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To: Filings@psc.state.fl.us
Subject: FIPUG Prehearing Statement
Attachments: FIPUG's Prehearing Statement - 8821.doc

1. John W. McWhirter, Jr., PO Box 3350 ,FI 33601-3350, jmcwhirter@mac-law.com is the person responsible for this electronic filing;
2. The filing is to be made in Docket 080009-EI, In re: Nuclear Plant Cost Recovery
3. The filing is made on behalf of the Florida Industrial Power Users Group;
4. The total number of pages is 11; and
5. The attached document is The Florida Industrial Power User Group's Prehearing statement

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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear cost recovery clause.

DOCKET NO. 080009-EI

FILED August 22, 2008

**THE FLORIDA INDUSTRIAL POWER USERS GROUP'S
PREHEARING STATEMENT**

The Florida Industrial Power Users Group (FIPUG) hereby files its Prehearing Statement, in compliance with Order No. PSC-08-0211-PCO-EI:

A. APPEARANCES:

JOHN W. MCWHIRTER, JR., PO Box 3350, Tampa, Florida 33601-3350,

On Behalf of the Florida Industrial Power Users Group.

B. WITNESSES:

None.

C. EXHIBITS:

None at this time. However, FIPUG reserves the right to utilize appropriate exhibits during cross-examination.

D. STATEMENT OF BASIC POSITION:

FUPUG does not oppose the construction of nuclear plants. It is never the less bemused by a legislative policy that requires the Public Service Commission to use a guaranteed cost recovery mechanism to set rates that will cover the carrying costs on nuclear plants of far greater capacity than is needed to meet the demands of current customers years before the plants become commercially operable. The legislative policy places the entire risk of undertaking these plants on retail customers even though the plants may never be built and even though base rates may be sufficient to cover significant portions of the cost without raising rates. FIPUG concludes that at the time the legislation was enacted the members did not have a full understanding of the adverse economic impact the legislatively mandated nuclear policy would impose on Florida citizens. FIPUG respectfully suggests that the Commission exercise great restraint in approving cost expenditures; allocate the costs of improving and replacing components of existing nuclear plants to base rates rather than the nuclear cost recovery clause and that it recognize that significant portions of the plants will be sold to other utilities obviating the need for current customers to pay the costs attributable utility plant that will be dedicated to other joint

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users. During periods when utilities are earning in excess of the mid point of their last authorized rate of return, the excess revenue should be allocated to the nuclear plant cost recovery clause in order to enable the utilities to share some of the risk with their retail customers.

E. STATEMENT OF ISSUES AND POSITIONS

POLICY/LEGAL 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?

FIPUG: The plants should be moved to base rates at the earliest practicable date.

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?

FIPUG: The administrative complexity of attempting to match revenues with costs militates in favor of moving the plants to base rates. If the carrying costs continue to be collected through a cost recovery clause, 100% of the base revenue and wholesale sales revenue collected from the nuclear plant sales should be allocated to the recovery clause plus all base rate revenue in excess of the mid point of a utility's last authorized rate of return and

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?

FIPUG: A reasonable time for site clearing should be determine in this proceeding after which no construction costs should be collected through the clause.

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?

FIPUG: Yes.

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?

FIPUG: The successor in title should reimburse the cost recovery clause for the collections attributable to that component of the unit plus an allowance for interest comparable to the utility's AFUDC rate.

2007 PROJECT MANAGEMENT, CONTRACTING, AND OVERSIGHT CONTROLS

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?

FIPUG: 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?

FIPUG: 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?

FIPUG: 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?

FIPUG: No Position at this time.

COMPANY SPECIFIC SITE SELECTION COSTS

Florida Power & Light

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?

FIPUG: Yes.

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?

FIPUG: No Position at this time.

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?

FIPUG: Yes

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?

FIPUG: 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?

FIPUG: Agree with OPC.

COMPANY SPECIFIC TRUE UP PRECONSTRUCTION AND CONSTRUCTION COSTS (2007)

Florida Power & Light

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?

FIPUG: 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?

FIPUG: 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?

FIPUG: 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?

FIPUG: Because cost recovery is guaranteed, until December 31, 2010 the carrying costs should be the pretax current AFUDC rate as required by § 366.93(2) b *Florida Statutes*. After that date the Commission should use the interest rate for 10 year treasuries for equity and the cost of debt should be the commercial paper rate. Once established the carrying costs should not be retroactively tried up to incorporate changes in the cost of capital.

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

FIPUG: 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?

FIPUG: Agree with OPC.

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?

FIPUG: 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?

FIPUG: 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?

FIPUG: Because cost recovery is guaranteed, until December 31, 2010 the carrying costs should be the pretax current AFUDC rate as required by § 366.93(2) b *Florida Statutes*. After that date the Commission should use the interest rate for 10 year treasuries for equity and the cost of debt should be the commercial paper rate. Once established the carrying costs should not be retroactively tried up to incorporate changes in the cost of capital.

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?

FIPUG: 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?

FIPUG: 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?

FIPUG: 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?

FIPUG: 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?

FIPUG: Agree with OPC.

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

Florida Power & Light

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?

FIPUG: 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?

FIPUG: 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?

FIPUG: 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?

FIPUG: Because cost recovery is guaranteed, until December 31, 2010 the carrying costs should be the pretax current AFUDC rate as required by § 366.93(2) b *Florida Statutes*. After that date the Commission should use the interest rate for 10 year treasuries for equity and the cost of debt should be the commercial paper rate. Once established the carrying costs should not be retroactively trued up to incorporate changes in the cost of capital.

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

FIPUG: No Position at this time.

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?

FIPUG: 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?

FIPUG: 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?

FIPUG: Because cost recovery is guaranteed, until December 31, 2010 the carrying costs should be the pretax current AFUDC rate as required by § 366.93(2) b *Florida Statutes*. After that date the Commission should use the interest rate for 10 year treasuries for equity and the cost of debt should be the commercial paper rate. Once established the carrying costs should not be retroactively trued up to incorporate changes in the cost of capital.

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?

FIPUG: 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?

FIPUG: 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?

FIPUG: Because cost recovery is guaranteed, until December 31, 2010 the carrying costs should be the pretax current AFUDC rate as required by § 366.93(2) b *Florida Statutes*. After that date the Commission should use the interest rate for 10 year treasuries for equity and the cost of debt should be the commercial paper rate. Once established the carrying costs should not be retroactively trued up to incorporate changes in the cost of capital.

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?

FIPUG: No Position at this time.

COMPANY SPECIFIC PROJECTED PRECONSTRUCTION AND CONSTRUCTION COSTS (2009)

Florida Power & Light

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

FIPUG: 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?

FIPUG: No Position at this time.

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

FIPUG: 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?

FIPUG: Because cost recovery is guaranteed, until December 31, 2010 the carrying costs should be the pretax current AFUDC rate as required by § 366.93(2) b *Florida Statutes*. After that date the Commission should use the interest rate for 10 year treasuries for equity and the cost of debt should be the commercial paper rate. Once established the carrying costs should not be retroactively trued up to incorporate changes in the cost of capital

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

FIPUG: No Position at this time.

Progress Energy Florida

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

FIPUG: 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?

FIPUG: 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?

FIPUG: 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?

FIPUG: 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?

FIPUG: Because cost recovery is guaranteed, until December 31, 2010 the carrying costs should be the pretax current AFUDC rate as required by § 366.93(2) b *Florida Statutes*. After that date the Commission should use the interest rate for 10 year treasuries for equity and the cost of debt should be the commercial paper rate. Once established the carrying costs should not be retroactively trued up to incorporate changes in the cost of capital.

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?

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?

FIPUG: No Position at this time.

SUMMARY ISSUES

Florida Power & Light

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?

FIPUG: No Position at this time.

Progress Energy Florida

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?

FIPUG: No Position at this time.

STIPULATED ISSUES:

None.

G. PENDING MOTIONS OR OTHER MATTERS:

None.

H. PENDING CLAIMS OF CONFIDENTIALITY:

None.

I. OBJECTIONS TO WITNESS' QUALIFICATIONS AS AN EXPERT

None.

J. COMPLIANCE WITH PROCEDURAL ORDERS:

FIPUG has not at this time identified any portion of the procedural orders that it cannot obey.

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CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that a true and correct copy of the foregoing the Florida Industrial Power Users Group's Prehearing Statement has been furnished by e-mail and U.S. Mail the 25th day of August 2008, to the following:

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