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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

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REBUTTAL 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

REBUTTAL 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. Have you previously submitted testimony in this docket?

A. Yes. I filed both direct testimony and amended direct testimony in support of Progress Energy Florida, Inc.'s ("PEF's") request for recovery of the costs of the Crystal River Unit 3 ("CR3") power uprate (the "Uprate Project") through the Fuel and Purchase Power Cost Recovery Clause ("Fuel Clause").

Q. Have any of your duties or responsibilities changed since you filed your amended direct testimony?

A. No.

II. PURPOSE AND SUMMARY OF REBUTTAL TESTIMONY

Q. Have you reviewed the intervener testimony of Daniel J. Lawton and Patricia W. Merchant, filed on behalf of the Office of Public Counsel ("OPC"), and of Jeffrey Pollock, filed on behalf of the Florida Industrial Power Users Group ("FIPUG")?

A. Yes.

Q. Do you agree with what witnesses Lawton, Merchant, and Pollock have to say in response to PEF's request for recovery of the Uprate Project costs through the Fuel Clause?

A. No, I do not.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to address the intervener witness arguments and explain why these arguments fail to show that PEF has not met Commission policy establishing that the Uprate Project costs should be recovered through the Fuel Clause. First, I will address the intervener witness arguments that additional tests and definitions should be used for the first time here that are nowhere found in Order 14546. These additional tests and definitions are inconsistent with Order 14546 and the later orders applying the policy established in Order 14546, and if adopted, obliterate Commission policy in Order 14546.

Second, I will address the arguments of some intervener witnesses challenging the application of Commission policy in Order 14546 to PEF's petition. I will demonstrate that PEF's request for cost recovery through the Fuel Clause of the Uprate Costs is consistent with and supported by Order 14546 and the application of the policy in Order 14546 by the Commission in subsequent orders.

Third, I will address the argument of witness Pollock that PEF's petition violates the settlement agreement in PEF's last base rate proceeding and explain that PEF's petition does not violate and is in fact consistent with that agreement.

Fourth, I will address witness Pollock's further argument that the Uprate Project is needed for reliability to maintain PEF reserve margins and, therefore, there will be additional revenues from customer growth or usage to support the Uprate Project costs. Mr. Pollock, quite simply, is wrong. As this Commission determined in Order No. PSC-07-0119-FOF-EI the need for the Uprate Project was economic, based on the demonstrated fuel savings and increased fuel diversity, and not a reliability need.

Finally, I will address the cost allocation issues raised by some of the intervener witnesses and explain that PEF's request in its petition is, again, consistent with Commission application of the policy established in Order 14546.

Q. Please summarize your rebuttal testimony.

A. The Uprate Project benefits PEF's customers. The 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. Intervener witnesses agree that it is a beneficial project.

Under well-established Commission policy set forth in item 10 of Order 14546, recovery of the Uprate Project costs through the Fuel Clause is appropriate if the costs (1) were not recognized or anticipated in the costs levels used to determine current base rates and (2) if expended, will result in fuel savings to customers. PEF's Uprate Project satisfies this two-part test and, therefore, PEF's Petition should be granted.

This Commission policy was adopted to encourage utilities to develop and pursue projects and programs that resulted in fuel savings and, thus, lower costs to customers. Intervener witnesses admit this policy provides an incentive for utilities to spend money that they might not otherwise choose to spend to save fuel costs. The policy works. PEF moved forward with the Uprate Project because it was aware of the policy in item 10 of Order 14546. Additionally, utilities have incurred the costs of numerous projects that resulted in fuel savings to customers over the last 20 years because of the Commission policy in item 10 of Order 14546.

Intervener witnesses seek to change this policy. They ask the Commission to consider requirements and definitions that are nowhere found in the Commission's policy expressed in item 10 of Order 14546 and numerous, subsequent Commission orders applying that policy to other utility requests. The requirements and definitions they seek to add to this Commission policy do not merely change it, they obliterate it. If adopted, they will destroy the incentive to incur the costs of projects

that result in fuel savings to customers set forth in the clear, straight-forward, two-part test of item 10 of Order 14546.

PEF's request for recovery of the Uprate Project costs is consistent with the application of this policy over the last 20 years in numerous other projects approved for cost recovery under item 10 of Order 14546. PEF seeks only the same treatment for its Uprate Project. This does not harm current or future customers at all. In fact, they receive the benefits of immediate fuel savings beginning in the first year of the Uprate Project and continuing for every year thereafter. These fuel savings pay for the costs of the Uprate Project, the customers do not, and therefore, customers clearly receive fuel savings benefits from the Uprate Project. The Uprate Project should be approved consistent with the Commission's long-standing policy under item 10 of Order 14546.

III. COMMISSION POLICY UNDER ORDER 14546

Q. Under what Commission policy is the request for cost recovery in PEF's Petition made?

A. PEF's cost recovery request in its Petition is based on longstanding Commission policy encouraging utilities to incur the costs of innovative projects or programs that reduce costs to customers. This policy is incorporated in item 10 of Order 14546 establishing the types of costs that prospectively can be recovered by utilities under the Fuel Clause. Under item 10 of Order 14546 a utility is entitled to recover through the Fuel Clause "fossil fuel-related costs normally recovered through base

rates but which were not recognized or anticipated in the costs levels used to determine current base rates and which, if expended, will result in fuel savings to customers."

Q. What must a utility demonstrate to be entitled to recover costs through the Fuel Clause under the Commission policy established in Order 14546?

A. Under item 10 of Order 14546 the utility must demonstrate: (1) the expected amount of the project costs; (2) that the expected project costs were not anticipated in current base rates; (3) the amount of projected fuel savings that will be generated if the costs are incurred; and (4) that those fuel savings are expected to exceed the project costs. No other requirements or tests must be met.

Q. Intervener witnesses argue that the costs must be volatile to be recovered under the Fuel Clause, even under item 10 of Order 14546. Do you agree?

A. No. No such requirement appears in item 10 of Order 14546. The Commission was certainly aware that the Fuel Clause was historically used for the recovery of volatile costs when the Commission adopted the policy in item 10 of Order 14546. Yet, nowhere in item 10 or elsewhere in that Order, or in any later Commission Order applying the policy adopted in item 10 of Order 14546, has the Commission ever required a demonstration that the costs sought under item 10 of Order 14546 must be volatile to be recovered through the Fuel Clause. In fact, the Commission expressly recognized in Order 14546 that its policy must be flexible enough to allow recovery through the Fuel Clause of costs *normally* recovered through base rates.

This is the very first part of the test set forth in Item 10, allowing the recovery of fossil fuel-related costs which are *normally recovered through base rates*, if they are not currently recovered in base rates and result in fuel savings.

The Commission policy identified in item 10 of Order 14546 is, therefore, an *exception* to the general rule – as OPC witness Merchant admits (Merchant Test., p. 12, lines 7-9) – providing for the recovery of volatile costs through the Fuel Clause. To read a volatility requirement that does not exist into Item 10 of Order 14546, as Interveners suggest, renders the Commission policy established in item 10 of Order 14546 meaningless. Fossil fuel-related costs "normally recovered through base rates" by definition are not volatile costs and, therefore, they would never be recovered through the Fuel Clause – even when they result in fuel savings and are not currently recovered in base rates – if a "volatility" requirement is added to item 10 of Order 14546. The Commission obviously did not intend a construction of its policy in Order 14546 that obliterates the very policy it adopted. Thus, PEF's Uprate Project costs cannot be rejected because they are not volatile because that is not an appropriate part of the test articulated in Item 10 of Order 14546.

Q. Some intervener witnesses argue that the Uprate Project costs are not fossil fuel-related costs and, therefore, should not be recovered through the Fuel Clause. Do you agree?

A. No. Under their interpretation of fossil fuel-related costs, such costs are limited to only those which are directly related to the delivered price of fossil fuel. No such

definition appears in item 10 of Order 14546, elsewhere in Order 14546, or in any Commission order applying the policy adopted in item 10 of Order 14546.

As her support for this argument, Ms. Merchant relies on an example given in Order 14546 to illustrate one type of expense that was appropriately recovered under the Fuel Clause. The Commission acknowledged that the cost of a short-term lease of an oil storage tanker for a utility to take advantage of unanticipated lower oil costs, for example, was recoverable under item 10 through the Fuel Clause. Ms. Merchant claims this example shows that "fossil fuel-related cost" was meant to refer to only those costs "directly related to the delivered cost of fossil fuel to be burned in the boilers to generate electricity." (Merchant Test., p. 12, lines 18-24). The Commission, however, nowhere limited the term "fossil fuel-related costs" in this way in Order 14546. The example provided in Order 14546 was meant to be just that, an example. Indeed, the Commission expressly stated that it intended the policy in Order 14546 to be a flexible one, which negates the narrow "list" of recoverable "fossil fuel-related costs" that Ms. Merchant would use based on the "example" in Order 14546.

As I explained in detail in my amended direct testimony at pages 14-18, the Commission never expressed any intent to give the term "fossil fuel-related costs" in item 10 of Order 14546 the narrow interpretation advocated by intervener witnesses. Such a narrow definition of the term "fossil fuel-related costs" does not make sense because it is inconsistent with the Commission's policy to encourage innovative projects that save fuel costs. Rather, the more logical interpretation consistent with Commission policy is that the term "fossil fuel-related costs" means

all costs that result in the reduction or replacement of other, more expensive fossil fuels. This interpretation is confirmed by the Commission's consistent application of its policy in item 10 of Order 14546 in later Commission orders. See Order No. PSC-96-1172-FOF-EI, Docket No. 960001-EI (Sept. 19, 1996); Order No. PSC-95-1089-FOF-EI, Docket No. 950001 (Sept. 5, 1995); Order No. PSC-96-0353-FOF-EI, Docket No. 960001-EI (Mar. 13, 1996); Order No. PSC-97-0359-FOF-EI, Docket No. 970001-EI (Mar. 31, 1997); Order No. PSC-98-0412-FOF-EI, Docket No. 980001-EI (Mar. 20, 1998).

Q. The intervener witnesses apply an "earnings" test to Order 14546, arguing that if part or all of the Uprate Project costs can be absorbed by the Company in current base rates, recovery through the Fuel Clause for the Uprate Project should be denied. Is there an "earnings" test under Order 14546?

A. No, there is not. To summarize the intervener witnesses' argument, they assert that (1) the Uprate Project costs are the types of cost fluctuations that base rates are intended to cover, and (2) PEF's earnings are such that the Uprate Project costs, especially for Phase 1, can be absorbed with only a negligible impact on earnings. In addition, Mr. Lawton argues that the Company in fact may be earning too much if it is allowed to recover the project costs through the fuel clause, if base rates are sufficient to cover the costs. Intervener witnesses, therefore, are applying an abbreviated "earnings" test to Order 14546, comparing only the Uprate Project's future costs against past Company surveillance reports, to conclude there is, in their

opinion, a "negligible" impact on PEF earnings as a result of the Uprate Project. There is, however, no such test in Order 14546, and appropriately so.

No "earnings" test of any type is even mentioned in Order 14546. There is no requirement under item 10 of Order 14546 that a utility prove that it is incapable of recovering project costs through base rates without adversely affecting its allowable return on equity. Any requirement to determine if the utility's earnings are affected by a project proposed under item 10 of Order 14546 would necessarily subject the utility to a base rate proceeding inquiry to obtain Fuel Clause recovery of project costs designed to generate fuel savings.

The time and cost that must be invested in a base rate proceeding inquiry defeats the purpose of the Commission policy under item 10 of Order 14546. The Commission set forth a straight-forward, two-part test in item 10 of Order 14546 for Fuel Clause recovery to encourage utilities to pursue projects that would generate fuel savings for customers. Intervener witnesses agree that this was the Commission's purpose in item 10 of Order 14546. This purpose is advanced by providing utilities the opportunity for cost recovery under a simple test in an abbreviated proceeding. Turning that simple test in a Fuel Clause proceeding into a base rate inquiry eliminates the very incentive the Commission intended to establish in item 10 of Order 14546.

PEF specifically considered the Uprate Project because of the fuel savings presented by the Uprate Project and the ability to recover the costs of the Uprate Project through the Fuel Clause under item 10 of Order 14546. The Commission policy represented by item 10 of Order 14546, therefore, was in fact an incentive for

the Uprate Project. The Commission's policy to encourage projects that generate fuel savings to reduce customer costs works. The ability to recover the Uprate Project's costs through the Fuel Clause under item 10 of Order 14546 was part of the Company's decision to proceed with the Uprate Project.

None of the Commission's numerous orders applying the Commission's policy under Item 10 of Order 14546 to a utility request for Fuel Clause recovery of project costs that generate fuel savings involved the consideration of the impact of the project costs on the return the utility was earning. For more than twenty years the Commission has applied item 10 of Order 14546 without any "earnings" test. PEF's earnings are, therefore, irrelevant to this proceeding. What is relevant is whether the CR3 Uprate project qualifies under the test set forth in Item 10 of Order 14546. Because it does, PEF's request for Fuel Clause recovery for the Uprate Project costs should be approved.

Q. Intervener witnesses also argue that, if the costs sought through the Fuel Clause under Order 14546 can be recovered in future base rates, they cannot be recovered through the Fuel Clause. Is this argument consistent with the policy established in Order 14546?

A. No. To explain this argument, intervener witnesses Lawton and Merchant both assert that Phases 2 and 3 of the Uprate Project are not appropriate for fuel clause recovery, because, by the time those costs are incurred, PEF will be able to go into a new base rates proceeding and obtain cost recovery through base rates. (Merchant Test., p. 26, lines 5-7; Lawton Test., p. 23, lines 2-9). Ms. Merchant goes on to

testify that, given PEF's ability to initiate a new base rates proceeding, there will be no "regulatory lag" in recovering the CR3 Uprate costs, and this is really what Order 14546 was designed to prevent. (Merchant Test., p. 14, lines 7-16).

Intervener witnesses Lawton and Merchant are again reading non-existent requirements into Order 14546. The Commission did not require the utility to show that project costs were not recoverable in *future* base rates to obtain recovery of the project costs through the Fuel Clause under item 10 of Order 14546. Instead, the Commission required the utility to demonstrate that the project costs were not recognized or anticipated in *current* base rates. The intent was to protect against possible double recovery not to eliminate regulatory lag.

Indeed, PEF always has the right to initiate a base rate proceeding to address costs that it believes should be included in base rates to provide an adequate return. Even under the rate case settlement agreement, PEF can initiate a base rate proceeding to include costs in base rates if PEF's return falls below a certain level. A requirement that a utility demonstrate that project costs cannot be recovered in future base rates, again, defeats the purpose of the Commission policy established in Item 10 of Order 14546. And, again, in more than 20 years of applying its policy under item 10 of Order 14546, the Commission has never required the utility to show that the project costs cannot be recovered in future base rates to obtain recovery of those costs through the Fuel Clause.

Q. Intervener witnesses argue that the reference to "case-by-case" consideration of utility requests under item 10 of Order 14546 means that the Commission

should make any issue raised by any party to the proceeding a requirement that must be considered by the Commission in determining whether the relief requested should be granted. Do you agree?

A. No. The Commission intentionally selected a straightforward, two-part test under item 10 of Order 14546 to encourage utilities to pursue projects that generated fuel savings and thus lowered the cost of providing power to customers. The Commission was certainly aware of every issue that the intervener witnesses raise in their testimony at the time the Commission adopted the policy in item 10 of Order 14546, but the Commission decided not to make them requirements of item 10 of Order 14546. As I have explained, the reason the Commission decided not to add the issues raised by the intervener witnesses to the requirements for relief under item 10 of Order 14546 is clear: they are disincentives -- not incentives -- to a policy that encourages investment in projects that result in fuel savings to customers.

Order 14546 resulted from the Commission's direction to investor-owned utilities and other interested parties to consider the types of costs appropriate for fuel clause recovery. The parties did this and in fact "agreed to a policy addressing the appropriate prospective means of recovering such fossil fuel-related expenses." Order 14546 at 1. This policy is reflected in items 1 through 10 of Order 14546, where the Commission states: "As a result of our determinations in this proceeding, *prospectively*, the following charges are properly considered in the computation of the average inventory price of fuel used in the development of fuel expenses in the utilities' fuel cost recovery clauses." Id. at 3. Thus, Order 14546 is a policy of

general applicability, which has the force of a rule, because it applies prospectively to all utilities. Intervener witnesses do not dispute that the Commission established a policy of general applicability in Order 14546, including item 10 of that Order.

As a policy of general applicability, the Commission should apply item 10 of Order 14546 uniformly and consistently to all utilities, applying the same requirements to all to achieve fairness. Likewise, applying consistent, uniform requirements to all utilities provides certainty to Commission policy and, therefore, promotes that policy. In the case of the policy under item 10 of Order 14546, there is a two-part test for recovery under the Fuel Clause that does not include any of the issues raised by the intervener witnesses. Similarly, the Commission has repeatedly and consistently applied this two-part test for over 20 years, without adding any additional requirements as the intervener witnesses suggest.

To allow the intervener witnesses to add to the requirements of item 10 of Order 14546 now, through their "case-by-case" argument, departs from the clear, express requirements of item 10 and past application of those requirements by the Commission, resulting in an unfair and uncertain application of Commission policy. The result will discourage, not encourage, utility projects in the future that achieve fuel savings to reduce customer costs.

In any event, the reference to the recovery of costs under item 10 of Order 14546 on a "case by case" basis does not mean what intervener witnesses say it means. The full statement is: "Recovery of such costs should be made on a case-by-case basis after Commission approval." Order 14546 at 4. The express recovery of "such costs" refers to the preceding sentence in item 10 setting forth the two-part

test for the determination of recoverable costs under this item of Order 14546. The term "case-by-case basis," then, cannot be an open-ended invitation to add requirements to the ability to recover costs under item 10 of Order 14546 because it renders meaningless the express reference to the recovery of "such costs" in the same sentence.

Rather, the term "case-by-case basis after Commission approval" was included in item 10 to differentiate the costs under item 10 from the costs under items 1 through 9 of Order 14546. Costs identified in items 1 through 9, by the terms of Order 14546 itself, can be included by the utility in the development of their fuel expenses in the Fuel Clause without further Commission action. Costs under item 10 of Order 14546, however, cannot automatically be added to the utilities' fuel expenses but must be added only "after Commission approval," which necessarily must be done case-by-case to determine if the two-part test established by the Commission in item 10 of Order 14546 has been met.

Q. Do the intervener witnesses seek to apply the Commission policy in item 10 of Order 14546 or change it?

A. I believe the intervener witnesses seek to change Commission policy under item 10 of Order 14546 rather than apply it to PEF's Petition. Every argument that they assert to add to the requirements set forth under item 10 of Order 14546 – to impose a volatility requirement, to impose an "earnings" test, to narrowly define the term "fossil fuel-related costs", and to impose a requirement that costs cannot be recovered in "future' base rates – can be made with respect to any utility request for

cost recovery through the Fuel Clause under item 10 of Order 14546. Their arguments, in fact, fly in the face of years of consistent application by the Commission of the express requirements in item 10 of Order 14546. See Order No. PSC-96-1172-FOF-EI, Docket No. 960001-EI (Sept. 19, 1996); Order No. PSC-95-1089-FOF-EI, Docket No. 950001 (Sept. 5, 1995); Order No. PSC-96-0353-FOF-EI, Docket No. 960001-EI (Mar. 13, 1996); Order No. PSC-97-0359-FOF-EI, Docket No. 970001-EI (Mar. 31, 1997); Order No. PSC-98-0412-FOF-EI, Docket No. 980001-EI (Mar. 20, 1998). They, therefore, seek to change the Commission policy, not apply the existing Commission policy to PEF's current request. If the interveners want to change the policy set forth by the Commission in item 10 of Order 14546, they should do so in a generic docket involving all utilities that would be affected by a change in the policy and other interested parties. Indeed, the policy in item 10 of Order 14546 was adopted in such a generic docket, providing all affected parties and interested persons an opportunity to participate in and comment on the development of that policy.

IV. THE APPLICATION OF COMMISSION POLICY UNDER ORDER 14546

Q. Do the intervener witnesses also challenge the application of Commission policy under item 10 of Order 14546 to PEF's request for cost recovery?

A. Yes, they do. Some intervener witnesses claim PEF has not demonstrated that the Uprate Project costs are not recoverable in current base rates even though they concede PEF has demonstrated that the Uprate Project costs were not recognized in

PEF's minimum filing requirements (MFRs) in its last base rate proceeding. Intervener witnesses also challenge the return on equity and recovery period of the Uprate Costs under PEF's request for cost recovery in its Petition. I will address each of these arguments in turn and explain why PEF's request for recovery of the Uprate Project costs through the Fuel Clause is consistent with the Commission's policy under item 10 of Order 14546 and Commission application of that policy to utility requests over the past 20 years.

Q. Are the Uprate Project costs recognized or anticipated in PEF's current base rates?

A. No, they are not. As I demonstrated in my amended direct testimony, the Uprate Project costs were not anticipated and recognized in PEF's MFRs at the time of PEF's last base rate proceeding and, accordingly, the Uprate Project costs are not recognized or anticipated in PEF's current base rates. Intervener Witness Merchant agrees that the Uprate Project costs are not recognized in PEF's MFRs. (Merchant Test., p. 15, lines 20-23).

Ms. Merchant argues, however, that just because the Uprate Project costs are not recognized in the Company's MFR's it does not mean that the Uprate Project costs could not be anticipated in current base rates. (Merchant Test., pp. 15-16). She essentially contends that base rates are designed to cover all base-rate type expenses, whether anticipated at the time of the utility's MFRs or not, and therefore the Uprate Project costs were implicitly anticipated in current base rates. (Id.).

Ms. Merchant's argument is contrary to the very terms of item 10 of Order 14546 and, if accepted, renders item 10 of Order 14546 meaningless. Under item 10 of Order 14546 a utility is required to show in part that the costs for which recovery is sought are those "normally recovered through base rates but which were not recognized or anticipated in the cost levels used to determine current base rates." Order 14546 at 4. The reference to the "cost levels used to determine current base rates" obviously refers to the Company's MFRs because that is how utilities demonstrate their "cost levels" to "determine current base rates." Ms. Merchant's argument, then, is inconsistent with the express terms of item 10 and must be rejected.

Additionally, if Ms. Merchant's construction of item 10 of Order 14546 was accepted the policy the Commission adopted in item 10 is again rendered meaningless. Every cost "normally recovered through base rates" that results in fuel savings does not meet the test established by Ms. Merchant, therefore, no such cost would be recoverable through the Fuel Clause under item 10 of Order 14546. The Commission clearly did not intend to adopt a policy in item 10 of Order 14546 that could never be applied.

Ms. Merchant cites no authority to support her novel construction of item 10 of Order 14546. The Commission's application of item 10 of Order 14546, in fact, refutes her construction of item 10. I am not aware of any Commission order applying item 10 of Order 14546 in the way Ms. Merchant does.

Finally, this construction of item 10 by Ms. Merchant is just another way to assert that there should be an additional requirement of an earnings test to item 10 of

Order 14546. She is essentially saying that the costs sought by utilities under item 10 of Order 14546 can and should be absorbed in base rates unless and until the utility determines that its earnings are affected. As I have explained, no such requirement exists under Order 14546 and any such "earnings" requirement undermines and does not advance the policy established by the Commission in item 10 of Order 14546.

Q. Intervener witnesses Lawton and Merchant argue that PEF's request for cost recovery, in particular the return on equity, is inappropriate. Do you agree?

A. No. PEF's request is consistent with the prior Commission orders applying item 10 of Order 14546. For example, the Commission approved FPL's requested return of 9.2897%, which was FPL's then-current weighted average cost of capital, when the Commission permitted FPL to recover the costs of its thermal power uprate at two of its nuclear units through the Fuel Clause under item 10 of Order 14546. See Order No. PSC-96-1172-FOF-EI, Docket No. 960001-EI (Sept. 19, 1996). Likewise, FPC (now PEF) was allowed to recover a return of 8.37%, which was authorized in Docket 91089-EI, PEF's then-last rate case proceeding, when the Commission approved the recovery of the cost of PEF's conversion of its Intercession City combustion turbine units P7 and P9 to burn natural gas through the Fuel Clause under item 10 of Order 14546. See Order No. PSC-95-1089-FOF-EI, Docket No. 950001 (Sept. 5, 1995). PEF's current request is also consistent with other, prior Orders of the Commission under item 10 of Order 14546. See Order No. PSC-96-0353-FOF-EI, Docket No. 960001-EI (Mar. 13, 1996); Order No. PSC-

97-0359-FOF-EI, Docket No. 970001-EI (Mar. 31, 1997); Order No. PSC-98-0412-FOF-EI, Docket No. 980001-EI (Mar. 20, 1998). PEF does not request any different treatment for the Uprate Project costs than how other project costs were treated by the Commission under Order 14546.

It must be remembered that the policy established by item 10 of Order 14546 was intended to encourage utilities to invest in projects that resulted in fuel savings to the benefit of customers. Intervener witnesses agree that this was the intent behind item 10 of Order 14546. (Merchant Test., p. 18, lines 7-9; Lawton Test., top page 9.). Reducing the allowable return on such project costs based on a claimed reduction in the risk, as intervener witnesses assert, would have the effect of discouraging, not encouraging, such projects through the Fuel Clause. That is not what the Commission intended in item 10 of Order 14546.

Q. Intervener witnesses also argue that the recovery of the Uprate Project costs should be spread out over the useful life of the Uprate Project rather than correspond to offsetting fuel savings. Do you agree?

A. No. Again, PEF's request is consistent with the Commission's prior application of its policy under item 10 of Order 14546. In Order No. PSC-96-1172-FOF-EI, for example, FPL's thermal power uprate costs were approved for recovery through the Fuel Clause under Order 14546 over a two-year period of time even though the fuel savings were projected out to 2011, meaning that the capital changes had an expected useful life of at least 15 years. Docket No. 960001-EI (Sept. 19, 1996). In fact, through license extensions Turkey Point Unit 3 is licensed to operate until 2032

and Turkey Point Unit 4 until 2033. That means the expected benefit of those uprates will extend over about 36 years. This illustrates that the practice of providing for an abbreviated amortization period is nothing new for projects being recovered under item 10 of Order 14546.

In Order No. 97-0359-FOF-EI, the Commission approved cost recovery over a five-year period through the Fuel Clause under Order 14546 for the conversion of peaking units to burn natural gas (DeBary 7, Bartow 3 & 4, Suwannee 1). Docket No. 970001-EI (Mar. 31, 1997). In Order No. 98-0412-FOF-EI, the Commission similarly approved cost recovery over a five-year period through the Fuel Clause under Order 14546 for the costs associated with converting Suwannee Unit 3 to be able to burn natural gas. Docket No. 980001-EI (Mar. 20, 1998). Likewise, in Order No. PSC-95-1089-FOF-EI, the Commission approved a five-year recovery through the Fuel Clause under Order 14546 of the costs of converting Intercession City combustion turbine units P7 and P9 to gas. Docket No. 950001 (Sept. 5, 1995). Additionally, in Order No. PSC-96-0353-FOF-EI, the Commission approved FPC's request for the recovery of the costs of converting Intercession City combustion turbine units P8 and P10 through the Fuel Clause under Order 14546 over a five-year period. Docket No. 960001-EI (Mar. 13, 1996). These combustion turbines typically have a depreciable life of around 30 years. Suwannee 1 and 3 were placed in service in 1980, DeBary 7 in 1992, and Intercession City 7 and 9 in 1993. The fact that the Commission saw fit to approve shortened amortization periods for these projects further illustrates that the treatment PEF is requesting in this Petition is

nothing new. Rather, PEF's request is consistent with the historic treatment of items recovered under item 10 of Order 14546.

Q. Intervener witnesses Lawton and Merchant testify that PEF's requested cost recovery period violates certain principles of the Uniform System of Accounts ("USOA"). Do you agree?

A. No. When considering the USOA requirements it is important to realize that the Commission has the ability to modify their application. In fact, every time the Commission has approved abbreviated recovery of a capital project through the Fuel Clause in the past it has exercised this authority. Indeed, intervener witnesses Lawton and Merchant agree these requirements can be waived. (See, e.g., Merchant Test., p. 24, lines 4-6). This is, in fact, what the Commission has done time and again in the capital conversion projects and other projects that the Commission has approved pursuant to Item 10 of Order 14546. See Order No. PSC-96-1172-FOF-EI, Docket No. 960001-EI (Sept. 19, 1996); Order No. PSC-95-1089-FOF-EI, Docket No. 950001 (Sept. 5, 1995); Order No. PSC-96-0353-FOF-EI, Docket No. 960001-EI (Mar. 13, 1996); Order No. PSC-97-0359-FOF-EI, Docket No. 970001-EI (Mar. 31, 1997); Order No. PSC-98-0412-FOF-EI, Docket No. 980001-EI (Mar. 20, 1998). A shortened recovery period that corresponds to the period that fuel savings offset the project costs is nothing new and is in fact the typical manner of cost recovery approved under Order 14546. PEF's request for a cost recovery period equal to that of the offsetting fuel savings is just an application of this typical Commission practice.

Q. Intervener witnesses also argue that PEF's requested cost recovery period results in intergeneration inequity and harms PEF's customers. Do you agree?

A. No. First, intergeneration inequity arises when a customer today pays for something that will not produce benefits until some point in the future. With PEF's Uprate Project, however, today's customers will experience fuel savings immediately, in the first year after the Phase 1 of the Uprate, and projected for every year thereafter. In fact, the first year fuel savings are projected to exceed the Uprate Project costs that year. So, PEF's current customers will experience the benefits of the Uprate Project in the form of immediate and continuing fuel savings. Indeed, because PEF will only recover costs to the extent of fuel savings, customers are not paying for Uprate Project costs at all. The Uprate Project costs are being paid for by the fuel savings. Customer bills will remain the same or they will be lower (all other things being equal), so there is no real cost to today's or tomorrow's customers for the Uprate Project.

Second, PEF's requested manner of cost recovery is consistent with every Commission order that has granted cost recovery for utility project costs under item 10 of Order 14546. A similar argument regarding claimed intergeneration inequity can be made with respect to each of those past orders. For example, when the Commission approved the recovery of FPL's nuclear uprate costs through the Fuel Clause under Order 14546 over a two-year period the fuel savings were expected to continue for at least 15 years, resulting in the same alleged intergenerational inequity that intervener witnesses claim exists here. See Order No. PSC-96-1172-

FOF-EI, Docket No. 960001-EI (Sept. 19, 1996). The point is, in that order and in PEF's current request, there is no real intergenerational inequity concern because all customers are receiving fuel savings that through some point in time are simply used to pay for the Uprate Project. Customers should at worst be indifferent to the cost recovery period because the fuel savings are paying for the project costs. This, again, is consistent with the Commission's policy of encouraging utilities to take advantage of projects that result in fuel savings under item 10 of Order 14546.

Finally, intervener witnesses' arguments that PEF's customers are harmed by PEF's request rely almost exclusively on PEF's response to a discovery request (OPC Interrogatory Number 12) requesting revenue requirements information. This spreadsheet, which Mr. Lawton relies on for his exhibit DJL-4, shows that at the end of nine years (2016) the cumulative savings exceed the Uprate Project costs by $19.27 million. Mr. Lawton focuses on the fact that this spreadsheet shows that at the end of year eight (2015) the net savings show a small negative amount. Mr. Lawton then draws the conclusion that PEF's customers are harmed, at least through 2015. Mr. Lawton's reliance on this spreadsheet is misplaced.

PEF developed the spreadsheet showing the revenue requirements as a demonstrative tool to show the cumulative effect of the Uprate Project's fuel savings and to identify an initial cost recovery period whereby cumulative fuel savings exceed the Uprate Project costs. In the spreadsheet that occurs in year nine but PEF proposed an initial ten-year cost recovery period. The actual recovery period will depend, however, on the demonstration of the fuel savings to the costs in each fuel docket proceeding following approval of PEF's petition.

As we have repeatedly said, we intend to recover the Uprate Project costs to the extent that there are fuel savings. If there is an insufficient level of fuel savings in any particular year to cover the Uprate Project costs those costs in excess of the fuel savings that year will be deferred to the next year, and so on, until the costs are paid for by the fuel savings. That is why this particular spreadsheet was not used to support PEF's testimony in this proceeding, it is merely representative of the total fuel savings to costs. PEF's position is consistent with prior Commission precedent. In Order No. PSC-98-0412-FOF-EI, the Commission explained: "If the fuel savings during any annual period are less than the amortization and return costs, [PEF] shall limit cost recovery to actual fuels savings and defer recovery of the difference to future periods." Docket No. 980001-EI (Mar. 20, 1998). This is precisely what PEF proposes to do in this proceeding.

Q. Mr. Lawton argues that "precedent has little value," and so the Commission should not give much weight to its prior decisions. Do you agree?

A. No. All intervener witnesses agree that the Commission established a prospective policy of general application in item 10 of Order 14546. As I have explained, for this policy to have the intended effect there must be clear requirements that are uniformly and consistently applied by the Commission to guide utility actions. As a result, the Commission's prior application of the policy identified in item 10 of Order 14546 is especially important to the advancement of the Commission's policy under that Order. Tellingly, Mr. Lawton cites no authority for his argument that the Commission should completely ignore what it has done with other utilities' requests

pursuant to item 10 of Order 14546. He also ignores his own position and attempts to distinguish prior Commission precedent approving FPL's request for cost recovery for its nuclear uprate project under Order 14546.

Q. Do you agree with the distinctions that the intervener witnesses attempt to draw between the FPL uprate (Order 96-1172) and the CR3 Uprate project?

A. No. None of the distinctions that Ms. Merchant (Merchant Test., p. 19) and Mr. Lawton (Lawton Test., p. 22) attempt to draw between FPL's uprate and the CR3 Uprate render reliance on Order 96-1172 inappropriate here.

Ms. Merchant first contends that the FPL uprate costs were "de minimus" compared to the fuel savings generated. There is no requirement in Item 10 of Order 14546, however, that the fuel savings must outweigh the costs by a certain percentage or by some nominal amount. The only requirement is that the projected fuel savings exceed the costs. Indeed, in FPC's 1998 cost recovery petition for the conversion costs for Suwannee Unit 3 (Order 98-0412), the savings were not much more than the costs of the project. Nevertheless, the Commission approved fuel clause recovery for the costs under Order 14546. Docket No. 980001-EI (Mar. 20, 1998). No prior Commission order has imposed some threshold for the cost to savings to support recovery through the Fuel Clause under Order 14546 and Ms. Merchant suggests none in her testimony. This claimed distinction is irrelevant to PEF's request.

Next, Mr. Lawton claims the lower cost of FPL's uprate, compared to the higher cost of the CR3 Uprate, is a material difference between the two projects.

Again, Order 14546 imposes no ceiling on the amount of project costs that may be passed through the Fuel Clause. The only requirement is that the projected fuel savings exceed the costs. As demonstrated in PEF's amended direct testimony, the projected fuel savings substantially exceed projected costs for the Uprate Project. In fact, the projected fuel savings from the Uprate Project far exceed the projected fuel savings from FPL's nuclear uprate or any other prior project approved under Order 14546.

Finally, intervener witnesses Merchant and Lawton both argue that FPL customers received savings in the first year, unlike what will happen with the CR3 Uprate. They are wrong. PEF's customers will receive fuel savings beginning in year one and continuing for every year throughout the projected twenty-year period.

In sum, witnesses Merchant and Lawton attempt to diminish the importance of the FPL order by pointing to immaterial differences between the FPL nuclear uprate and the CR3 Uprate. When it comes to the application of the Commission's policy in item 10 of Order 14546, there is no reason to treat PEF's request different from the FPL request for cost recovery for its nuclear uprate project.

Q. Intervener witnesses Merchant and Lawton also attack PEF's cost estimates and fuel savings projections for this project. Do you agree with their arguments?

A. No, I do not. Witnesses Merchant and Lawton make various sweeping statements about PEF's cost estimates and fuel savings projections to support their opposition to PEF's Petition. Yet, neither of them have done any independent analysis of

PEF's cost estimates or fuel savings projections nor do they have any reason to believe that PEF has not used the best available methodology and information to estimate the costs and fuel savings. The intervener witnesses offer no evidence to even suggest that PEF's estimates are unreasonable or imprudent in some way. They further agree that prior utility requests for recovery of project costs through the Fuel Clause under item 10 of Order 14546 were similarly based on utility estimates of costs and fuel savings.

PEF's cost and fuel savings estimates are consistent with generally accepted utility estimating tools or methodology and consistent with PEF's past and current cost and fuel savings estimation practice. I believe that our cost and fuel savings estimates are reasonable and prudent and represent the best information that is currently available to the Company.

PEF's petition further requests a determination that the Uprate Project is eligible for cost recovery through the Fuel Clause under item 10 of Order 14546 as applied by the Commission. PEF agrees that it will need to demonstrate that its Uprate Project costs are reasonable and prudent as it seeks recovery of the costs through the Fuel Clause as it has consistently done in all other applications of item 10 of Order 14546.

Q. Witnesses Merchant and Lawton, however, both refer to cost estimates that they claim are different from PEF's cost estimates to suggest that PEF's cost estimates are unreliable. Do you agree?

A. No. Ms. Merchant, for example, claims that PEF's costs are too indefinite because she says they increased by over $68 million in just one month. (Merchant Test., p. 4, lines 3-7). Ms. Merchant, however, is comparing apples to oranges. She is comparing the cost estimates presented in PEF's amended direct testimony, which do not include AFDUC, to the cost estimates presented in my late-filed Exhibit 3, which do include AFDUC. The cost estimates have not increased by $68 million, rather, Ms. Merchant is comparing two different numbers.

Mr. Lawton also claims that the fact that the cost estimates are not final places customers' fuel savings at greater risk (meaning that if costs increase, the fuel savings decrease). Of course, the corollary to that is true as well, if the costs decrease, then fuel savings increase. If that occurred, customers would receive even greater benefits. In addition, there is no risk to customers because PEF is proposing to defer cost recovery to the extent fuel savings materialize each year. So, at worst, the project will pay for itself and customer bills will not increase as a result of the Uprate Project.

V. THE RATE CASE SETTLEMENT AGREEMENT

Q. Mr. Pollock, on pages 5 to 6 of his testimony, argues that the costs of the CR3 Uprate cannot be recovered through the Fuel Clause because such recovery violates the PEF rate case settlement prohibition against "new surcharges." Do you agree with his argument?

A. No, I do not. First, the settlement agreement was not intended to preclude Fuel Clause recovery of costs that properly qualify for such recovery, including costs that qualify under the Commission policy in item 10 of Order 14546. This is also shown by paragraph 14 of the settlement agreement, which contemplates a return on equity for costs recovered through clauses, at exactly the amount that PEF seeks recovery in its Petition.

Second, the settlement agreement does not explicitly prohibit recovery through the Fuel Clause of costs incurred pursuant to the Commission policy in item 10 of Order 14546. The agreement nowhere references Order 14546 at all. Order 14546 was issued in 1985, well before the 2005 settlement agreement was signed. Thus, the parties to the agreement certainly knew about the Commission policy allowing Fuel Clause recovery pursuant to item 10 of Order 14546 at the time of the settlement. If the parties intended to explicitly prohibit the recovery through the Fuel Clause of costs allowed under the Commission policy in item 10 of Order 14546 cost recovery they could and should have said so in the agreement.

Lastly, the Company's proposal cannot be considered a "surcharge" at all, because it will not result in increased customer bills. PEF proposes to recover costs only to the extent of fuel savings, such that in each year the customers will only pay for the costs that are offset by fuel savings. As such, the costs of the CR3 Uprate project will not result in a surcharge, because customer bills will decrease or, in the worst case, remain the same as they would have been without the project. So PEF's proposal is in fact not a surcharge at all and thus could not violate the rate case settlement agreement in any event.

VI. NEED FOR CR3 UPRATE PROJECT

Q. Mr. Pollock argues that the Uprate Project costs will be paid for by additional customer revenue PEF generates with the project. Do you agree with this testimony?

A. No, I do not. Mr. Pollock ignores the fact that the CR3 Uprate was proposed to meet an economic need and not a reliability need. This is clear from Order No. PSC-07-0119-FOF-EI, the order approving the Company's need for the CR3 Uprate. Docket No. 060642-EI (Feb. 8, 2007). There, the Commission clearly stated that the Uprate Project was not needed for reliability, but that the project would generate fuel savings and increase fuel diversity. In other words, the Uprate Project was not needed to maintain its reserve margins to keep up with increasing customer load on the system. Therefore, the Uprate Project costs will not be paid for by revenues from increased customer growth or energy use. Instead, fuel savings will pay for the Uprate Project costs and there will be fuel savings left over for the benefit of PEF's customers.

Q. Does Mr. Pollock make any other arguments regarding PEF's need for the project?

A. Yes, at page 10, lines 5-10 of his testimony, Mr. Pollock argues that the sole need for the CR3 Uprate could not have been the fuel savings, because PEF included the expected megawatt additions into its 2007 Ten Year Site Plan ("TYSP").

Q. Do you agree with this argument?

A. No, I do not. Mr. Pollock's argument again misses the point of the need for the CR3 Project. Order PSC-07-0119-FOF-EI clearly states that the need was an economic need, i.e. to generate expected fuel savings. Indeed, PEF's 2006 TYSP, filed in April 2006 before PEF's CR3 need and fuel cost recovery petition was initially filed, did not include the CR3 Uprate project among the future planned generating units. It was only after the need for the CR3 Uprate was granted, in February 2007, that PEF included the additional megawatts from the CR3 Uprate in the April 2007 TYSP. The additional megawatts from the CR3 Uprate were included in the April 2007 TYSP because PEF cannot ignore megawatts that will be added to the system once they have been approved by the Commission. But the economic need for the Uprate Project remains the same, and Mr. Pollock is simply wrong to assume that the Uprate Project costs are offset by customer sales.

There is an additional benefit to the CR3 Uprate, however, which can be seen by its inclusion in the April 2007 TYSP. This project will have the added benefit of deferring other, fossil fuel generation planned in prior TYSPs.

VII. COST ALLOCATION ISSUES

Q. Mr. Pollock argues that the costs of the Uprate Project should be allocated on the basis of demand rather than energy. Can you address this argument?

A. Mr. Pollock's argument that the CR3 Uprate costs should be treated as a production demand-related cost is based on the erroneous assumption that the capacity of the uprate is needed for PEF to meet its projected peak demands. As I explained, the need for this project was an economic need, not a reliability need. The Uprate Project has nothing to do with how much demand PEF's customers are placing on the system. The genesis of the Uprate Project is the fuel savings that will be generated by displacing more expensive fossil fuels and purchased power with additional nuclear generation.

Furthermore, Order 14546 does not include any requirement that cost allocation between demand and energy customers be considered. Item 10 sets forth a test to consider a utility's request for Fuel Clause recovery, and once the test is satisfied, those costs can be recovered through the Fuel Clause. This is consistent with how the fuel savings will be calculated – the fuel savings will be applied to customers on the basis of energy, not demand. The costs should be similarly allocated, otherwise certain of PEF's customers will be receiving more fuel savings benefits while other customers are paying proportionately more of the costs.

The Commission's prior orders involving requests for cost recovery pursuant to Item 10, Order 14546, also confirm that the Commission has never considered cost allocation issues in connection with these types of requests. Indeed, the Commission approved a similar uprate for FPL's nuclear plant, with no distinction between demand and energy allocation. The issue in these prior proceedings was whether the project was appropriate for *fuel clause* recovery pursuant to Order 14546.

Q. Please comment on Mr. Pollock's arguments regarding recovery of these costs through the Capacity Cost Recovery Clause ("CCRC").

A. Simply put, there is no justification for recovery of the CR3 Uprate costs through the CCRC. The only justification for clause recovery is through the Fuel Clause, pursuant to item 10 of Order 14546. The test set forth in Item 10 of that Order does not address or contemplate CCRC recovery.

On page 18 of his testimony, Mr. Pollock sets forth two reasons to support CCRC recovery. First, he points to the fact that the Commission allowed post-9/11 security measures to be recovered through the CCRC. According to Mr. Pollock, these security costs are allocated in the same manner as all other production base rate costs (through the CCRC), and therefore the Uprate Project costs should be allocated the same way. It makes little sense to compare PEF's CR3 Uprate project to the post-9/11 security costs. Mr. Pollock has given no reason why the Commission's treatment of the security costs is at all relevant to PEF's Petition. Additionally, this argument incorrectly assumes that the Uprate Project costs are base rate costs and should be allocated accordingly. As explained in the Company's Petition and testimony, however, the Uprate Project qualifies for Fuel Clause recovery pursuant to item 10 of Order 14546. How nuclear costs are allocated in base rates, then, is irrelevant to how they are allocated when approved for Fuel Clause recovery.

Second, Mr. Pollock relies on the Commission's recent nuclear cost recovery rule for new nuclear plants as justification for recovery of the Uprate Costs through

the CCRC. This rule has no application to PEF's request in this proceeding. The CR3 Uprate is not a new nuclear plant so the rule does not apply. Furthermore, as Mr. Pollock points out, the rule was not even in effect until April 2007, well after PEF filed its petition in this proceeding. Mr. Pollock's argument that the CR3 Uprate costs should be recovered through the CCRC must therefore fail.

Q. Can you comment on Mr. Pollock's argument that fuel savings do not justify fuel clause recovery for nuclear costs?

A. Yes, on page 19 of his testimony, Mr. Pollock argues that the Uprate Project costs cannot be allocated on the basis of fuel savings because FPL and the Commission rejected such allocations in prior proceedings. Both proceedings relied upon by Mr. Pollock, however, were *base rate* proceedings that addressed costs, such as the original construction of CR3, incurred to meet a peak demand need which this Commission has already determined is not the case with the Uprate Project. Thus, they are not relevant to PEF's request for recovery of the Uprate Project costs through the Fuel Clause under a specific Commission policy in item 10 of Order 14546. If PEF meets the test set forth in that order, which it does, PEF is entitled to recover the Uprate Project costs through the Fuel Clause.

VIII. MISCELLANEOUS ISSUES

Q. On pages 20-21 of his testimony, Mr. Pollock states that PEF's cost recovery should be reduced to reflect the joint ownership in CR3. Do you have any comments on this testimony?

A. Yes. PEF's request for cost recovery will not include any costs which CR3's joint owners have agreed to pay. Similarly, the fuel savings will be allocated proportionately among the joint owners based on the percentage of costs each owner bears.

Q. On pages 8-9 of her testimony, Ms. Merchant argues that all special cost recovery clauses have limited purposes and must be limited to prevent double recovery. Can you comment?

A. Yes. Ms. Merchant's argument highlights the fact that her main objection to PEF's request is not with the actual request itself but rather with the policy underlying clause recovery in general. She attacks all cost recovery clauses, not just PEF's specific request for fuel clause recovery. These general policy arguments have no place in PEF's specific request for fuel clause recovery pursuant to Item 10 of Order 14546. If Ms. Merchant and the other intervener witnesses wish for the Commission to address the clause recovery mechanisms in a more general policy setting, then a separate generic docket should be established for that purpose. But this proceeding is for the purpose of determining whether PEF's Uprate Project costs are eligible for recovery through the Fuel Clause pursuant to existing Commission policy in item 10 of Order 14546.

Q. Witness Lawton indicates that ratepayers will suffer a detrimental impact in the form of deferred income taxes, is this true?

A. There may be a deferred income tax impact on the ratepayer. This impact could be favorable, detrimental, or nonexistent. It will depend on the amount of time it takes to recover the costs associated with the Uprate Project under PEF's proposal. If PEF recovers all costs associated with the Uprate Project over ten years because the cumulative fuel savings exceed the cumulative project costs, there will be a mismatch between the tax and book life of the assets. This will always occur when recovery is accomplished over a period shorter or longer than the tax life. As such, there has been an impact in every other cost recovered through the Fuel Clause over a shortened time frame. This is nothing new and it is not a surprise to PEF, the Commission, or interveners. The Commission has consistently recognized that there is a benefit to encouraging projects that are designed to minimize fuel costs to the ratepayer. This is why the Commission has consistently approved recovery of such projects through the Fuel Clause on an abbreviated amortization schedule even though there will be deferred tax implications.

Q. Witness Merchant and Lawton seem confused as to what PEF is proposing to recover through the Fuel Clause associated with this Uprate Project. Can you make it clear what costs you seek Fuel Clause recovery of?

A. Consistent with past Commission precedent and policy, PEF should be authorized to recover through the Fuel Clause the amortization of capital costs and a return on capital at their current pretax weighted average cost of capital (WACC) of the

Uprate Project amortized over a period for which the demonstrated fuel savings exceed the amortization and pretax WACC return of the Uprate Project.

Q. Are you proposing to recover additional O&M costs, deferred taxes, or property taxes through the Fuel Clause?

A. No.

Q. Does this conclude your testimony?

A. Yes, it does.