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November 21, 2007

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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COMMISSIONER
CLERK

Re: Petition by Progress Energy Florida, Inc. to recover costs of the Crystal River
Unit 3 Uprate as provided in Section 366.93, F.S., and Rule 25-6.0423, F.A.C.;
Docket No. 070693 - E1

Dear Ms. Cole:

Enclosed for filing in the above referenced docket on behalf of Progress Energy
Florida, Inc. ("PEF") are the original and fifteen (15) copies of the following:

- PEF's Petition;
- Direct Testimony of Daniel L. Roderick with Exhibit No. ____ (DLR-1), Exhibit
No. ____ (DLR-2), and Exhibit No. ____ (DLR-3).

Please acknowledge receipt and filing of the above by stamping a copy of this
letter and returning to me. A diskette is included containing the petition and testimony in
Microsoft Word format. If you should have any questions, please feel free to contact me
at (813) 229-4145.

Thank you for your assistance in this matter.

Respectfully yours,

Dianne M. Triplett
Dianne M. Triplett

CMP _____
COM 5 _____
CTR 1 _____
ECR 2 CD _____
GCL 1 _____
OPC 1 _____
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Attachments

Petition
DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

Testimony - Roderick
DOCUMENT NUMBER-DATE

10480 NOV 21 5

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Progress Energy Florida, Inc.
to recover costs of the Crystal River Unit 3
uprate as provided in Section 366.93, Florida
Statutes, and Rule 25-6.0423, F.A.C.

Docket No. 070698-EI

Submitted for Filing: November 21, 2007

**PROGRESS ENERGY FLORIDA, INC.'S PETITION TO RECOVER
COSTS OF THE CRYSTAL RIVER UNIT 3 UPRATE AS PROVIDED IN
SECTION 366.93, FLORIDA STATUTES, AND RULE 25-6.0423, F.A.C.**

Pursuant to Section 366.93(3), Florida Statutes, and Rule 25-6.0423, F.A.C., Progress
Energy Florida ("PEF" or the "Company") respectfully petitions the Florida Public Service
Commission ("PSC" or the "Commission") for recovery of its Crystal River Unit 3 ("CR3")
Uprate costs as provided in Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C.

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BACKGROUND

On February 7, 2007, the Commission issued Order No. PSC-07-0119-FOF-EI, granting
PEF's petition for a determination of need for the expansion of its Crystal River 3 ("CR3")
nuclear power plant. The CR3 Uprate will increase the power output at CR3 by approximately
180 megawatts ("MWs") from about 900 MW to 1,080 MW. The Commission found, in Order
No. PSC-07-0119-FOF-EI, that the uprate "will displace higher cost fossil fuel and purchased
power generation with low cost nuclear generation, resulting in substantial fuel savings that
provide a net benefit to customers." The Commission further found that the project will lead to
"increased fuel diversity and supply reliability."

The CR3 Uprate will be accomplished in three phases. Phase I, the MUR, is being
installed during the 2007 refueling outage. The MUR is a series of engineering analyses to
measure the "secondary heat balance" with improved accuracy, which allows the rated thermal

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power to be increased by 12 MW. Phase 2 of this project is a series of improvements to the efficiency of the secondary plant also known as the Balance of Plant (“BOP”). The Company currently anticipates that all or at least part of the turbine and electrical generator replacement can be completed during the BOP phase. The BOP phase will be completed during the 2009 refueling outage and is expected to increase the nuclear output by 28 MW. The third and final phase, called the Extended Power Uprate, will be completed during the 2011 refueling outage. This full power uprate will provide the remaining megawatts necessary to achieve the total 180 MW. The joint owners of CR3 have indicated that they are electing to take their share of these additional megawatts, so that 165.205 MW will be available for PEF’s customers. The total estimated cost of the CR3 Uprate, excluding construction carrying costs, is \$382.7 million (nominal). Because the joint owners will be taking their ownership interest, the cost to PEF’s customers will be approximately \$356.7 million in CR3 uprate costs.

This substantial investment in additional nuclear generation in Florida will be greatly facilitated by the Florida Legislature’s policy of encouraging investment in nuclear generation, embodied in Section 366.93, Florida Statutes, and in the Commission’s nuclear cost recovery rule, Rule 25-6.0423, F.A.C. The cost recovery provisions provided by the Florida Legislature and Commission in the statute and rule provide increased regulatory certainty surrounding timely cost recovery of nuclear projects, thus, providing the necessary incentive for the development and implementation of such capital-intensive nuclear projects. As a result, the Commission’s timely consideration of the CR3 Uprate project costs under the cost recovery and rate adjustment provisions contained in the statute and rule, together with the ongoing review and determination of the prudence of PEF’s nuclear uprate expenditures, will promote this nuclear uprate project and the development of additional nuclear power projects for the benefit of Florida’s citizens and

economy. Such cost recovery is an essential incentive for additional utility investment in nuclear generation. PEF, accordingly, requests that the Commission allow recovery of the CR3 uprate costs as provided in Section 366.93, Florida Statutes, and consistent with the nuclear cost recovery rule, Rule 25-6.0423, F.A.C.

I. Preliminary Information.

1. The Petitioner's name and address are:

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

2. 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:

R. Alexander Glenn
alex.glenn@pgnmail.com
Progress Energy Service Company, LLC
P.O. Box 14042
St. Petersburg, FL 33733
(727) 820-5587
(727) 820-5519 (fax)

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II. Primarily Affected Utility.

3. 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.

4. 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 COST RECOVERY FOR THE CR3 UPRATE AS PROVIDED IN SECTION 366.93, FLORIDA STATUTES, AND CONSISTENT WITH THE NUCLEAR COST RECOVERY RULE, RULE 25-6.0423, F.A.C.

5. PEF believes that the decision to continue plans for implementing the CR3 Uprate is in the long-term interest of its customers. But the investment necessary to realize the benefits of the CR3 Uprate is significant. PEF therefore requests that the Commission determine that it: (1) will provide for cost recovery through the Capacity Cost Recovery Clause of PEF's carrying costs on its annual projected construction cost balance associated with the CR3 Uprate project costs, as provided for in the Commission's nuclear power plant cost recovery rule, Rule 25-6.0423, F.A.C.; (2) will provide for annual reviews and determine the prudence of the nuclear uprate costs, as provided for in the Commission's nuclear power plant cost recovery rule, Rule 25-6.0423, F.A.C.; and (3) will affirm that, upon commencement of commercial operation of the CR3 Uprate, PEF will be allowed to increase its base rate charges by the projected annual revenue requirements associated with the CR3

Uprate project in the manner provided for in Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C.

6. The CR3 power uprate project is an innovative application of technological advancements and efficiencies during existing planned outages at CR3 to obtain increased nuclear fuel generation capacity. The result of this increased production with low cost nuclear fuel will be the reduction in or replacement of higher cost fossil fuel and purchased power generation resources, yielding substantial fuel savings at a net savings to the cost of the project for customers. The power uprate will increase the level of nuclear production in the fuel supply mix on PEF's system, increasing fuel diversity for PEF and the State of Florida. In addition, nuclear fuel is the cleanest fuel source on PEF's system. During normal operations, there are no greenhouse gas emissions and no emissions of other pollutants common to other fuel sources for power production such as carbon monoxide, sulphur dioxide, aerosols, mercury, nitrogen oxides, and particulates or photochemical smog. Further, because the CR3 power uprate will displace higher cost fossil fuels with nuclear fuel there likely will also be a reduction in the greenhouse gas and other emissions from fossil fuel resources.

7. The Commission's approval of the application of Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C., to PEF's CR3 Uprate project plays an essential role in the development of nuclear generation projects like the CR3 Uprate project. The enhancement of regulatory certainty through more predictable cost recovery for nuclear plant investment encourages capital-intensive nuclear investment. The interim cost recovery and base rate adjustment provisions contained in Section 366.93, Florida Statutes and Rule 25-6.0423, F.A.C., together with the Commission's ongoing prudence review, provide the appropriate regulatory framework to encourage new, innovative, and significant and beneficial nuclear

generation investment. Such approval will allow PEF to successfully develop 180 MW of cost-effective, environmentally beneficial nuclear generation for the benefit of PEF's customers. In addition, such recovery will at least partially mitigate the increased business risk associated with such a large capital expenditure involving the expansion of existing nuclear capacity.

8. Under Section 366.93, Florida Statutes and Rule 25-6.0423, F.A.C., PEF requests recovery of the carrying costs on the construction cost balance for the CR3 Uprate project costs through the Capacity Cost Recovery Clause. Further, as provided for in the statute and rule, PEF will file a petition for Commission approval of a base rate increase in anticipation of the CR3 Uprate project being placed into service. Pursuant to Section 366.93(4) this later petition will seek a base rate increase equal to the annualized revenue requirements for the nuclear uprate for the first 12 months of operation, in accordance with Rule 25-6.0423(7). The timing of the base rate increase will be implemented in concert with the fuel cost decreases that will begin as the CR3 Uprate project is placed into service.

9. The full benefit of lower fuel costs achieved because of the CR3 Uprate project will flow to customers through lower monthly fuel charges. The fuel cost savings in the aggregate are expected to more than offset the cost of the CR3 Uprate project and will therefore result in millions of dollars of net economic benefits for customers. The economic benefits to customers are in addition to improved fuel diversity and reductions in the use of natural gas and oil as fuel for electric generation.

10. The cost recovery and adjustments to base rates for the CR3 Uprate project as provided for in Section 366.93 and Rule 25-6.0423 facilitates and encourages significant

additional investment by the Company in additional nuclear generation consistent with the objectives of Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C.

VI. Disputed Issues of Material Fact.

11. PEF is not aware at this time that there will be any disputed issues of material fact in this proceeding. Through its testimony and exhibits, PEF expects to demonstrate why cost recovery as provided in Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C., is appropriate and warranted.

VII. Conclusion.

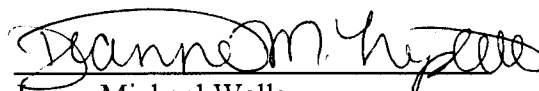
12. PEF seeks an affirmative determination that the substantial costs necessary to achieve the benefits of the CR3 Uprate project are recoverable pursuant to Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C., consistent with the Florida Legislature's intent to encourage additional nuclear-fueled generation in the State of Florida. Approval of PEF's petition for cost recovery as provided for in the statute and rule is warranted for the CR3 Uprate project.

WHEREFORE, for all the reasons provided in this Petition, as developed more fully in PEF's pre-filed testimony and exhibits, PEF respectfully requests that the PSC: (1) provide for the recovery of the carrying costs on the construction cost balance for the CR3 Uprate project costs through the Capacity Cost Recovery Clause as provided for in the Commission's Nuclear Power Plant Cost Recovery Rule, Rule 25-6.0423, F.A.C., (2) provide for annual reviews and determine the prudence of the CR3 Uprate project costs as provided for in the Commission's Nuclear Power Plant Cost Recovery Rule, Rule 25-6.0423, F.A.C.; and (3) allow PEF, upon commercial service, to increase its base rate charges by the projected annual revenue

requirements associated with the CR3 Uprate in the manner provided for in Section 366.93,
Florida Statutes, and Rule 25-6.0423, F.A.C.

Respectfully submitted this 21st day of November, 2007.

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