

REDACTED

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear Power Plant Cost  
Recovery Clause

Docket No. 080009-EI  
Submitted for Filing: August 22, 2008

**PROGRESS ENERGY FLORIDA, INC.'S  
PREHEARING STATEMENT**

Progress Energy Florida, Inc. ("PEF" or the "Company") hereby submits its Prehearing Statement in this matter, and states as follows:

**A. APPEARANCES:**

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**B. WITNESSES AND EXHIBITS:**

In identifying witnesses and exhibits herein, PEF reserves the right to call such other witnesses and to use such other exhibits as may be identified in the course of discovery and preparation for the final hearing in this matter.

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**1. WITNESSES.**

**Direct Testimony.**

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
Will Garrett	February 29, 2008 testimony: Reasonableness and prudence of PEF's CR3 Uprate project actual costs for years 2006 and 2007; calculation of carrying cost.	7E, 7F, 7G, 13
Will Garrett	April 22, 2008 testimony: Reasonableness and prudence of PEF's Levy Nuclear Project ("LNP") actual costs for 2007; calculation of carrying cost.	7A, 7B, 7C, 7D, 13
Lori Cross	May 1, 2008 CR3 Uprate testimony (two testimonies): reasonableness of actual/estimated and projected costs for 2008 and 2009 for CR3 Uprate.	9E, 9F, 9G, 11E, 11F, 11G, 13
Lori Cross	May 1, 2008 LNP testimony (three testimonies): Reasonableness and prudence of PEF's LNP site selection costs, incurred prior to the Company's March 1, 2008 filing for need determination; calculation of carrying cost; reasonableness of PEF's LNP 2008 actual/estimated and 2009 projected costs.	5B, 5C, 9A, 9B, 9C, 9D, 11A, 11B, 11C, 11D, 13
Garry Miller	Reasonableness and prudence of PEF's LNP actual costs for 2007 for acquisition of land for LNP site.	7B, 7D, 13
Dale Oliver	May 1, 2008 LNP testimony (two testimonies): Reasonableness and prudence of PEF's transmission-related LNP site selection costs, incurred prior to the Company's March 1, 2008 filing for need determination; reasonableness of PEF's transmission-related LNP 2008 actual/estimated and 2009 projected	5B, 5C, 7A, 7D, 9A, 9B, 9D, 11A, 11B, 11D, 13

	costs; long-term feasibility of transmission projects for LNP.	
Dale Oliver	July 9, 2008 supplemental LNP testimony: additional information regarding site selection, actual/estimated and projected costs for LNP transmission; PEF's reasonable and prudent project management policies and procedures, designed to manage transmission project costs and maintain the project schedule.	3A, 3B, 5B, 5C, 7A, 7D, 9A, 9B, 9D, 11A, 11B, 11D, 13
Daniel L. Roderick	February 29, 2008 testimony: Reasonableness and prudence of 2006 and 2007 actual costs for CR3 Uprate.	7E, 7G, 13
Daniel L. Roderick	May 1, 2008 testimony: Reasonableness and prudence of January to March 2008 CR3 Uprate costs; reasonableness of estimated and projected costs for remainder of 2008 and 2009 for CR3 Uprate; and long-term feasibility of CR3 Uprate project.	9E, 9G, 13
Daniel L. Roderick	May 1, 2008 LNP testimony (two testimonies): Reasonableness and prudence of PEF's generation-related LNP site selection costs, incurred prior to the Company's March 1, 2008 filing for need determination; reasonableness of PEF's generation-related LNP 2008 actual/estimated and 2009 projected costs; and long-term feasibility of LNP project as related to generation.	5B, 5C, 7A, 7D, 9A, 9B, 9D, 11A, 11B, 11D, 13
Daniel L. Roderick	July 9, 2008 supplemental LNP testimony: additional information regarding site selection, actual/estimated and projected costs for LNP generation; and PEF's reasonable and prudent project management policies and procedures, designed to manage nuclear	3A, 3B, 5B, 5C, 7A, 7D, 9A, 9B, 9D, 11A, 11B, 11D, 13

generation project costs and maintain the project schedule.

Daniel L. Roderick	July 1, 2008 supplemental CR3 Uprate testimony: additional information regarding actual/estimated and projected costs for CR3 Uprate; and PEF's reasonable and prudent project management policies and procedures, designed to manage project costs and maintain the project schedule.	3A, 3B, 9E, 9G, 13
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**Rebuttal Testimony.**

<u>Witness</u>	<u>Subject matter</u>	<u>Issues</u>
Daniel L. Roderick	Rebuttal to Mr. Jacobs' testimony; providing testimony on Company analysis showing that no costs associated with CR3 license renewal were included in PEF's CR3 Uprate cost recovery filing.	3A, 3B, 9E, 9G, 13
Will Garrett	Rebuttal to Mr. Small's testimony; providing testimony that selected methodology for valuation of Levy land held for future use was reasonable and prudent.	7A, 7B, 7C, 7D, 13

**2. DIRECT TESTIMONY EXHIBITS.**

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
WG-1 (CR3)	Will Garrett	Schedules T-1 through T-10, which reflect PEF's retail revenue requirements for the CR3 Uprate from January 2007 through December 2007 (Danny Roderick sponsoring T-7 through T-8B)
WG-2 (CR3)	Will Garrett	Schedules T-1 through T-10, reflecting PEF's retail revenue requirements for the CR3 Uprate for period January 2006 through December 2006 (Danny Roderick

		sponsoring T-7 through T-8B)
WG-1 (Levy)	Will Garrett	Schedules T-1 through T-10, which reflect PEF's retail revenue requirements for the Levy project from January 2007 through December 2007 (Garry Miller sponsoring T-7 through T-8B)
LC-1 (CR3)	Lori Cross	Schedules P-1 through P-10 and Appendix A, which reflect PEF's retail revenue requirements for the Crystal River Unit 3 (CR3) Uprate Filing from January 2009 through December 2009 (Danny Roderick sponsoring P-7 through P-8B)
LC-2 (CR3)	Lori Cross	Schedules AE-1 through AE-10, which reflect PEF's retail revenue requirements for the Crystal River Unit 3 (CR3) Uprate Filing from January 2008 through December 2008 (Danny Roderick sponsoring AE-7 through AE-8A)
LC-3 (CR3)	Lori Cross	Schedules TOR-1 through TOR-7, which reflect the total project estimated costs (Danny Roderick sponsoring TOR-7)
LC-1 (Levy)	Lori Cross	Schedules AE-1 through AE-10, which reflect PEF's retail revenue requirements for the Levy Nuclear Filing from January 2008 through December 2008 (Danny Roderick and Dale Oliver sponsoring portions of AE-7 through AE-8A)
LC-2 (Levy)	Lori Cross	Schedules P-1 through P-10, which reflect PEF's retail revenue requirements for the Levy Nuclear Filing from January 2009 through December 2009 (Danny Roderick and Dale Oliver sponsoring portions of P-7 through P-8B)
LC-3 (Levy)	Lori Cross	Schedules SS-1 through SS-6, which reflects the site selection costs for 2006
LC-4 (Levy)	Lori Cross	Schedules SS-1 to SS-10 which reflects the site selection costs for 2007 (Danny

		Roderick and Dale Oliver sponsoring SS-7 through SS-8B)
LC-5 (Levy)	Lori Cross	Schedules SS-1 to SS-10 which reflects the site selection costs for 2008 (Danny Roderick and Dale Oliver sponsoring SS-7 through SS-8B)
DLR-1 (CR3)	Daniel L. Roderick	Integrated Project Plan for CR3 Uprate Project

### 3. REBUTTAL TESTIMONY EXHIBITS.

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
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None.

### D. PEF'S STATEMENT OF BASIC POSITION:

#### CR3 Uprate Project

This Commission granted the need determination for the Crystal River 3 ("CR3") Uprate on February 8, 2007. The CR3 Uprate will provide an additional 180 MW of beneficial nuclear generation to PEF's customers and provide fuel savings that offset the cost of the project. Pursuant to Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C., PEF filed a petition on February 29, 2008, for cost recovery of its CR3 Uprate project costs. PEF also filed certain Nuclear Filing Requirement ("NFR") schedules, specifically Schedules T-1 through T-10, in support of PEF's actual costs for years 2006 and 2007. PEF then filed, on May 1, 2008, additional testimony and NFR schedules AE-1 through AE-10 and P-1 through P-10, for years 2008 and 2009, respectively, in support of PEF's actual/estimated and projected costs. PEF also filed supplemental testimony on July 1, 2008 in further support of its actual/estimated and projected costs, as well as information regarding the Company's project management policies and procedures.

Phase 1, the Measurement Uncertainty Recapture ("MUR") Phase was completed during the 2007 refueling outage and went online on January 31, 2008, resulting in the addition of approximately 12 megawatts of nuclear generation to PEF system. Actual costs associated with the MUR phase totaled approximately \$9.3 million. PEF has proposed that the MUR costs be included in the Nuclear Cost Recovery Clause ("NCRC") until the next portion of the project, the work being done during the 2009 refueling outage, goes in-service. At that time, PEF will

request a base rate increase, pursuant to Rule 25-6.0423(7), of the costs for both the MUR and this second phase of work. Until then, PEF will recover its revenue requirements on the MUR costs through the NCRC. PEF believes this is a reasonable interpretation of Section 399.93 and Rule 25-6.0423. PEF further believes this approach is consistent with the legislative purpose of encouraging nuclear generation.

PEF developed and utilized reasonable and prudent project management policies and procedures to carry out the CR3 Uprate project. These procedures are designed to ensure timely and cost-effective completion of the project. Pursuant to these policies, PEF conducted regular status meetings, both internally and with its vendors. PEF also engaged in regular risk assessment, evaluation, and management. When contracting for services, PEF generally issued a Request for Proposal (“RFP”) to solicit bids from various vendors. In those circumstances when a sole source vendor was used, PEF followed its contractor selection procedures and justified its sole source contracts with adequate and reasonable rationale. PEF also included reasonable contractual terms in its contracts to ensure proper risk allocation and adequate protection for the Company and its customers. PEF also requests that the Commission find that its project management and cost control procedures for 2007 were reasonable and prudent.

PEF reasonably and prudently incurred construction costs associated with the CR3 Uprate in 2006 and 2007 in the amount of \$2,299,673 and \$38,520,916 respectively. PEF requests that the Commission approve the prudence of these costs. PEF has also reasonably estimated and projected its CR3 Uprate construction costs for 2008 and 2009, in the amount of \$67,615,770 and \$107,067,528. PEF developed these cost estimates using actual contract figures and project schedule milestones. These costs will be necessary to ensure that the Company can complete the project during the scheduled refueling outages in 2009 and 2011.

Pursuant to Rule 25-6.0423(5)(c)5, PEF has also demonstrated the long-term feasibility of completing the CR3 Uprate project. As demonstrated in the Integrated Project Plan (“IPP”) for the CR3 Uprate, the costs for the project are still bounded by the project’s original Business Analysis Package (“BAP”). The project is on schedule and none of the identified project risks, including regulatory approval risks, are expected to affect the feasibility of completing the project.

### **Levy Nuclear Project**

This Commission unanimously voted to approve the need determination for the Levy Nuclear Project (“LNP”) on July 15, 2008, and it issued its final order on August 12, 2008. The LNP will generate more than 2,000 megawatts of environmentally-friendly nuclear generation for the benefit of PEF, its customers, and the State of Florida. Pursuant to Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C., PEF filed a petition, on March 11, 2008, to establish a discovery docket for evaluation of its LNP costs. This docket was intended to provide Staff and interveners an opportunity to investigate PEF’s LNP costs while its need determination proceeding was pending. Accordingly, on April 22, 2008, in the discovery docket, PEF filed certain Nuclear Filing Requirement (“NFR”) schedules, specifically Schedules T-1 through T-10, in support of PEF’s actual costs, for 2007, to acquire the land for the Levy project. PEF then filed, on May 1, 2008, additional testimony and NFR schedules AE-1 through AE-10

and P-1 through P-10, for years 2008 and 2009, respectively, in support of PEF's actual/estimated and projected costs. Along with this testimony, PEF filed NFR schedules SS-1 through SS-10, for years 2006, 2007, and 2008, in support of PEF's site selection costs for costs incurred prior to the filing of its need determination petition on March 11, 2008. PEF also filed supplemental testimony on July 1, 2008 in further support of its site selection, actual/estimated, and projected costs, as well as information regarding the Company project management policies and procedures.

After the Commission's approval of the LNP PEF petitioned, on July 18, 2008, for cost recovery in this docket for the costs it has incurred and reasonably expects to incur on the LNP. PEF also requested that the testimony and other documents filed in the Levy discovery docket be transferred to the NCRC docket.

PEF reasonably and prudently incurred actual or projects to incur site selection, preconstruction, and construction costs for the LNP in the amount of \$ [REDACTED] through the end of 2009. Additionally, PEF expects to have incurred \$3,853,943 in O&M expenditures associated with the LNP that is recoverable through the NCRC. PEF, OPC and the other interveners have stipulated to defer the prudence determination for the actual LNP costs until next year. The prudence of these actual expenditures will be considered in the 2009 NCRC proceeding. Accordingly, PEF requests that its actual costs be approved as reasonable and be included in the capacity clause factor.

PEF further requests that its actual/estimated and projected costs for the LNP be approved as reasonable and included in the Company's capacity clause factor. The total 2008 actual/estimated cost figures for the LNP are confidential and can be found at Schedule AE-6, lines 34 and 70. The total 2009 projected cost figures for the LNP are confidential and can be found at Schedule P-6, lines 34 and 70. PEF developed these cost estimates using actual contract figures and project schedule milestones. These costs will be necessary to ensure that the Company can timely complete the project and bring Levy Units 1 and 2 on-line in 2016 and 2017, respectively. In total PEF is requesting [REDACTED] be used to set the rates for NCRC and included in the capacity clause factor in 2009 for Levy which includes PEF's site selection, true-up, actual/estimated and projection costs as filed in this Docket.

PEF developed and utilized reasonable and prudent project management policies and procedures to carry out the LNP. These procedures are designed to ensure timely and cost-effective completion of the project. Pursuant to these policies, PEF conducted regular status meeting, both internally and with its vendors. PEF also engaged in regular risk assessment, evaluation, and management. When contracting for services, PEF generally issued a Request for Proposal ("RFP") to solicit bids from various vendors. In those circumstances when a sole source vendor was used, PEF followed its contractor selection procedures and justified its sole source contracts with adequate and reasonable rationale. PEF also included reasonable contractual terms in its contracts to ensure proper risk allocation and adequate protection for the Company and its customers. PEF therefore requests that the Commission find that its project management and cost control procedures for 2007 were reasonable and prudent.



Pursuant to Rule 25-6.0423(5)(c)5, PEF has also demonstrated the long-term feasibility of completing the LNP based on facts, circumstances, and information known to date. As demonstrated in the latest revised BAP for the project, the LNP is on schedule and none of the identified project risks, including regulatory approval risks, are expected to affect the feasibility of completing the project. PEF is moving forward with the LNP because it believes it is feasible, based on the best available information to the Company.

For all these reasons, as more fully developed in PEF's pre-filed testimony and exhibits, including its NFR Schedules, PEF respectfully requests that the Florida Public Service Commission ("FPSC" or "Commission") grant cost recovery for PEF's CR3 Uprate and Levy Nuclear Projects.

**E. PEF'S STATEMENT OF ISSUES AND POSITIONS:**

**1. LEGAL/POLICY 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?

**PEF Position:**

Depending upon the circumstances regarding the phase or portion of the project that is placed into commercial service, PEF should be allowed to recover, through the NCRC, the revenue requirements of that phase or portion associated with a power plant after it has been placed into commercial service. If the circumstances warranted such treatment, PEF would then include the revenue requirements for the first phase or portion in a consolidated request for base rate increase when another phase or portion of the project goes into commercial service.

**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?

**PEF Position:**

The revenue requirements for such phase or portion that is in commercial service but for which recovery will continue through the Nuclear Cost Recovery Clause will and should be calculated consistent with rule 25-6.0423(7)(b), (d), (e).

**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?

**PEF Position:**

In general, site clearing work will be completed when the types of costs defined as pre-construction costs in Rule 25-6.0423(2)(h) have been completed. At this time, PEF expects site clearing for Levy Units 1 and 2 to be complete when the site is in a condition and ready for the pour of the safety related concrete. This will require the completion of clearing, grading, and excavation consistent with the definition of preconstruction activities. However, PEF is still in the process of negotiating its EPC contract, which once finalized, may provide more clarity around site clearing completion. For most items associated with the plant, PEF would tie completion to when site clearing is complete for the foundation of the plant. However, it may be reasonable to have a separate site clearing date for certain large associated facilities like a cooling tower. Additionally, transmission projects for the LNP will likely have several projects with different times when site clearing will be completed.

**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?

**PEF Position:**

Yes, PEF agrees 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.

**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?

**PEF Position:**

PEF objects to the inclusion of this issue, and pursuant to the Commission Order dated August 21, 2008, PEF will prepare and file a response to this issue.

**2. FACTUAL ISSUES**

**2007 PROJECT MANAGEMENT, CONTRACTING, AND OVERSIGHT CONTROLS**

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

**PEF Position:**

Yes, PEF's program management, contracting, and oversight controls were reasonable and prudent for the LNP and CR3 Uprate project. These procedures are designed to ensure timely and cost-effective completion of the project. They include regular status meetings, both internally and with its vendors. These program management and oversight controls also include regular risk assessment, evaluation, and management. There are also adequate, reasonable

policies regarding contracting procedures, including how to conduct RFPs to solicit bids from various vendors, and when sole source contracts are justified. (Oliver, Roderick)

**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?

**PEF Position:**

Yes, PEF's accounting and costs oversight controls were reasonable and prudent for the LNP and CR3 Uprate project. The Company has appropriate, reasonable project accounting controls, project monitoring procedures, disbursement services controls, and regulatory accounting controls. Pursuant to these controls, PEF regularly conducts analyses and reconciliations to ensure that proper cost allocations and contract payments have been made. (Oliver, Roderick)

**COMPANY SPECIFIC SITE SELECTION COSTS**

**Progress Energy Florida**

**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?

**PEF Position:**

OPC and PEF agree that the following categories of costs: O&M, return on accumulated deferred tax asset (liability), site selection, pre-construction, and construction, in PEF's NFRs, may be included in the calculation of the nuclear cost recovery amount to be recovered through the 2009 capacity cost recovery factor subject to the deferral of any finding as to the prudence of those costs until the 2009 nuclear cost recovery cycle, notwithstanding the language of subsection 25-6.0423(5)(c)3 of the Rule that such costs "shall not be subject to disallowance or further prudence review." OPC and PEF further agree that PEF's site selection costs will be recovered through the nuclear cost recovery clause in the same manner as pre-construction costs are recovered in Rule 25-6.0423(5)(a).

**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?

**PEF Position:**

OPC and PEF agree that the following categories of costs: O&M, return on accumulated deferred tax asset (liability), site selection, pre-construction, and construction, in PEF's NFRs, may be included in the calculation of the nuclear cost recovery amount to be recovered through the 2009 capacity cost recovery factor subject to the deferral of any finding as to the prudence of those costs until the 2009 nuclear cost recovery cycle, notwithstanding the language of subsection 25-6.0423(5)(c)3 of the Rule that such costs "shall not be subject to disallowance or further prudence review." OPC and PEF further agree that PEF's site selection costs will be recovered through the nuclear cost recovery clause in the same manner as pre-construction costs are recovered in Rule 25-6.0423(5)(a).

The Commission should approve as reasonable, pursuant to this stipulation, \$18,069,252. (Cross, Oliver, Roderick)

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

**PEF Position:**

OPC and PEF agree that the following categories of costs: O&M, return on accumulated deferred tax asset (liability), site selection, pre-construction, and construction, in PEF's NFRs, may be included in the calculation of the nuclear cost recovery amount to be recovered through the 2009 capacity cost recovery factor subject to the deferral of any finding as to the prudence of those costs until the 2009 nuclear cost recovery cycle, notwithstanding the language of subsection 25-6.0423(5)(c)3 of the Rule that such costs "shall not be subject to disallowance or further prudence review." OPC and PEF further agree that PEF's site selection costs will be recovered through the nuclear cost recovery clause in the same manner as pre-construction costs are recovered in Rule 25-6.0423(5)(a).

The Commission should approve as reasonable, pursuant to this stipulation, \$19,819,137. (Cross, Oliver, Roderick)

**COMPANY SPECIFIC TRUE UP PRECONSTRUCTION AND  
CONSTRUCTION COSTS (2007)**

**Progress Energy Florida**

**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?

**PEF Position:**

OPC and PEF agree that the following categories of costs: O&M, return on accumulated deferred tax asset (liability), site selection, pre-construction, and construction, in PEF's NFRs, may be included in the calculation of the nuclear cost recovery amount to be recovered through the 2009 capacity cost recovery factor subject to the deferral of any finding as to the prudence of those costs until the 2009 nuclear cost recovery cycle, notwithstanding the language of subsection 25-6.0423(5)(c)3 of the Rule that such costs "shall not be subject to disallowance or further prudence review." OPC and PEF further agree that PEF's site selection costs will be recovered through the nuclear cost recovery clause in the same manner as pre-construction costs are recovered in Rule 25-6.0423(5)(a).

There are no 2007 preconstruction costs for PEF's Levy Units 1 & 2 project. (Garrett, Oliver, Roderick)

**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?

**PEF Position:**

OPC and PEF agree that the following categories of costs: O&M, return on accumulated deferred tax asset (liability), site selection, pre-construction, and construction, in PEF's NFRs, may be included in the calculation of the nuclear cost recovery amount to be recovered through the 2009 capacity cost recovery factor subject to the deferral of any finding as to the prudence of those costs until the 2009 nuclear cost recovery cycle, notwithstanding the language of subsection 25-6.0423(5)(c)3 of the Rule that such costs "shall not be subject to disallowance or further prudence review." OPC and PEF further agree that PEF's site selection costs will be recovered through the nuclear cost recovery clause in the same manner as pre-construction costs are recovered in Rule 25-6.0423(5)(a).

\$61,471,684 should be approved as reasonable, pursuant to this stipulation. (Garrett, Miller)

**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?

**PEF Position:**

OPC and PEF agree that the following categories of costs: O&M, return on accumulated deferred tax asset (liability), site selection, pre-construction, and construction, in PEF's NFRs, may be included in the calculation of the nuclear cost recovery amount to be recovered through the 2009 capacity cost recovery factor subject to the deferral of any finding as to the prudence of those costs until the 2009 nuclear cost recovery cycle, notwithstanding the language of subsection 25-6.0423(5)(c)3 of the Rule that such costs "shall not be subject to disallowance or further prudence review." OPC and PEF further agree that PEF's site selection costs will be recovered through the nuclear cost recovery clause in the same manner as pre-construction costs are recovered in Rule 25-6.0423(5)(a).

\$1,713,284 should be approved as reasonable, pursuant to this stipulation. (Garrett)

**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?

**PEF Position:**

OPC and PEF agree that the following categories of costs: O&M, return on accumulated deferred tax asset (liability), site selection, pre-construction, and construction, in PEF's NFRs, may be included in the calculation of the nuclear cost recovery amount to be recovered through the 2009 capacity cost recovery factor subject to the deferral of any finding as to the prudence of those costs until the 2009 nuclear cost recovery cycle, notwithstanding the language of subsection 25-6.0423(5)(c)3 of the Rule that such costs "shall not be subject to disallowance or further prudence review." OPC and PEF further agree that PEF's site selection costs will be recovered through the nuclear cost recovery clause in the same manner as pre-construction costs are recovered in Rule 25-6.0423(5)(a).

\$1,711,443 should be approved as reasonable, pursuant to this stipulation. (Garrett, Oliver, Roderick, Miller)

**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?

**PEF Position:**

\$38,520,916 net of joint owner billings (Garrett, Roderick)

**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?

**PEF Position:**

\$925,842 (Garrett)

**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?

**PEF Position:**

\$928,896 (Garrett, Roderick)

**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?<sup>1</sup>

**PEF Position:**

Yes, as demonstrated in Mr. Roderick's rebuttal testimony, PEF evaluated each item included in the uprate project to ensure that uprate project items were separated from maintenance items at the CR3 plant.

**COMPANY SPECIFIC ACTUAL/ESTIMATED PRECONSTRUCTION AND  
CONSTRUCTION COSTS (2008)**

**Progress Energy Florida**

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

**PEF Position:**

██████████ (Cross, Oliver, Roderick)

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

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<sup>1</sup> PEF has included the original wording of this issue as proposed by OPC, but notes that it objects to this wording. PEF understands that the wording of the issue will be resolved at the Pre-hearing Conference. By filing this Pre-hearing statement, PEF does not waive its right to advance a different wording of the issue at the Pre-hearing Conference.

**PEF Position:**

\$13,987,139 (Cross, Oliver, Roderick)

**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?

**PEF Position:**

\$7,551,759 (Cross)

**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?

**PEF Position:**

\$ [REDACTED] (Cross, Oliver, Roderick)

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

**PEF Position:**

\$67,615,770 (Cross, Roderick)

**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?

**PEF Position:**

\$6,006,160 (Cross)

**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?

**PEF Position:**

\$7,512,933 (Cross, Roderick)

**COMPANY SPECIFIC PROJECTED PRECONSTRUCTION AND CONSTRUCTION COSTS (2009)**

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

**PEF Position:**

\$118,751,900 (Cross, Oliver, Roderick)

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

**PEF Position:**

\$ [REDACTED] (Cross, Oliver, Roderick)

**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?

**PEF Position:**

\$ [REDACTED] (Cross)

**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?

**PEF Position:**

\$ [REDACTED] (Cross, Oliver, Roderick)

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

**PEF Position:**

\$107,067,528 (Cross, Roderick)

**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?

**PEF Position:**

\$14,587,810 (Cross)

**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?

**PEF Position:**

\$16,458,136 (Cross, Roderick)

## SUMMARY ISSUES

**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?

**PEF Position:**

\$ [REDACTED] (Cross, Roderick, Oliver, Garrett, Miller)



**F. STIPULATED ISSUES.**

OPC, PEF, and the other interveners have entered into the following stipulation: OPC and PEF agree that the following categories of costs: O&M, return on accumulated deferred tax asset (liability), site selection, pre-construction, and construction, in PEF's NFRs, may be included in the calculation of the nuclear cost recovery amount to be recovered through the 2009 capacity cost recovery factor subject to the deferral of any finding as to the prudence of those costs until the 2009 nuclear cost recovery cycle, notwithstanding the language of subsection 25-6.0423(5)(c)3 of the Rule that such costs "shall not be subject to disallowance or further prudence review." OPC and PEF further agree that PEF's site selection costs will be recovered through the nuclear cost recovery clause in the same manner as pre-construction costs are recovered in Rule 25-6.0423(5)(a).

**G. PENDING MOTIONS.**

**Docket 080009:**

Document No.	Date	Description
01513-08	02/29/2008	Petition to recover costs of Crystal River Unit 3 Uprate as provided in Section 366.93, FS, and Rule 25-6.0423, FAC.

**Docket 080149:**

01809-08	03/11/2008	Progress Energy Florida, Inc. Petition to establish discovery docket regarding actual and projected costs for Levy nuclear project.
03956-08	05/13/2008	White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate - White Springs [PCS Phosphate] Petition to intervene.

**H. PEF'S REQUESTS FOR CONFIDENTIAL CLASSIFICATION.**

**Docket 080009**

DOCUMENT NO.	REQUEST	DATE FILED
03230-08	Request for Confidential Classification [PEF response to OPC 1 <sup>st</sup> Request for Production]	4/22/08
04249-08	Second request for confidential classification	5/22/08

	regarding prefiled testimony and exhibits of Lori Cross and Daniel L. Roderick	Revised 6/11/08
05956-08	Third request for confidential classification [Portions of documents responsive to OPC's 2nd request for PODs (Nos. 12-57), specifically portions of documents responsive to request Nos. 12, 33, and 54]	7/10/08
05946-08	Fourth request for confidential classification [Portions of supplemental documents responsive to OPC's 2nd request for PODs (Nos. 12-57), specifically portions of documents responsive to POD request No. 54]	7/10/08
06775-08	Fifth request for confidential classification [Roderick late-filed Exhs 3, 7, and 8]	8/1/08
06510-08	Sixth request for confidential classification [Portions of documents responsive to staff's 2nd request for PODs (No. 8)]	7/28/08
06911-08	Notice of intent to request confidential classification [Staff testimony of Vinson, Fisher & Small]	8/6/08
06954-08	Request for confidential classification regarding Audit Report No. 08-087-2-1, data requests, and workpapers	8/7/08
	Progress Energy Florida's Request for Confidential Classification as to Testimony of William R. Jacobs, Jr.	8/21/08

**Docket 080149**

<b>DOCUMENT NO.</b>	<b>REQUEST</b>	<b>DATE FILED</b>
03246-08	First Request for Confidential Classification [4/23/08 Memo Recommending Confidentiality pending]	4/22/08
04257-08	Second request for confidential classification regarding prefiled testimony and exhibits of Lori Cross and Daniel L. Roderick	5/22/08
05951-08	Third Request for Confidential Classification [Staff's First Request for Production Nos. 4 and 6]	7/10/08

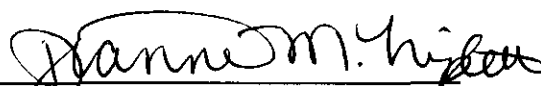
**I. REQUIREMENTS OF PREHEARING ORDER THAT CANNOT BE MET.**

Because discovery is continuing in this matter, PEF must reserve the right to use witnesses and exhibits other than or different from those identified hereinabove, in order to respond to ongoing developments in the case. PEF further reserves the right to amend any of its positions to the issues to respond to any such ongoing developments in the case.

**K. OBJECTIONS TO WITNESSES' QUALIFICATIONS**


None.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY a true and correct copy of the foregoing has been furnished to counsel and parties of record as indicated below via electronic and U.S. Mail this 22<sup>nd</sup> day of August, 2008.

  
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