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COMMISSION
CLERK

March 2, 2009

Ann Cole, Director
Office of the Commission Clerk
PSC Recording & Filing
2540 Shumard Oak Blvd
Tallahassee 32399

Re: In re: Nuclear Cost Recover Clause
Docket No. 090009

Dear Ms. Cole:

Enclosed for filing on behalf of Progress Energy Florida, Inc. are the following:

1. Progress Energy Florida, Inc.'s Petition to Recover Costs of the Crystal River Unit 3 Uprate and the Levy Units 1 and 2 Nuclear Power Plants as Provided in Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C. (original and 7 copies); 01640-09
2. Direct Testimony of Gary R. Doughty in Support of Actual Costs on behalf of Progress Energy Florida (original and 15 copies); 01641-09
3. Direct Testimony of Gary Furman in Support of Actual Costs on behalf of Progress Energy Florida (original and 15 copies); 01642-09
4. Direct Testimony of Garry Miller in Support of Actual Costs on behalf of Progress Energy Florida (original and 15 copies); 01643-09
5. Direct Testimony of Steve Huntington on behalf of Progress Energy Florida (original and 15 copies); 01644-09

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6. Direct Testimony of Will Garrett in Support of Actual Costs on behalf of Progress Energy Florida (original and 15 copies); 01645-09

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7. Progress Energy Florida's Request for Confidential Classification Regarding Exhibits Filed with the Testimony of Will Garrett; and

8. Notice of Filing Affidavits in Support of Progress Energy Florida, Inc.'s Request for Confidential Classification.

Sincerely,

A handwritten signature in cursive script that reads "Dianne M. Triplett". The signature is written in black ink and is positioned above the printed name.

Dianne M. Triplett

Enclosures

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Nuclear Power Plant Cost
Recovery Clause

Docket No. 090009

Submitted for Filing: March 2, 2009

**PROGRESS ENERGY FLORIDA, INC.'S PETITION TO RECOVER
COSTS OF THE CRYSTAL RIVER UNIT 3 UPRATE AND THE
LEVY UNITS 1 AND 2 NUCLEAR POWER PLANTS 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") to approve and find prudent the actual Crystal River Unit 3 ("CR3") Power Uprate Project ("CR3 Uprate") costs incurred in 2008, and approve and find prudent the actual Levy Nuclear Project ("LNP") costs incurred in 2006-2008, as provided in Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C. PEF also petitions the Commission to approve the true-up of revenue requirements as presented in the attached testimony and exhibits for both the CR3 Uprate and LNP. These revenue requirements include site selection and preconstruction costs, carrying costs on the construction cost balance, carrying costs on the deferred tax balance, and CCRC recoverable O&M costs.

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 the CR3 nuclear power plant through the CR3 Uprate. The CR3 Uprate will increase the power output at CR3 by approximately 180 megawatts ("MWs") from about 900 MW to 1,080 MW. PEF incurred construction costs during 2008 for its CR3 Uprate project and seeks to recover its carrying costs

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on these construction expenditures, pursuant to Section 366.93, Fla. Stat., and Rule 25-6.0423, F.A.C., in this proceeding.

The CR3 Uprate will be accomplished in three phases. PEF completed Phase I, the MUR, during the 2007 refueling outage. The MUR resulted in an increase of 12 MW to the output of CR3 beginning January 31, 2008. Phase 2 of this project involves a series of improvements to the efficiency of the secondary plant also known as the Balance of Plant ("BOP"). PEF expects to complete the BOP phase during the 2009 refueling outage, which will result in an anticipated 28 MW increase in plant output. The third and final phase, called the Extended Power Uprate ("EPU"), will be completed during the 2011 refueling outage. This phase 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, and their share of the costs incurred to obtain these additional megawatts, so that approximately 165 mega-watts ("MW") will be available for PEF's retail customers.

PEF has expended construction costs with respect to all three phases in 2008. PEF requests that the Commission find that PEF's costs for the CR3 Uprate have been prudently incurred, and allow recovery, through the Capacity Cost Recovery Clause ("CCRC"), of the carrying costs associated with the construction costs, carrying cost on the deferred tax balance, and CCRC recoverable O&M expenditures as provided in Section 366.93, Florida Statutes and consistent with the nuclear cost recovery rule, Rule 25-6.0423, F.A.C.

On August 12, 2008, the Commission issued Order No. PSC-08-0518-FOF-EI, granting PEF's petition for a determination of need for the construction of Levy Nuclear Units 1 and 2. The LNP will consist of two Westinghouse AP1000 nuclear-fueled generating units with in-service dates of 2016 and 2017. The Westinghouse AP1000 design has a nominal output of

approximately 1,100 MW per unit. The unit additions will contribute 2,200 MW to PEF's system.

PEF has expended site selection costs, preconstruction costs, and construction costs with respect to the LNP. In Docket 080009, pursuant to a stipulation reached between the parties, the Commission approved the reasonableness of the costs PEF incurred for the LNP during 2006 and 2007, deferring a determination of the prudence of those costs until the 090009 docket. PEF therefore requests that the Commission find that PEF's costs for the LNP, incurred from 2006 to 2008, have been prudently incurred, and allow recovery, through the CCRC, of the site selection costs, preconstruction costs, carrying costs on construction costs, carrying cost on the deferred tax balance, and CCRC recoverable O&M expenditures 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
John Burnett
john.burnet@pgnmail.com
Progress Energy Service Company, LLC
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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 THE NUCLEAR COST RECOVERY RULE, RULE 25-6.0423, F.A.C.

5. The Commission approved PEF's need for the entire 180 MW power uprate project in Order No. PSC-07-0119-FOF-EI. PEF therefore requests that, pursuant to this nuclear cost recovery rule, the Commission: (1) determine the costs PEF incurred during 2008 for the CR3 Uprate Project were reasonable and prudent; and (2) approve, pursuant to Rule 25-6.0423(5)(c), PEF's final true-up of the carrying costs on its actual construction expenditures, carrying cost on deferred tax balance, and CCRC recoverable O&M for the CR3 Uprate for 2008. Detailed descriptions of the construction expenditures, the contracts executed, the carrying costs, and the other information required by Rule 25-6.0423(8), are provided in PEF's pre-filed testimony, exhibits, and Nuclear Filing Requirement ("NFR") schedules.

6. In general, PEF incurred construction costs with respect to each of the three phases of the CR3 Uprate. For the MUR, or Phase 1, the Company made final vendor payments and incurred costs for the testing of the installation during the first few months of 2008. For Phases 2 and 3, PEF has incurred costs for certain necessary equipment and contracts for long-lead time material and work. PEF also incurred costs to finalize the engineering design and scope of work for the 2009 outage. Payments to secure such equipment and contract work were necessary to ensure timely installation of Phases 2 and 3 during the scheduled outages in 2009 and 2011, respectively. These costs are discussed in greater detail in the testimony and exhibits of Steve Huntington, filed simultaneously with this Petition.

7. For each contract it entered into, PEF took reasonable and prudent steps to ensure that value was obtained when considering both price and quality. For the majority of those contracts, an openly competitive bidding process was employed. PEF evaluated the responses to its Request for Proposals (“RFPs”) and selected the most appropriate vendor(s) for the contract, taking into account price, quality, and other relevant factors. In some instances, where it was appropriate to select a vendor sole source, PEF chose its vendor without an RFP. The vendors chosen in this way generally had prior experience working with CR3’s unique safety and technical specifications, thus allowing them to efficiently provide services for this uprate. With all contracts, PEF negotiated the most reasonable terms and conditions it could given market conditions. PEF’s principal goals were to minimize risk to its customers and obtain, to the extent possible, favorable terms to provide reasonable cost certainty and appropriate risk-sharing under the circumstances.

8. As demonstrated in Mr. Huntington’s testimony and exhibits, the costs PEF incurred in 2008 for the CR3 uprate project are reasonable and prudent. Pursuant to Rule 25-6.0423, F.A.C., PEF is therefore entitled to recover through the CCRC the revenue requirements associated with these prudently incurred costs. For the time period January 2008 through December 2008, PEF is requesting a total of \$7,555,938 in revenue requirements, adjusted for the contributions to construction expenditures made by the joint owners of CR3. These costs are made up of \$6,072,267 in carrying cost on construction cost balance, \$166,588 in CCRC recoverable O&M, \$61,655 in return on deferred tax balance, and \$1,255,428 in costs associated with the MUR. These costs were calculated pursuant to the nuclear cost recovery rule consistent with the methodology approved in the 080009 Docket and are set forth in greater detail in the testimony and exhibits of Mr. Huntington and Mr. Will Garrett.

IV. PEF REQUESTS COST RECOVERY FOR THE LEVY NUCLEAR PROJECT AS PROVIDED IN SECTION 366.93, FLORIDA STATUTES, AND THE NUCLEAR COST RECOVERY RULE, RULE 25-6.0423, F.A.C.

9. The Commission approved the need for the 2,200 MW of capacity to be generated by Levy Units 1 and 2 in Order No. PSC-08-0518-FOF-EI. Further, in Docket 080009, pursuant to a stipulation reached between the parties, the Commission approved the reasonableness of the costs PEF incurred for the LNP during 2006 and 2007, deferring a determination of the prudence of those costs until the 090009 docket. PEF therefore requests that, pursuant to the nuclear cost recovery rule, Rule 25-6.0423, F.A.C., the Commission: 1) determine the site selection, preconstruction, and construction costs, carrying cost on deferred tax balance, and CCRC recoverable O&M PEF incurred during the years 2006, 2007, and 2008 for the LNP were prudently incurred; and 2) approve pursuant to Rule 25-6.0423 the final true-up of revenue requirements for years 2006, 2007, and 2008. Detailed descriptions of the expenditures, the contracts executed, the carrying costs, and the other information required by Rule 25-6.0423(8), are provided in PEF's pre-filed testimony, exhibits, and NFR schedules.

10. Specifically, PEF incurred site selection costs prior to filing its petition for a determination of need for the LNP with the Commission in March of 2008. These costs are explained in greater detail in the pre-filed testimony of Daniel L. Roderick, Dale Oliver, and Lori Cross filed in Docket 080009, in support of the Company's site selection costs. As indicated in PEF's pre-filed testimony, filed February 27, 2009 in this docket, Mr. Garry Miller has adopted the previous testimony of Mr. Roderick, Mr. Gary Furman has adopted the previous testimony of Mr. Oliver, and Mr. Will Garrett has adopted the previous testimony of Lori Cross. They have therefore incorporated these testimonies by reference in their testimony in this docket. This testimony demonstrates that these costs were prudently incurred as necessary for the completion

of the LNP project. PEF is therefore requesting a prudence determination on these site selection costs.

11. During 2007, PEF also incurred construction costs associated with the LNP for the purchase of the land necessary for the site. These costs are explained in greater detail in the pre-filed testimonies of Garry Miller and Will Garrett, filed in Docket 080009 and incorporated by reference in this docket. This testimony demonstrates that these costs were prudently incurred as necessary for the completion of the LNP project. PEF is therefore requesting a prudence determination on these construction costs.

12. PEF has also incurred pre-construction costs related to the LNP subsequent to the March 2008 filing. These costs are explained in greater detail in the pre-filed testimony and exhibits of Gary Miller and Gary Furman, filed simultaneously with this petition. As demonstrated in this pre-filed testimony, the costs PEF has incurred during 2008 for the LNP are reasonable and prudent.

13. Pursuant to Rule 25-6.0423, F.A.C., PEF requests that the Commission approve the final true-up of revenue requirements for 2008 as presented in the attached testimony and exhibits. For 2008, PEF has calculated total revenue requirements of \$161,180,416. This consists of \$150,006,710 in site selection and preconstruction costs, \$7,480,395 in carrying cost on construction cost balance, \$3,784,810 in CCRC recoverable O&M, and a credit of \$91,499 in deferred tax asset carrying costs. These amounts were calculated in accordance with Rule 25-6.0423 and consistent with the methodology approved in Docket 080009.

V. DISPUTED ISSUES OF MATERIAL FACT.

14. 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 the prudence of the costs it has incurred thus far in both the CR3 Uprate project and the Levy Nuclear Project and to show why recovery of the capacity costs through the CCRC, as provided in Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C., is appropriate and warranted.

VI. CONCLUSION.

15. PEF seeks affirmative determinations that PEF can recover the revenue requirements associated with the CR3 Uprate from 2008 necessary to achieve the benefits of the CR3 Uprate project. PEF also seeks a determination that the costs incurred in 2008 associated with the Uprate were prudently incurred. With regard to the LNP, PEF seeks an affirmative determination that PEF can recover the revenue requirements associated with the LNP for 2008 as presented in the attached and adopted testimony and exhibits as provided for in Rule 25-6.0423. PEF also seeks an affirmative determination that its site selection, preconstruction, and construction costs, carrying cost on deferred tax balance, and CCRC recoverable O&M from 2006 through 2008 for the LNP were prudent. Approval of PEF's petition for cost recovery as provided for in the statute and rule is warranted for both the CR3 Uprate project and the LNP.

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) determine the costs PEF incurred during 2008 for the CR3 Uprate project were reasonable and prudent;

2) approve, pursuant to Rule 25-6.0423(5)(c), PEF's final true-up of the actual expenditures and revenue requirements for the CR3 Uprate project for 2008;


3) determine that the costs PEF incurred from 2006 through 2007, for the LNP were prudent;

4) determine that the costs PEF incurred during 2008 for the LNP were reasonable and prudent; and

5) approve, pursuant to Rule 25-6.0423(5)(c), PEF's final true-up of its actual expenditures and revenue requirements for the LNP for 2008.

Respectfully submitted this 2^d day of March, 2009.

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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 2^d day of March, 2009.


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