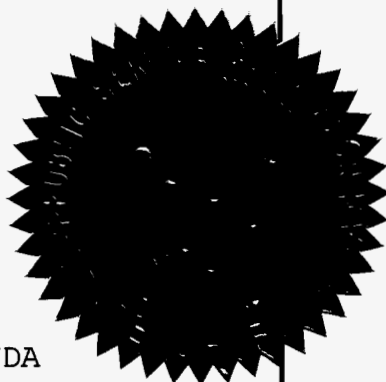


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 100001-EI

FUEL AND PURCHASED POWER COST  
RECOVERY CLAUSE WITH GENERATING  
PERFORMANCE INCENTIVE FACTOR.  
(POST-HEARING RECOMMENDATION-PEF)



PROCEEDINGS: COMMISSION CONFERENCE AGENDA  
ITEM NO. 8

COMMISSIONERS  
PARTICIPATING: CHAIRMAN ART GRAHAM  
COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER NATHAN A. SKOP  
COMMISSIONER RONALD A. BRISÉ

DATE: Tuesday, November 30, 2010

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: LINDA BOLES, RPR, CRR  
Official FPSC Reporter  
(850) 413-6734

DOCUMENT NUMBER: DATE

09743 DEC-30

FPSC-COMMISSION CLERK

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

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

\* \* \* \* \*

1  
2  
3           **CHAIRMAN GRAHAM:** The next item is Item Number  
4 8.

5           **MS. HELTON:** Mr. Chairman, just so the record  
6 is clear, because this is a post-hearing recommendation,  
7 this would be one of those items that Commissioner  
8 Balbis would not be able to vote on.

9           **MR. SAYLER:** Good morning, Mr. Chairman,  
10 Commissioners. My name is Erik Sayler on behalf of  
11 Staff.

12           Item Number 8 is Staff's post-hearing  
13 recommendation on Progress Energy, Incorporated's  
14 request to recover replacement power costs  
15 associated with the extended outage at the CR3  
16 nuclear power unit.

17           At the conclusion of the 2010 fuel clause  
18 hearing, the Commission asked the parties to brief  
19 several orders, as well as the various options  
20 available to the Commission as it relates to  
21 Progress's request.

22           Specifically, the Commission requested  
23 that the following options be discussed. One,  
24 recovery of the CR3 replacement power costs prior to  
25 a prudence review, with the understanding that those

1 costs are held subject to, or are subject to refund.  
2 Two, to recover recovery of the CR3 replacement  
3 power costs after a prudence review has been  
4 conducted. And, three, partial recovery of the CR3  
5 replacement power costs at this time and a partial  
6 recovery later following a prudence review.

7 Staff's recommendation has evaluated the  
8 orders as well as the various options available to  
9 the Commission. The decision whether to approve the  
10 outage costs involves issues of both law and  
11 regulatory policy. Staff believes that Progress has  
12 satisfied the legal threshold requirements of the  
13 three CR3 outage orders that the Commission asked  
14 Staff and the parties to evaluate, and that all  
15 three options mentioned before are legally available  
16 to the Commission.

17 Staff recommends that Progress should be  
18 permitted to collect, subject to refund, the  
19 replacement power costs due to the extended outage  
20 at CR3. Staff also notes that a separate docket,  
21 Docket Number 100437-EI, has been opened for the  
22 determination of prudence of the cause of the  
23 underlying outage and the costs associated with  
24 that. Staff is -- and also Staff notes that the  
25 actual amount to be recovered in the 2011 fuel

1 factors will be decided by Item Number 9, which is  
2 Progress's midcourse correction.

3 Staff is available to answer questions.

4 **CHAIRMAN GRAHAM:** Thank you. Commissioner  
5 Balbis, you heard the recommendation from the General  
6 Counsel that this is going to be a four-panel  
7 discussion. Are you, are you okay with that?

8 **COMMISSIONER BALBIS:** Yes, sir, I am.

9 **CHAIRMAN GRAHAM:** Okay. I just wanted to make  
10 sure that you're aware.

11 All right. That being said, we're to the  
12 Commission board. Any discussion?

13 Commissioner Skop.

14 **COMMISSIONER SKOP:** Thank you. Just to Staff,  
15 on page 3 of the Staff recommendation I guess Staff  
16 proceeds to outline the positions of the various parties  
17 in relation to the request before the Commission  
18 followed by a lengthy dissertation of three options, so  
19 I just want to make sure that I understand.

20 I know previously where we left off there  
21 was apparently concern from the bench that  
22 additional options be provided, and I believe that's  
23 reflected in Option 3. But I just want to make sure  
24 I'm understanding that Staff is recommending  
25 approval of what appears to be Option 1.

1           **MR. SAYLER:** Yes, sir.

2           **COMMISSIONER SKOP:** Okay. And also just as a  
3 point of information, on footnote 11 on page 13 of the  
4 Staff recommendation it makes the assertion -- or it's  
5 unknown whether Commissioner Argenziano concurred with  
6 the dissent. I think a review of the transcript clearly  
7 shows that not to be the case. But, again, I'll leave  
8 that to, you know, a reading of the transcript. But I  
9 think that's the only questions I have. I just wanted  
10 to better understand the Staff recommendation.

11           **CHAIRMAN GRAHAM:** All right. I'll chime in.  
12 The Options 1, 2, 3 were ones that I know that I asked  
13 for and more -- most, most of all I was looking at that  
14 to make sure we didn't overburden the, the end user here  
15 with these increases going through.

16           But with the, the large decreases we see  
17 going through right now, the net effect is it's  
18 still going to be a decrease. So that makes me more  
19 comfortable with Option Number 1 that the Staff has.  
20 But I just wanted to make sure that we had the  
21 ability, if we wanted to, to kind of make it a step  
22 increase or a half step increase. And I was quite  
23 sufficient with what the Staff brought us, and I  
24 want to thank you guys for your work for doing what  
25 it was that we asked.

1 Commissioner Skop.

2 **COMMISSIONER SKOP:** Thank you. And just to  
3 add to that, again, I think that this has been a little  
4 bit of a lengthy recommendation. But as to the half  
5 step effect, again, that's been a sound departure from,  
6 you know, past Commission practice. I think it's very  
7 important to look out for consumers, as I've often done  
8 on the bench trying to do the right thing, making  
9 decisions on the merits in a fair and impartial manner.

10 But I think the pause I had with the  
11 direction that the panel seemed to be going with  
12 that is that I think an important part of regulatory  
13 oversight is not only having uniform decisions, but  
14 treating utilities equally. And, you know, in  
15 recent events there was an instance where, you know,  
16 I had attempted to ask some questions without  
17 getting into details and, you know, Commissioner  
18 Graham, you prevented that from happening. But  
19 moreover, the Commission on a three-to-two vote  
20 voted to approve effectively \$81 million of expense  
21 without so much as having a question.

22 So I think that for the Commission to come  
23 back and treat Progress differently from what it's  
24 done in the past, granted they're both nuclear  
25 related, but one is fuel cost, which is based on the

1 carrying costs which are at the commercial paper  
2 rate for interest, and others are at the allowance  
3 for funds used during construction, which is a much  
4 higher carrying cost than the commercial paper rate,  
5 just seemed to be inconsistent treatment.

6 I think it's very important that we treat  
7 our utilities fairly and equally, and in that regard  
8 it seems that recent Commission precedent would be  
9 to go forward and support Option 1, which was the  
10 allow recovery, subject to refund, as the Commission  
11 voted in the majority to previously do recently.

12 **CHAIRMAN GRAHAM:** Commissioner Skop, I don't  
13 know what it was that you said that I, I stopped from  
14 happening. I don't know if I can unilaterally stop you  
15 from doing anything.

16 **COMMISSIONER SKOP:** Well, I had hoped to ask  
17 some questions, but they became moot at a prior  
18 proceeding, so.

19 **CHAIRMAN GRAHAM:** Oh, so your questions were  
20 moot.

21 **COMMISSIONER SKOP:** No, my questions were not  
22 moot. They were made moot by a motion to reconsider.

23 **CHAIRMAN GRAHAM:** Okay. We are on Item Number  
24 8. Can I get a motion?

25 **COMMISSIONER SKOP:** Move to approve Staff

1 recommendation on Issues 1 and 2.

2 **COMMISSIONER BRISE:** Second that.

3 **CHAIRMAN GRAHAM:** Any further discussion?

4 Seeing none, all in favor, say aye.

5 (Vote taken.)

6 Those opposed? By your action, you've approved

7 Staff recommendation on Item Number 8, Issues 1 and 2.

8 (Agenda item concluded.)

9 \* \* \* \* \*

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

STATE OF FLORIDA        )  
                                  :  
COUNTY OF LEON        )

CERTIFICATE OF REPORTER

I, LINDA BOLES, RPR, CRR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 3<sup>rd</sup> day of December, 2010.

Linda Boles  
LINDA BOLES, RPR, CRR  
FPSC Official Commission Reporter  
(850) 413-6734