

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Petition by Progress Energy Florida, Inc.  
for Commission Approval of Base Rate Increase  
for Costs Associated with the Docket No. \_\_\_\_\_  
CR3 Uprate Project, Pursuant to Section  
366.93(4), F.S. and Rule 25-6.0423(7), F.A.C.

COMMISSION  
CLERK

090421-E1

Submitted for Filing: August 28, 2009

**PROGRESS ENERGY FLORIDA, INC.'S PETITION FOR COMMISSION APPROVAL  
OF BASE RATE INCREASE FOR COSTS ASSOCIATED  
WITH THE CR3 UPRATE PROJECT, PURSUANT TO  
SECTION 366.93(4), F.S. AND RULE 25-6.0423(7), F.A.C.**

Pursuant to Section 366.93(4), Florida Statutes, and Rule 25-6.0423(7), F.A.C.,  
Progress Energy Florida ("PEF" or the "Company") respectfully petitions the Florida Public  
Service Commission ("PSC" or the "Commission") for approval of a base rate increase for its  
costs associated with the Crystal River 3 ("CR3") Uprate Project. Attachment A to this  
petition includes a list of the items being placed in service and their associated expected cost.  
Attachment B to this petition shows the calculation of the associated revenue requirements for  
these items as well as the adjustments associated with assets being retired. Attachment C  
shows the associated expected asset retirements, including the estimated book value annual  
amortization of the retired assets over a five year period consistent with F.S. 366.93 (4) and  
PSC Rule 25-6.0423 (7) (e) and the calculation of the annual depreciation credit associated  
with these assets currently in base rates. Attachment D shows the utility's most recent actual  
Commission Adjusted Basis overall weighted average rate of return as reported by PEF in its

June 2009 Earnings Surveillance Report. Attachment E shows the allocation of the retail  
revenue requirements to the rate classes three ways: 12CP and 50% AD as proposed by the  
Company in Docket # 090079-EI, 12CP and 25% AD as recently approved for Tampa

- COM
- PCR
- GCL
- OPC
- ROP
- SSC
- SGA
- ADM
- CLK

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Electric in Docket # 080317-EI, and 12CP and 1/13<sup>th</sup> AD, the Company's currently approved method.

## **BACKGROUND**

1. The Company first introduced its CR3 Uprate Project to the Commission in its need determination proceeding, filed on or about September 22, 2006. This Commission granted a need determination for the CR3 Uprate Project on February 8, 2007.

2. On February 29, 2008, PEF petitioned this Commission for recovery of its carrying costs on construction expenditures for the CR3 Uprate project as provided in Section 366.93, Florida Statutes and Rule 25-6.0423, F.A.C. In support of its petition, PEF filed testimony and exhibits including appropriate Nuclear Filing Requirement ("NFR") schedules. The Commission opened Docket Number 080009, the Nuclear Cost Recovery Clause ("NCRC"), to consider, among other things, the prudence of PEF's actual CR3 Uprate costs.

3. The CR3 Uprate project is going into commercial service at three different points in time. The first phase, the MUR phase, went into commercial service on January 31, 2008. PEF's MUR phase was the first portion or phase of a nuclear plant to go into commercial service and be subject to Section 366.93(4) and Rule 25-6.0423(7), F.A.C. Due to the relatively small nature of the dollars associated with the MUR phase of the project and for purposes of administrative efficiency, PEF included, in its NFR schedules for recovery through the Capacity Clause, the revenue requirements on these costs for 2008 and 2009.

4. In Docket 080009, Staff, the Office of Public Counsel ("OPC"), and the other interveners took discovery regarding the prudence of PEF's actual 2006 and 2007 CR3 costs, which include costs incurred for the MUR phase of the project. Staff and PEF agreed that PEF could include its 2008 MUR revenue requirements in the NCRC, and that PEF would file a separate petition for Commission approval of a base rate increase for the remaining revenue requirements of the MUR phase. The Commission considered the prudence of PEF's costs

and approved a stipulation at a hearing on September 11-12 resulting in Order PSC-08-0779-TRF-EI.

5. In Docket 090009, PEF has presented the 2009 revenue requirements associated with items going into service in 2009. These items, that will be placed into service in 2009, known as phase two or "Balance of Plant" do not increase the licensed output of the nuclear reactor but will improve the efficient use of that output to produce a higher electrical output. In addition, these improvements will be sized to support the Extended Power Uprate "EPU" and maximize their ultimate capacity. Consistent with how the MUR revenue requirements were handled, PEF is petitioning for a base rate increase in 2010 associated with the remaining revenue requirements for the items being placed in service for the Uprate in 2009. The Commission, OPC, and other interveners have reviewed the CR3 Uprate Project in both the need determination proceeding and the NCRC proceedings. PEF thus does not anticipate that any party will protest the Company's petition, which requests that the Commission approve a base rate increase for its costs associated with items going in service in 2009 for the CR3 Uprate Project. Accordingly, PEF believes that it is submitting ample information upon which the Commission can develop its proposed agency action (PAA) on the Company's request. Because the Company does not believe a hearing will be involved in the disposition of the Petition, it has not filed any pre-filed testimony. PEF, however, reserves its right to submit additional testimony addressing issues identified in any protest of the PAA Order.

#### **I. PRELIMINARY INFORMATION.**

6. The Petitioner's name and address are:

Progress Energy Florida, Inc.  
299 1st Ave. N.  
St. Petersburg, Florida 33701

7. Any pleading, motion, notice, order, or other document required to be served upon PEF or filed by any party to this proceeding should be served upon the following individuals:

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## II. PRIMARILY AFFECTED UTILITY.

8. PEF is the utility primarily affected by the proposed request for cost recovery. PEF is an investor-owned electric utility, regulated by the Commission pursuant to Chapter 366, Fla. Stats., and is a wholly owned subsidiary of Progress Energy, Inc. The Company's principal place of business is located at 299 1st Ave. N., St. Petersburg, Florida 33701.

9. PEF serves approximately 1.6 million retail customers in Florida. Its service area comprises approximately 20,000 square miles in 35 of the state's 67 counties, encompassing the densely populated areas of Pinellas and western Pasco Counties and the greater Orlando area in Orange, Osceola, and Seminole Counties. PEF supplies electricity at

retail to approximately 350 communities and at wholesale to about 21 Florida municipalities, utilities, and power agencies in the State of Florida.

**III. PEF REQUESTS THAT THE COMMISSION APPROVE A BASE RATE INCREASE FOR COSTS ASSOCIATED WITH THE ASSETS BEING PLACED IN SERVICE IN 2009 ASSOCIATED WITH THE CR3 UPRATE PROJECT, PURSUANT TO SECTION 366.93(4), F.S. AND RULE 25-6.0423(7), F.A.C.**

10. Several assets are planned to go in service in 2009. A description of these assets and their projected in service cost can be seen in Attachment A.

11. Section 366.93(4), F.S., provides that a utility shall be allowed to increase its base rate charges, by the projected annual revenue requirements, once the nuclear power plant is placed in commercial service. Rule 25-6.0423(7), F.A.C. further specifies that as operating units or systems associated with the power plant are placed in commercial service, the utility shall file a petition for Commission approval of the base rate increase.

12. The Phase II "BOP" costs have been fully vetted and subject to discovery in two proceedings, the CR3 Uprate need determination proceeding and the NCRC proceeding. In both proceedings, Commission Staff, OPC, and other interveners served interrogatories and requests for production and took depositions regarding, among other things, the "BOP" costs.

13. In Docket 090009, the NCRC proceeding, the Commission will consider, among other things, the actual "BOP" costs incurred in 2008 for the CR3 Uprate Project, which are the subject of this Petition. The Commission will hear PEF's testimony on these costs at the hearing September 8-11, 2009, and is expected to issue an order regarding these costs on or about October 26, 2009. PEF expects that this Commission will find all its actual CR3 Uprate Project costs to be prudent, including the "BOP" costs. Once this has occurred, pursuant to Rule 25-6.0423, F.A.C., the "BOP" costs shall not be subject to disallowance or further prudence review. The Company has also incurred Phase II costs in 2009. The Company recognizes that these 2009 Phase II costs will be considered for prudence review in

the 2010 NCRC proceeding. Should the Commission find any of those 2009 Phase II costs to be imprudent, the Company agrees to appropriately refund those amounts collected through the NCRC proceeding.

#### **Calculation of Revenue Requirements**

14. The total retail increase in base rates associated with the assets being placed in service in 2009 is \$17,316,276. This calculation is reflected on Attachment B to the Petition. These revenue requirements were calculated using separation factors as prepared in the jurisdictional cost of service study filed in Docket No 090079-EI in response to Citizens' third set of interrogatories question 118 reflecting the revised May 2009 sales forecast. As shown on Attachment D, PEF used a return on capital investments calculated using the utility's most recent actual Commission Adjusted Basis overall weighted average rate of return as reported by PEF in its June 2009 Earnings Surveillance Report. Total projected project costs for the assets being placed in service are \$111,441,133 (System), net of joint owners.

15. PEF should be allowed to reflect these increased rates beginning with the first billing cycle in January 2010. The 2010 Uprate revenue requirements will be transferred from the NCRC to base rates effective January 1, 2010. Recognizing the Commission's desire to provide as much advance notice of rate changes to customers as possible, PEF asks that this petition be scheduled for consideration on or before the Commission's November 10<sup>th</sup> Agenda conference.

#### **Allocation of Costs to Rate Classes**

16. Consistent with what the Company has proposed in its pending base rate proceeding, Docket No. 090079-EI, the Company is proposing these costs be allocated to retail classes using a 12CP and 50% AD method. Recognizing that the final decision on this cost allocation method will not be determined until after the pendency of this docket, the

Company has attached to this petition three different cost allocation methods. These are, 12CP and 50% AD as proposed by the Company in Docket # 090079-EI, 12CP and 25% AD as recently approved for Tampa Electric in Docket # 080317-EI and 12CP and 1/13<sup>th</sup> AD, the Company's currently approved method.

#### **Proposed Rates**

17. PEF requests approval of the retail revenue requirements associated with the assets being placed in service in 2009. PEF requests that the revenue requirements approved in this docket be added to the approved revenue requirement increase in the pending base rate proceeding, Docket No. 090079-EI, and those costs be allocated to retail rate classes and developed into individual rates consistent with methods and billing determinants approved in the base rate proceeding.

18. Consistent with PEF's request for permanent rate relief in the Company's base rate proceeding (Docket No. 090079-EI), PEF is requesting that the base rate increase for these assets being placed in service in 2009 be effective with the first billing cycle in January 2010. Given this, the Company plans to file one complete set of tariff sheets with new rates to include the increase requested herein and that approved in Docket No. 090079-EI. These rates and tariff sheets will be filed for approval in compliance with final decisions related to revenue requirements, cost of service, billing determinants, and rate design made in this docket and docket 090079-EI in accordance with the schedule established in Docket 090079-EI.

#### **IV. DISPUTED ISSUES OF MATERIAL FACT.**

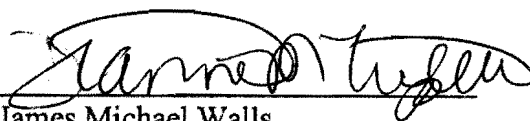
19. PEF is not aware at this time that there will be any disputed issues of material fact in this proceeding.

#### **V. CONCLUSION.**

WHEREFORE, for all the reasons provided in this Petition and the Attachments to this Petition, PEF respectfully requests that the Commission approve the revenue requirements requested herein and approve a base rate increase to be effective on the first billing cycle in January 2010, for its costs associated with the 2009 assets being placed in service for the CR3 Uprate Project, pursuant to Section 366.93(4), F.S. and Rule 25-6.0423(7), F.A.C.

Respectfully submitted this 28th day of August, 2009.

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Crystal River 3 Uprate Assets Being Placed in Service in 2009 - Projected In-Service Costs  
Summary Schedule

Items to Be Placed in Service During 2009	Expected In-Service Costs (System)
EPU Trailer	\$ 504,867
SC Heat Exchangers	14,384,287
SC Pump and Motor	5,871,268
CDHE 3A/B	9,581,609
Heater Drain Valves	7,194,838
MSR Regen Heat Exchangers	8,377,334
Turbine	6,036,674
Moisture Separator Reheaters	27,765,343
Exciter	8,014,747
Turbine Generator	22,452,010
Lube Oil Coolers	1,451,150
EPU Turbine Bldg Crane Controls	386,836
Duct	5,907,442
EPU Turbine Bldg Permanent T-Power	2,550,233
EPU Turbine Bldg Permanent T-Power Assec	476,749
Fiberoptic Cable	325,000
EPU Furniture	103,713
EPU Computer	37,130
Total Prior to Removing JO Portion	121,421,230
Less Joint Owner Portion	9,980,098
Total	\$ 111,441,133

Progress Energy Florida  
EPU Assets Placed in Service in 2009 - 1st 12 Months Revenue Requirements  
Summary Schedule

Attachment B

(Dollars In Thousands)

Line No.	Generation			
	System	Separation Factor (1)	Retail Jurisdictional	
1	<u>Annualized Rate Base</u>			
2	Electric Plant in Service (net of joint owners)	111,441,133	91.669%	\$102,156,973
3	Accumulated Reserve for Depreciation	(1,654,283)	91.669%	(1,516,465)
4	Fuel Inventory	-		-
5	Working Capital - Income Taxes Payable	(1,493,868)		(1,369,414)
6	Total Annualized Rate Base	<u>\$108,292,982</u>		<u>\$99,271,094</u>
7				
8	<u>Annualized NOI</u>			
9	O&M	-		-
10	Depreciation Expense	3,308,567	91.669%	3,032,930
11	Property Taxes	1,302,700	91.669%	1,194,172
12	Payroll Taxes & Benefits	-		-
13	Income Taxes -			
14	Direct Current & Deferred	(1,778,796)		(1,630,605)
15	Imputed Interest	(1,208,940)		(1,108,223)
16	Total Annualized NOI	<u>(\$1,623,531)</u>		<u>(\$1,488,274)</u>
17				
18				
19	<u>Calculation of Revenue Requirement</u>			
20	Fully Adjusted Cost of Capital (per Jun 2009 Surveillance)	8.71%		8.71%
21	NOI Requirement (Line 6 * Line 20)	\$9,433,402		\$8,647,505
22	NOI Deficiency (Line 21 less Line 16)	\$11,056,932		\$10,135,779
23	Net Operating Income Multiplier (MFR C-44)	1.6338		1.6338
24				
25	Revenue Requirement (Line 22 * Line 23)	<u>\$18,064,927</u>	91.669%	<u>\$16,559,938</u>
26				
27	Annual Amort of Retired BV	1,440,188	91.669%	1,320,206
28	Less: Annual Deprec. Credit	615,113	91.669%	563,868
29				
30	Net Revenue Requirements (Line 25 + Line 27 - Line 28)	<u>\$18,890,002</u>	91.669%	<u>\$17,316,276</u>
31				
32	<u>Calculation of Taxes on Imputed Interest</u>			
33	Weighted Cost of Debt Capital (per Jun 2009 Surveillance):			
34	Long Term Debt Fixed Rate	2.76%		2.76%
35	Long Term Debt Variable Rate	0.00%		0.00%
36	Short Term Debt	0.00%		0.00%
37	Customer Deposits	0.13%		0.13%
38	JDIC	0.00%		0.00%
39		<u>2.89%</u>		<u>2.89%</u>
40				
41	Imputed Interest (Line 6 * Line 39)	\$3,133,999		\$2,872,905
42	Income Taxes on Imputed Interest at 38.575%	(\$1,208,940)		(\$1,108,223)

(1) These factors were proposed in PEF's 2010 Rate Case Filing in docket 090079-EI

12/31/2009			
Asset Type	Original Cost	Accumulated Reserve	Net Book Value
322	2,162,668	1,139,518	1,023,151
323	23,464,410	17,293,091	6,171,319
324	51,251	44,782	6,469
Total	<u>25,678,329</u>	<u>18,477,391</u>	<u>7,200,939</u>
Annual Amort of Retired BV over 5 yrs.			1,440,188

Calculation of Annual Deprec. Credit			
Asset Type	Original Cost	Depreciation Rate (1)	2010 Annual Depreciation
322	2,162,668	4.10%	88,669
323	23,464,410	2.24%	525,603
324	51,251	1.64%	841
	<u>25,678,329</u>		<u>615,113</u>

(1) The depreciation rates are based on the rates proposed in the 2010 rate case docket # 090079-EI and are subject to change pending the outcome of the proceeding.

**PROGRESS ENERGY FLORIDA**  
**Average Rate of Return - Capital Structure**  
**FPSC Adjusted Basis**  
**June 2009**

Attachment D

	System Per Books	Specific Adjustments	System Adjusted	Pro Rata Adjustments	FPSC Adjusted Retail	Ratio	Low Point		Mid Point		High Point	
							Cost Rate	Weighted Cost	Cost Rate	Weighted Cost	Cost Rate	Weighted Cost
Common Equity	\$3,475,368,184	\$853,300,641	\$4,328,668,838	(\$1,702,110,703)	\$2,626,558,133	49.29% ***	10.75%	5.30%	11.75%	5.79%	12.75%	6.29%
Preferred Stock	33,496,700	0	\$33,496,700	(\$13,171,507)	\$20,325,193	0.36%	4.51%	0.02%	4.51%	0.02%	4.51%	0.02%
Long Term Debt - Fixed	3,971,692,476	(109,589,103)	\$3,862,103,373	(\$1,518,648,743)	\$2,343,454,630	43.98%	6.27%	2.76%	6.27%	2.76%	6.27%	2.76%
Short Term Debt *	327,874,414	(327,874,415)	(\$0)	\$0	(\$0)	0.00%	1.32%	0.00%	1.32%	0.00%	1.32%	0.00%
Customer Deposits			\$0	\$0	\$0							
Active	185,272,559	0	\$185,272,559	(\$72,852,514)	\$112,420,045	2.11%	6.24%	0.13%	6.24%	0.13%	6.24%	0.13%
Inactive	1,126,074	0	\$1,126,074	(\$442,793)	\$683,281	0.01%						
Investment Tax Credit			\$0	\$0	\$0							
Post '70 Total	11,694,162		\$11,694,162	(\$4,598,355)								
Equity **			\$0	\$0	\$3,763,627	0.07%	10.70%	0.01%	11.69%	0.01%	12.68%	0.01%
Debt **			\$0	\$0	\$3,332,179	0.06%	6.27%	0.00%	6.27%	0.00%	6.27%	0.00%
Deferred Income Taxes	524,087,079	(29,143,848)	\$494,943,230	(\$194,620,610)	\$300,322,620	5.64%						
FAS 109 DIT - Net	(138,257,973)	2,222,375	(\$136,035,598)	\$53,491,652	(\$82,543,946)	-1.55%						
<b>Total</b>	<b>\$8,392,353,686</b>	<b>\$388,915,651</b>	<b>\$8,781,269,336</b>	<b>(\$3,452,953,573)</b>	<b>\$5,328,315,764</b>	<b>100.00%</b>		<b>8.22%</b>		<b>8.71%</b>		<b>9.21%</b>

\* Daily Weighted Average

\*\*Cost Rates Calculated Per IRS Ruling

\*\*\*Equity Ratio Including Debt Associated With Qualifying Facilities Contracts (Based on FPSC Capital Structure)

45.81%

Docket No. 050078-EI, Order No. 05-0945-S-EI, Paragraph No. 13

Rate Class	(1)	(1)	(1)	(2)	(2)	(2)
	12CP & 1/13 AD Demand Allocator (%)	12CP & 25% Demand Allocator (%)	12CP & 50% Demand Allocator (%)	Phase II 12CP & 1/13 AD Demand Costs (\$)	Phase II 12CP & 25% Demand Costs (\$)	Phase II 12CP & 50% Demand Costs (\$)
<b>Residential</b>						
<b>RS-1, RST-1, RSL-1, RSL-2, RSS-1</b>						
Secondary	61.798%	59.689%	56.644%	\$10,233,649	\$9,884,523	\$9,380,229
<b>General Service Non-Demand</b>						
<b>GS-1, GST-1</b>						
Secondary						
Primary						
Transmission						
<b>TOTAL GS</b>	<b>2.783%</b>	<b>2.846%</b>	<b>2.938%</b>	<b>460,781</b>	<b>471,336</b>	<b>486,582</b>
<b>General Service</b>						
<b>GS-2</b> Secondary	0.153%	0.169%	0.192%	25,347	27,988	31,803
<b>General Service Demand</b>						
<b>GSD-1, GSDT-1, SS-1</b>						
Secondary						
Primary						
Transmission						
<b>TOTAL GSD</b>	<b>30.895%</b>	<b>32.368%</b>	<b>34.495%</b>	<b>5,116,190</b>	<b>5,360,096</b>	<b>5,712,404</b>
<b>Curtable</b>						
<b>CS-1, CST-1, CS-2, CST-2, CS-3, CST-3, SS-3</b>						
Secondary						
Primary						
Transmission						
<b>TOTAL CS</b>	<b>0.341%</b>	<b>0.367%</b>	<b>0.403%</b>	<b>56,537</b>	<b>60,723</b>	<b>66,769</b>
<b>Interruptible</b>						
<b>IS-1, IST-1, IS-2, IST-2, SS-2</b>						
Secondary						
Primary						
Transmission						
<b>TOTAL IS</b>	<b>3.846%</b>	<b>4.226%</b>	<b>4.776%</b>	<b>636,945</b>	<b>699,894</b>	<b>790,821</b>
<b>Sub-Total Curtable/Interruptible</b>						
<b>IS-1, IST-1, IS-2, IST-2, SS-2</b>						
<b>CS-1, CST-1, CS-2, CST-2, CS-3, CST-3, SS-3</b>						
Secondary						
Primary						
Transmission						
<b>TOTAL CS/IS</b>	<b>4.188%</b>	<b>4.593%</b>	<b>5.179%</b>	<b>693,482</b>	<b>760,617</b>	<b>857,590</b>
<b>Lighting</b>						
<b>LS-1</b> Secondary	0.184%	0.334%	0.552%	30,489	55,378	91,329
	<b>100.000%</b>	<b>100.000%</b>	<b>100.000%</b>	<b>\$16,559,938</b>	<b>\$16,559,938</b>	<b>\$16,559,938</b>

Notes: (1) These factors were proposed in PEF's 2010 Rate Case Filing in docket 090079-EI  
(2) Total Phase II Revenue Requirements from Attachment B Line 27