

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for expedited Commission approval of base rate increase for costs associated with MUR phase of CR3 uprate project, pursuant to Section 366.93(4), F.S., and Rule 25-6.0423(7), F.A.C., by Progress Energy Florida, Inc.

DOCKET NO. 080603-EI
ORDER NO. PSC-08-0779-TRF-EI
ISSUED: November 26, 2008

The following Commissioners participated in the disposition of this matter:

MATTHEW M. CARTER II, Chairman
LISA POLAK EDGAR
KATRINA J. McMURRIAN
NANCY ARGENZIANO
NATHAN A. SKOP

ORDER APPROVING INCREASE IN BASE RATES, PROPOSED TARIFFS
AND ASSOCIATED CHARGES

BY THE COMMISSION:

BACKGROUND

In 2006, the Florida Legislature enacted legislation, Section 366.93, Florida Statutes (F.S.), encouraging the development of nuclear energy in the state. In that section, the Legislature directed us to adopt rules providing for alternate cost recovery mechanisms that would encourage investor-owned electric utilities to invest in nuclear power plants. We adopted Rule 25-6.0423, Florida Administrative Code (F.A.C.), which provides for an annual clause recovery proceeding to consider investor-owned electric utilities' requests for cost recovery for nuclear plants.

We granted Progress Energy Florida, Inc.'s (PEF's) need determination for the Crystal River 3 (CR3) Uprate on February 8, 2007.¹ Once completed, the CR3 Uprate will provide an additional 180 MW of nuclear generation. The CR3 Uprate will be accomplished in three phases.² The reasonableness and prudence of the construction expenditures related to each phase of the CR3 Uprate project are subject to review in Docket No. 080009-EI.³

Phase 1, the Measurement Uncertainty Recapture (MUR) phase, was completed during the 2007 refueling outage and went online on January 31, 2008. It resulted in the addition of approximately 12 megawatts of nuclear generation to PEF's system. On September 19, 2008, PEF filed a petition to increase its base rates by the \$1,297,979 revenue requirements associated

¹Order No. PSC-07-0119-FOF-EI, issued February 8, 2007, in Docket No. 060642-EI, In re: Petition for determination of need for expansion of Crystal River 3 nuclear power plant, for exemption from Bid Rule 25-22.082, F.A.C., and for cost recovery through fuel clause, by Progress Energy Florida, Inc.

²Phase 1 – Measurement Uncertainty Recapture; Phase 2 – Balance of Plant; and Phase 3 – Extended Power Uprate.

³Docket No. 080009-EI, In re: Nuclear cost recovery clause.

DOCUMENT NUMBER-DATE

1096 | NOV 26 08

FPSC-COMMISSION CLERK

with the MUR phase of the CR3 Uprate project pursuant to Rule 25-6.0423(7), F.A.C. PEF has requested expedited approval of its petition so that the new base rates can become effective with the first billing cycle for January 2009.

We have jurisdiction over this subject matter pursuant to the provisions of Section 366.93, F.S., and other provisions of Chapter 366, F.S.

DISCUSSION AND DECISION

As noted above, PEF has requested approval to increase its base rates by \$1,297,979 for the MUR phase of the CR3 Uprate project. The MUR phase went into commercial service on January 31, 2008.

In compliance with Rule 25-6.0423(7), F.A.C., PEF submitted its calculation of the annualized base revenue requirements for the MUR phase for the first 12 months of operations. This calculation is appended to this order as Attachment A. We have reviewed the calculation of the \$1,297,979 jurisdictional annual revenue requirement. We find that the annual revenue requirement calculation has been calculated in compliance with Rule 25-6.0423(7), F.A.C., and therefore we approve the \$1,297,979 base rate increase.

At the October 14, 2008, Agenda Conference, we found that the 2007 expenditures for the MUR phase of the CR3 Uprate project were reasonable and prudent in Docket No. 080009-EI. However, the 2008 construction expenditures related to the MUR phase are still under review in Docket No. 080009-EI. A final determination of the reasonableness and prudence of the 2008 construction expenditures will not be made until 2009. Per Attachment A, the increase in Electric Plant in Service included in the calculation is \$8,565,344 (\$8,030,267 jurisdictional), net of joint owners. If the \$8,565,344 amount is revised based on a final audit and review of the 2008 construction expenditures, the annual revenue requirement will have to be recalculated. This would require a true-up of the revenues already collected and a revision of the related tariffs. Thus, the approval of the \$1,297,979 base rate increase shall be made subject to true-up and revision based on the final review of the 2008 MUR phase construction expenditures in the 2009 Nuclear Cost Recovery Clause proceeding.

As discussed above, PEF has proposed to increase its base rate energy charges by \$1,297,979. PEF allocated this amount to the various rate classes based on the 12 Coincident Peak (CP) and 1/13 Average Demand methodology, which is our current methodology to allocate production demand costs to rate classes. This methodology essentially allocates costs to the rate classes based on the average of their monthly contribution to the system peak. The allocation of the \$1,297,979 to the rate classes is appended to this order as Attachment B.

As shown in Attachment B, the residential base rate energy charge will increase by 0.004 cents per kilo-watt hour, adding 4 cents to the base rate component of the 1,000 kWh residential bill. PEF has proposed increases to its various cost recovery factors, including the fuel and purchased power cost recovery factor (Docket No. 080001-EI), which may have additional impacts on bills beginning in 2009. However, because of Docket No. 080001-EI and other

proposed changes, the current 1,000 kWh residential bill of \$110.59 is projected to increase to \$137.88 in January 2009.

PEF has requested that the proposed tariffs go into effect with the first billing cycle in January 2009. We have reviewed the proposed tariffs and calculation of the revised base rate energy charges and they are hereby approved to go into effect with the first billing cycle in January 2009.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that PEF's request to increase its base rates by \$1,297,979 for the MUR phase of the CR3 Uprate project is hereby approved. It is further

ORDERED that this approval is subject to true-up and revision based on the final review of the 2008 MUR phase construction expenditures in the 2009 Nuclear Cost Recovery Clause proceeding. It is further

ORDERED that PEF's proposed tariffs and associated charges shall go into effect with the first billing cycle in January 2009. It is further

ORDERED that if a protest is filed within 21 days of the issuance of the order, this tariff shall remain in effect, with any revenues held subject to refund, pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a consummating order.

By ORDER of the Florida Public Service Commission this 26th day of November, 2008.



ANN COLE
Commission Clerk

(S E A L)

ELS

NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on December 17, 2008.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

ATTACHMENT A

Progress Energy Florida
MUR - 1st 12 Months Revenue Requirements

(Dollars in Thousands)

Line No.		Generation		
		System	Separation Factor	Retail Jurisdictional
1	In-Service Date			
2				
3	<u>Annualized Rate Base</u>			
4	Electric Plant in Service (net of joint owners)	\$8,565,344	93.753%	\$8,030,267
5	Accumulated Reserve for Depreciation	(96,103)	93.753%	(90,100)
6	Fuel Inventory			0
7	Working Capital - Income Taxes Payable	(92,354)		(86,584)
8	Total Annualized Rate Base	<u>\$8,376,887</u>		<u>\$7,853,583</u>
9				
10	<u>Annualized NOI</u>			
11	O&M			\$0
12	Depreciation Expense	192,206	93.753%	180,199
13	Property Taxes	96,600	93.753%	90,753
14	Payroll Taxes & Benefits	0		0
15	Income Taxes -			
16	Direct Current & Deferred	(111,484)		(104,520)
17	Imputed Interest	(73,223)		(68,649)
18	Total Annualized NOI	<u>(\$104,299)</u>		<u>(\$97,783)</u>
19				
20				
21	<u>Calculation of Revenue Requirement</u>			
22	Fully Adjusted Cost of Capital (per July 2008 Surveillance)	8.89%		8.89%
23	NOI Requirement (Line 8 * Line 22)	\$744,286		\$697,791
24	NOI Deficiency (Line 23 less Line 18)	\$848,585		\$795,574
25	Net Operating Income Multiplier (MFR C-44)	1.6315		1.6315
26				
27	Revenue Requirement (Line 24 * Line 25)	<u>\$1,384,467</u>	93.75%	<u>\$1,297,879</u>
28				
29				
30				
31	<u>Calculation of Taxes on Imputed Interest</u>			
32	Weighted Cost of Debt Capital (July 2008 Surveillance)			
33	Long Term Debt Fixed Rate	2.09%		2.09%
34	Long Term Debt Variable Rate	0.00%		0.00%
35	Short Term Debt	0.03%		0.03%
36	Customer Deposits	0.14%		0.14%
37	JDIC	0.01%		0.01%
38		<u>2.27%</u>		<u>2.27%</u>
39				
40	Imputed Interest (Line 8 * Line 38)	\$189,820		\$177,962
41	Income Taxes on Imputed Interest at 38.575%	(\$73,223)		(\$68,649)

ATTACHMENT B

Progress Energy Florida
 CR3 Uprate - MUR Component
 Calculation of Base Rate Energy Charges Impact
 Using Current 12 CP & 1/13th AD Allocation Method
 Effective 1/1/09

Rate Class	(1) 12CP & 1/13 AD Demand Allocator (%)	(2) CR3 Uprate-MUR Revenue Required \$1,297,979 \$	(3) Effective Mwh's @ Secondary Level Year 2009	(4) Base Rate Energy Factor Impact for MUR (cents/kwh)
Residential				
RS-1, RST-1, RSL-1, RBL-2, RBS-1				
Secondary	59.410%	\$771,135	20,542,747	0.004
General Service Non-Demand				
GS-1, GST-1				
Secondary			1,331,707	
Primary			8,915	
Transmission			3,293	
TOTAL GS	3.290%	\$42,702	1,343,915	0.003
General Service				
GS-2 Secondary	0.150%	\$1,860	89,624	0.002
General Service Demand				
GSD-1, GSDT-1, SS-1				
Secondary			13,080,248	
Primary			2,465,500	
Transmission			9,634	
TOTAL GSD	32.124%	\$416,968	15,555,382	0.003
Commercial				
CS-1, CST-1, CS-2, CST-2, CS-3, CST-3, SS-3				
Secondary			-	
Primary			189,647	
Transmission			-	
TOTAL CS	0.284%	\$3,892	189,647	0.002
Interruptible				
IS-1, IST-1, IS-2, IST-2, SS-2				
Secondary			1,458,420	
Primary			404,246	
Transmission			686,858	
TOTAL IS	4.592%	\$50,809	2,569,523	0.002
Lighting				
LS-1 Secondary	0.148%	\$1,923	361,353	0.004
	100.000%	\$1,297,979	40,642,192	0.003

Notes: (1) Demand Allocator From CCR Filing 8/29/08
 (2) Total MUR Revenue Requirements from Attachment D Line 27
 (3) Projected kWh sales at effective voltage level for 2009 per CCR Filing 8/29/08
 (4) Calculated. (Column 2 / Column 3)/10