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July 11, 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. is the corrected page 4 of PEF's Prehearing Statement filed on July 9th inadvertently reflecting that Exhibit SSW-2 was amended (page 4, par. 1). Exhibit SSW-2 was not amended and stands as filed in the Amended Direct Testimony of Samuel S. Waters filed May 4, 2007.

If you or your Staff have any questions regarding this, please contact me at (813) 229-4917.

Sincerely,




Dianne M. Triplett

Enclosure

## **CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished to all counsel of record and interested parties as listed below via electronic mail and U.S. Mail this 11<sup>th</sup> day of July, 2007.

  
\_\_\_\_\_  
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**D. PEF'S STATEMENT OF BASIC POSITION:**

PEF seeks a determination that the costs of the CR3 Uprate should be recovered through the fuel cost recovery clause ("fuel clause"), pursuant to Commission Orders including Order Number 14546. The CR3 Uprate will provide PEF's customers substantial fuel savings expected to be in excess of \$2.6 billion with an expected net present value of the savings to costs of \$320 million to PEF's retail customers. The CR3 Uprate achieves these savings by displacing fossil fuel and purchased power costs from fossil fuel generation with additional nuclear generation, thus, further enhancing fuel diversity on PEF's system. Indeed, this Commission determined in Order Number PSC-07-0119-FOF-EI, the CR3 Uprate is not needed for reliability but rather to achieve fuel cost savings and fuel diversity.

The Commission has long sought to encourage innovative utility projects that reduce fossil fuel costs to customers by providing the ability for cost recovery under the Fuel Clause. The CR3 Uprate is such a project. The Company pursued the CR3 Uprate because it provided significant fuel savings to customers and not because additional growth in customers or customer usage provided the revenues to pay for the costs of the project. The Company pursued the CR3 Uprate under Order 14546 because the project's substantial fuel savings offset the project's costs and recovery was appropriate under the Commission's order.

In Order 14546 the Commission determined that cost recovery under the Fuel Clause is authorized when the costs (1) were not anticipated and included in current base rates and (2) the costs generate fuel savings for customers. In fact, the Commission authorized Florida Power & Light to recover the capital costs of its thermal uprate to its nuclear plant under Order 14546 because the costs generated fuel savings and were not included in base rates. The costs of the CR3 Uprate Project were not anticipated and they are not included in the Company's current base rates and the CR3 Uprate generates substantial fuel savings for PEF's customers. The Commission should, therefore, grant PEF's petition requesting that the Commission find that the CR3 Uprate costs are eligible for cost recovery under the Fuel Clause.

No one can or does dispute that the CR3 Uprate project benefits PEF's customers. Interveners add terms or tests to Order 14546 that are nowhere found in the Commission's Order providing for cost recovery under the Fuel Clause for capital costs not included in base rates that are incurred to generate fuel savings to customers. There is no requirement nor could there be that the costs "not recognized or anticipated in the cost levels used to determine current base rates" should be "volatile" or recoverable in future base rates and there is no "earnings" test under Order 14546. Interveners want to change the Commission's policy in Order 14546 to not apply it to PEF's petition.