8	Remove Above Market Affiliate Transfer	(7)	(23,361)	N/A	
9	Remove Job Orders	(8)	26,557	N/A	
10	Remove Sebring	(9)	(3,694)	N/A	
11	Remove Nucl Decom Trust Unreal Gains	(10)	83,101	N/A	
12	Remove A/D Nuc Decom-Funded	(11)	61,897	N/A	
13	Remove Other Special Funds (126)	(12)	(475,913)	N/A	
14	Misc Adjustment	(13)	(34)	N/A	
15			($159,058)		
16	**Company/FPSC Adjustments:**				
17	Company Adjustment - Distrib Enhancement Projects	(14)	$5,521	0.99757	$5,509
18	Company Adjustment - Transm Enhancement Projects	(15)	7,439	0.71418	5,313
19	Company Adjustment - End of Life Nuclear M&S	(16)	409	1.00000	409
20	Company Adjustment - Charging Practices	(17)	(51,458)	0.99750	(51,345)
21	Company Adjustment - Fossil Dismantlement	(18)	(5,605)	0.88372	(4,956)
22	Company Adjustment - Last Core Nuclear Fuel	(19)	168	1.00000	168
23	Company Adjustment - Mobile Meter Reading	(20)	55,554	1.00000	55,554
24	Company Adjustment - Organization Realignment	(21)	(51,174)	0.92422	(47,296)
25	Company Adjustment - Progress Fuels Corp	(22)	28,387	0.91126	25,866
26	Company Adjustment - Rate Case	(23)	2,250	1.00000	2,250
27	Company Adjustment - Storm Reserve	(24)	(22,000)	0.96545	(21,326)
28	CWIP - AFUDC	(25)	(145,815)	0.92471	(134,837)
29	Gain/loss on sale of plant	(26)	(127)	0.93176	(119)
30	Nuc. Decom. Unfunded - Wholesale	(27)	2,286	1.00000	2,286
31	R1O Start-up Costs	(28)	(1,173)	0.96843	(3,731)
32	Section 1341 Income Tax Adj	(29)	1,107	0.92577	1,303
33			($173,942)		($162,051)
34	Note: Differences are due to rounding				

Supporting Schedules:

Recap Schedules:

DOCKET NO. 070052
PROGRESS ENERGY FLORIDA
EXHIBIT NO. ____ (JP-3)
PAGE 1 OF 1

SCHEDULE B-1

ADJUSTED RATE BASE

FLORIDA PUBLIC SERVICE COMMISSION

Company: PROGRESS ENERGY FLORIDA INC.

Docket No. 050078-EI

Explanation: Provide a schedule of the 13-month average adjusted rate base for the test year, the prior year and the most recent historical year. Provide the details of all adjustments on Schedule B-2.

Type of Data Shown:

X Projected Test Year Ended 12/31/2006
__ Prior Year Ended 12/31/2005
__ Historical Test Year Ended 12/31/2004
Witness: Portuondo / Slusser

Line No		(A) Plant in Service	(B) Accumulated Provision for Depreciation & Amortization	(C) Net Plant in Service (A-B)	(D) CWIP - No AFUDC	(E) Plant Held for Future Use	(F) Nuclear Fuel - No AFUDC (Net)	(G) Net Utility Plant	(H) Working Capital Allowance	(I) Other Rate Base Items	(J) Total Rate Base
1	System Per Books (B-3)	$9,197,605	$4,490,733	$4,706,873	$244,471	$7,921	$53,933	$5,023,199	$443,248		$5,466,446
2	Adjustments to System Per Books:										
3	Remove ARO	(77,065)	(43,697)	(33,368)				(33,368)	385,922		352,555
4	Remove ECCR	(409)	(13)	(395)				(395)	8,144		7,749
5	Remove ECRC	(2,372)	(151)	(2,221)				(2,221)	(17,044)		(19,265)
6	Remove Fuel	(1,032)	0	(1,032)				(1,032)	(43,542)		(44,574)
7	Remove SCRC	0	0	0				0	(139,000)		(139,000)
8	Remove NUP	(19,042)	(10,948)	(8,094)				(8,094)			(8,094)
9	Remove Above Market Affiliate Transfer	(23,361)		(23,361)				(23,361)			(23,361)
10	Remove Job Orders			0				0	26,567		26,567
11	Remove Sebring			0				0	(9,664)		(9,664)
12	Remove Nucl Decom Trust Unreal Gains			0				0	83,101		83,101
13	Remove A/D Nuc Decom-Funded		(61,897)	61,897				61,897			61,897
14	Remove Other Special Funds (128)			0				0	(476,913)		(476,913)
15	Misc Adjustment			0				0	(34)		(34)
16	Adjusted System per Books	9,074,325	4,374,026	4,700,299	244,471	7,921	53,933	5,016,624	260,764	0	5,277,387
17	Jurisdictional Factors	0 92671	0 93960	0.91472	0.88697	0.76420	0.89802	0 91201	0 85238		0.91002
18	Jurisdictional Per Books	8,408,264	4,109,925	4,299,439	217,327	6,054	57,413	4,580,233	222,270	0	4,802,503
19	Jurisdictional Company/FPSC Adjustments:										
20	Company Adjustment - Distrib Enhancement Projects	7,281	105	7 176	1,324	0	0	8,500	0		8,500
21	Company Adjustment - Transm Enhancement Projects	4,533	44	4,489	824	0	0	5,313	0		5,313
22	Company Adjustment - End of Life Nuclear M&S	0	0	0	0	0	0	0	499		499
23	Company Adjustment - Charging Practices	(50,601)	(1,789)	(48,812)	(2,533)	0	0	(51,345)	0		(51,345)
24	Company Adjustment - Fossil Dismantlement	0	4,988	(4,988)	0	0	0	(4,988)	0		(4,988)
25	Company Adjustment - Last Core Nuclear Fuel	0	0	0	0	0	0	0	168		168
26	Company Adjustment - Mobile Meter Reading	(3,385)	(58,940)	55,554	0	0	0	55,554	0		55,554
27	Company Adjustment - Organization Realignment	(3,856)	0	(3,856)	0	0	0	(3,856)	(43,438)		(47,295)
28	Company Adjustment - Progress Fuels Corp	0	0	0	0	0	0	0	25,668		25,668
29	Company Adjustment - Rate Case	0	0	0	0	0	0	0	2,250		2,250
30	Company Adjustment - Storm Reserve	0	0	0	0	0	0	0	(21,328)		(21,328)
31	CWIP - AFUDC	0	0	0	(134,837)	0	0	(134,837)	0		(134,837)
32	Gain/loss on sale of plant	0	0	0	0	0	0	0	(118)		(118)
33	Nuc. Decom. Unfunded - Wholesale	0	(2,286)	2,286	0	0	0	2,286	0		2,286
34	RTO Start-up Costs	0	0	0	0	0	0	0	(3,791)		(3,791)
35	Section 1341 Income Tax Adj	0	0	0	0	0	0	0	1,303		1,303
36	Total Adjustments	(46,021)	(57,379)	11,848	(135,222)	0	0	(123,374)	(33,677)	0	(162,051)
37	Jurisdictional Adjusted Rate Base	$8,393,253	$4,051,845	$4,311,287	$82,105	$6,054	$57,413	$4,456,859	$188,593	$0	$4,640,452
38	Note: Differences are due to rounding										

Supporting Schedules:

Recap Schedules: