

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear cost recovery clause.

DOCKET NO. 080009-EI

FILED: AUGUST 22, 2008

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COMMISSION
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STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-08-0211-PCO-EI, filed March 31, 2008, the Staff of the Florida Public Service Commission files its Prehearing Statement.

a. All Known Witnesses

Staff intends to offer the following testimony:

| <u>Witness</u> | <u>Subject</u> | <u>Issue</u> |
|---|---|--------------|
| Jeffery A. Small | PSC Staff's Financial Audits of Progress Energy Florida, Inc. (PEF) | 3B |
| Kathy L. Welch | PSC Staff's Financial Audits of Florida Power & Light Company (FPL) | 2B |
| Panel Testimony of Carl Vinson and Robert Lynn Fisher | PSC Staff's Project Management Audits of PEF and FPL | 2A 3A |

b. All Known Exhibits

Staff intends to offer the following exhibits associated with the testimony of Jeffery A. Small:

| | <u>Exhibit</u> | <u>Title</u> |
|------------|----------------|--|
| COM | <u>5</u> JAS-1 | Audit Report for 2007 power uprate costs for the Crystal River Unit 3 nuclear power plant |
| ECR | ___ | |
| GCL | ___ JAS-2 | Audit Report to address the pre-construction costs as of December 31, 2007 for Levy County Units 1 & 2 |
| OPC | ___ | |
| RCP | ___ | |
| SSC | ___ JAS-3 | Audit Report to address the site selection costs as of December 31, 2007 for Levy County Units 1 & 2 |
| SGA | ___ | |
| ADM | ___ | |
| CLK | ___ | |

DOCUMENT NUMBER-DATE

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Staff intends to offer the following exhibits associated with the testimony of Kathy L. Welch:

- KLW-1 History of Testimony Provided by Kathy L. Welch
- KLW-2 Audit Report for 2007 power uprate costs for the Turkey Point and St. Lucie nuclear power plants
- KLW-3 Supplemental Audit Report for 2007 power uprate costs for the Turkey Point and St. Lucie nuclear power plants
- KLW-4 Audit Report for 2007 pre-construction costs and site selection costs for Turkey Point 6 & 7

Staff intends to offer the following exhibits associated with the testimony of the panel witnesses, Carl Vinson and Robert Lynn Fisher:

- VF-1 Review of Progress Energy Florida's Project Management Internal Controls for Nuclear Plant Uprate and Construction Projects, August 2008
- VF-2 Review of Florida Power & Light's Project Management Internal Controls for Nuclear Plant Uprate and Construction Projects, August 2008

c. Staff's Statement of Basic Position

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

d. Staff's Position on the Issues

ISSUE 1A: Should Progress Energy Florida, Inc. and Florida Power & Light Company be allowed to recover through the Nuclear Cost Recovery Clause revenue requirements for a phase or portion of a system associated with a power plant, after such phases or portion of the project has been placed into commercial service, or should such phases or portion of the project be recovered through base rates?

POSITION: Yes. Progress Energy Florida, Inc. and Florida Power & Light Company should be allowed to recover through the Nuclear Cost Recovery Clause associated revenue requirements for a phase or portion of a system placed into commercial service during a projected recovery period. The amount of revenue requirements to be recovered in the clause should be limited to the actual number of months remaining in the year that the system is placed into service. At the end of this period, costs associated with the system should be removed from clause recovery and placed into the utility's rate base. Any difference in recoverable costs due to timing (projected versus actual placement in service) should be reconciled through the true-up provision.

ISSUE 1B: If recovery of costs for a phase or portion of a system associated with a power plant that is in commercial service continues through the Nuclear Cost Recovery Clause, how should the revenue requirements for that phase or portion be determined?

POSITION: Revenue requirements collected through the Nuclear Cost Recovery Clause should be determined according to current rate setting standards consistent with Section 366.93(4), Florida Statutes.

ISSUE 1C: How should the completion of site clearing work be determined for purposes of distinguishing between pre-construction and construction costs for recovery under the clause?

POSITION: Determination of site clearing should be individually identified based on project phase, cost type, or type and scope of activity under consideration.

ISSUE 1D: Should a utility be required to inform the Commission of any change in ownership or control of any asset which was afforded cost recovery under the Nuclear Cost Recovery Clause?

POSITION: Yes, timely notification will allow the Commission to make any required adjustments within or outside of the Nuclear Cost Recovery Clause. Staff will conduct workshops on the administrative procedures to be used by the Commission to make such adjustments.

ISSUE 1E: What is the appropriate procedure to reduce and refund NPCR charges to retail customers when a utility sells a portion of a nuclear unit to a municipality or another investor owned utility?

POSITION: This issue should be the subject of a subsequent workshop.

COMPANY-SPECIFIC ISSUES

Florida Power & Light Company

ISSUE 2A: Should the Commission find that for the year 2007, FPL's project management, contracting, and oversight controls were reasonable and prudent for the Turkey Point 6 & 7 project and for the Extended Power Uprate (EPU) project?

POSITION: No position at this time.

ISSUE 2B: Should the Commission find that for the year 2007, FPL's accounting and costs oversight controls were reasonable and prudent for the Turkey Point 6 & 7 project and for the EPU project?

POSITION: No position at this time.

Progress Energy Florida, Inc.

ISSUE 3A: Should the Commission find that for the year 2007, PEF's project management, contracting, and oversight controls were reasonable and prudent for Levy Units 1 & 2 project and the Crystal River 3 Uprate project?

POSITION: No position at this time.

ISSUE 3B: Should the Commission find that for the year 2007, PEF's accounting and costs oversight controls were reasonable and prudent for Levy Units 1 & 2 project and the Crystal River 3 Uprate project?

POSITION: No position at this time.

Florida Power & Light Company

ISSUE 4A: Should the Commission grant FPL's request to include the review and approval for recovery through the Nuclear Cost Recovery Clause of prudently incurred site selection costs for the Turkey Point Unit 6 & 7 project?

POSITION: No position at this time.

ISSUE 4B: What amount should the Commission approve as FPL's final 2007 true-up of prudently incurred site selection costs for the Turkey Point Units 6 & 7 project?

POSITION: No position at this time.

Progress Energy Florida, Inc.

ISSUE 5A: Should the Commission grant PEF's request to include the review and approval for recovery through the Nuclear Cost Recovery Clause of prudently incurred site selection costs for the Levy Units 1 & 2 project?

POSITION: No position at this time.

ISSUE 5B: What amount should the Commission approve as PEF's final 2007 true-up of prudently incurred site selection costs for the Levy Units 1 & 2 Project?

POSITION: No position at this time.

ISSUE 5C: What amount should the Commission approve as PEF's actual 2008 site selection costs for the Levy Units 1 & 2 Project?

POSITION: No position at this time.

Florida Power & Light Company

ISSUE 6A: What amount should the Commission approve as FPL's final 2007 true-up of prudently incurred preconstruction costs for the Turkey Point Units 6 & 7 project?

POSITION: No position at this time.

ISSUE 6B: What total amount should the Commission approve as FPL's final 2007 true-up to be recovered for the Turkey Point Units 6 & 7 project?

POSITION: No position at this time.

ISSUE 6C: What amount should the Commission approve as FPL's final 2007 true-up of prudently incurred construction costs for the EPU project?

POSITION: No position at this time.

ISSUE 6D: What amount should the Commission approve as carrying charges on FPL's prudently incurred 2007 construction costs for the EPU project?

POSITION: No position at this time.

ISSUE 6E: What total amount should the Commission approve as FPL's final 2007 true-up to be recovered for the EPU project?

POSITION: No position at this time.

ISSUE 6F: Has FPL demonstrated that the uprate-related costs it seeks to recover in this docket are incremental to those it would incur in conjunction with providing safe and reliable service during the period associated with the extension of its operating license, had there been no uprate project?

POSITION: The carrying costs on construction recovered through the Clause should be based on capital investments that are incremental to those that FPL would have otherwise incurred. A detailed analysis showing how FPL calculated the incremental capital investments was not provided.

Progress Energy Florida, Inc.

ISSUE 7A: What amount should the Commission approve as PEF's final 2007 true-up of prudently incurred preconstruction costs for the Levy Units 1 & 2 project?

POSITION: No position at this time.

ISSUE 7B: What amount should the Commission approve as PEF's final 2007 true-up of prudently incurred construction costs for the Levy Units 1 & 2 project?

POSITION: No position at this time.

ISSUE 7C: What amount should the Commission approve as carrying charges on PEF's prudently incurred 2007 construction costs for the Levy Units 1 & 2 project?

POSITION: No position at this time.

ISSUE 7D: What total amount should the Commission approve as PEF's final 2007 true-up to be recovered for the Levy Units 1 & 2 project?

POSITION: No position at this time.

ISSUE 7E: What amount should the Commission approve as PEF's final 2007 true-up of prudently incurred construction costs for the Crystal River 3 Uprate project?

POSITION: No position at this time.

ISSUE 7F: What amount should the Commission approve as carrying charges on PEF's prudently incurred 2007 construction costs for the Crystal River 3 Uprate project?

POSITION: No position at this time.

ISSUE 7G: What total amount should the Commission approve as PEF's final 2007 true-up to be recovered for the Crystal River 3 Uprate project?

POSITION: No position at this time.

ISSUE 7H: Has PEF demonstrated that the uprate-related costs it seeks to recover in this docket are incremental to those it would incur in conjunction with providing safe and reliable service during the period associated with the extension of its operating license, had there been no uprate project?

POSITION: The carrying costs on construction recovered through the Clause should be based on capital investments that are incremental to those that PEF would have otherwise incurred. A detailed analysis showing how PEF calculated the incremental capital investments was not provided.

Florida Power & Light Company

ISSUE 8A: What amount should the Commission approve as FPL's 2008 actual and estimated preconstruction costs for the Turkey Point Units 6 & 7 project?

POSITION: No position at this time.

ISSUE 8B: What total amount should the Commission approve as FPL's 2008 actual and estimated costs to be recovered for the Turkey Point Units 6 & 7 project?

POSITION: No position at this time.

ISSUE 8C: What amount should the Commission approve as FPL's 2008 actual and estimated construction costs for the EPU project?

POSITION: No position at this time.

ISSUE 8D: What amount should the Commission approve as carrying charges on FPL's 2008 actual and estimated construction costs for the EPU project?

POSITION: No position at this time.

ISSUE 8E: What total amount should the Commission approve as FPL's 2008 actual and estimated costs to be recovered for the EPU project?

POSITION: No position at this time.

Progress Energy Florida, Inc.

ISSUE 9A: What amount should the Commission approve as PEF's 2008 actual and estimated preconstruction costs for the Levy Units 1 & 2 project?

POSITION: No position at this time.

ISSUE 9B: What amount should the Commission approve as PEF's 2008 actual and estimated construction costs for the Levy Units 1 & 2 project?

POSITION: No position at this time.

ISSUE 9C: What amount should the Commission approve as carrying charges on PEF's 2008 actual and estimated construction costs for the Levy Units 1 & 2 project?

POSITION: No position at this time.

ISSUE 9D: What total amount should the Commission approve as PEF's 2008 actual and estimated costs to be recovered for the Levy Units 1 & 2 project?

POSITION: No position at this time.

ISSUE 9E: What amount should the Commission approve as PEF's 2008 actual and estimated construction costs for the Crystal River 3 Uprate project?

POSITION: No position at this time.

ISSUE 9F: What amount should the Commission approve as carrying charges on PEF's 2008 actual and estimated construction costs for the Crystal River 3 Uprate project?

POSITION: No position at this time.

ISSUE 9G: What total amount should the Commission approve as PEF's 2008 actual and estimated costs to be recovered for the Crystal River 3 Uprate project?

POSITION: No position at this time.

Florida Power & Light Company

ISSUE 10A: What amount should the Commission approve as FPL's 2009 projected preconstruction costs for the Turkey Point Units 6 & 7 project?

POSITION: No position at this time.

ISSUE 10B: What total amount should the Commission approve as FPL's 2009 projected costs to be recovered for the Turkey Point Units 6 & 7 project?

POSITION: No position at this time.

ISSUE 10C: What amount should the Commission approve as FPL's 2009 projected construction costs for the EPU project?

POSITION: No position at this time.

ISSUE 10D: What amount should the Commission approve as carrying charges on FPL's 2009 projected construction costs for the EPU project?

POSITION: No position at this time.

ISSUE 10E: What total amount should the Commission approve as FPL's 2009 projected costs to be recovered for the EPU project?

POSITION: No position at this time.

Progress Energy Florida, Inc.

ISSUE 11A: What amount should the Commission approve as PEF's 2009 projected preconstruction costs for the Levy Units 1 & 2 project?

POSITION: No position at this time.

ISSUE 11B: What amount should the Commission approve as PEF's 2009 projected construction costs for the Levy Units 1 & 2 project?

POSITION: No position at this time.

ISSUE 11C: What amount should the Commission approve as carrying charges on PEF's 2009 projected construction costs for the Levy Units 1 & 2 project?

POSITION: No position at this time.

ISSUE 11D: What total amount should the Commission approve as PEF's 2009 projected costs to be recovered for the Levy Units 1 & 2 project?

POSITION: No position at this time.

ISSUE 11E: What amount should the Commission approve as PEF's 2009 projected construction costs for the Crystal River 3 Uprate project?

POSITION: No position at this time.

ISSUE 11F: What amount should the Commission approve as carrying charges on PEF's 2009 projected construction costs for the Crystal River 3 Uprate project?

POSITION: No position at this time.

ISSUE 11G: What total amount should the Commission approve as PEF's 2009 projected costs to be recovered for the Crystal River 3 Uprate project?

POSITION: No position at this time.

Florida Power & Light Company

ISSUE 12: What total amount should the Commission approve for the Nuclear Cost Recovery Clause to be included in establishing FPL's 2009 Capacity Cost Recovery Clause factor?

POSITION: No position at this time.

Progress Energy Florida, Inc.

ISSUE 13: What total amount should the Commission approve for the Nuclear Cost Recovery Clause to be included in establishing PEF's 2009 Capacity Cost Recovery Clause factor?

POSITION: No position at this time.

ISSUE 14: Should Docket No. 080149-EI, be closed?

POSITION: Yes.

e. Stipulated Issues

None at this time.

f. Pending Motions

Staff has no pending motions.

g. Pending Confidentiality Claims or Requests

Staff has no pending confidentiality claims or requests.

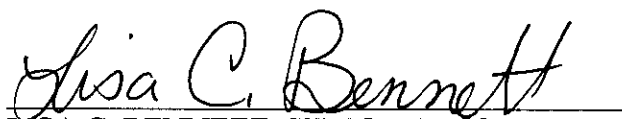
h. Objections to Witness Qualifications as an Expert

None.

i. Compliance with Order No. PSC-08-0211-PCO-EI

Staff has complied with all requirements of the Order Establishing Procedure entered in this docket.

Respectfully submitted this 22nd day of August, 2008.


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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Staff's Prehearing Statement was furnished to the following, by U.S. Mail, on this 22nd day of August, 2008.

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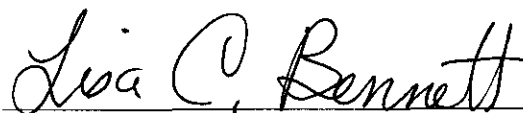
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