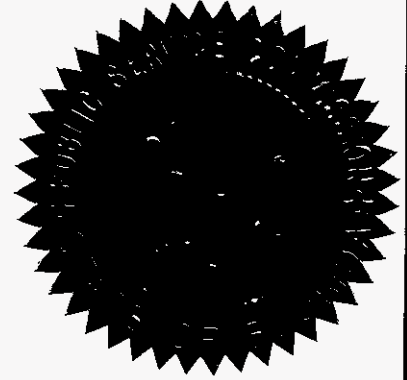


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 090421-EI

PETITION FOR COMMISSION APPROVAL  
OF BASE RATE INCREASE FOR COSTS  
ASSOCIATED WITH 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.



PROCEEDINGS: AGENDA CONFERENCE  
ITEM NO. 19

COMMISSIONERS  
PARTICIPATING: CHAIRMAN MATTHEW M. CARTER, II  
COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER NANCY ARGENZIANO  
COMMISSIONER NATHAN A. SKOP  
COMMISSIONER DAVID E. KLEMENT

DATE: Tuesday, December 1, 2009

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: LINDA BOLES, RPR, CRR  
Official FPSC Reporter  
(850) 413-6734

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## P R O C E E D I N G S

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3           **CHAIRMAN CARTER:** Staff, you're recognized for  
4 Item 19.

5           **MR. SLEMKEWICZ:** Item 19 is Progress Energy  
6 Florida, Inc.'s, request to increase base rates for the  
7 costs associated with the CR3 uprate project pursuant to  
8 Section 366.93(4), *Florida Statutes*, and Rule  
9 25-6.0423(7), *Florida Administrative Code*, which deal  
10 with the, with nuclear cost recovery. Staff is  
11 recommending that PEF's base rates be increased by  
12 \$16.8 million effective for meter readings taken on or  
13 after December 31st, 2009.

14           **CHAIRMAN CARTER:** Okay. Commissioners, staff  
15 has presented the issue. We're now in our questions and  
16 comment phase.

17           Commissioner Argenziano, you're recognized.

18           **COMMISSIONER ARGENZIANO:** Thank you. Just a  
19 few questions. As I've always said since I first got  
20 here, we forget sometimes that people are watching. And  
21 when we mention things that are not readily available to  
22 them while expressing that, they don't know what we're  
23 talking about, and sometimes just for the record.

24           So the first thing I'd like to ask is in this,  
25 in this type of situation we are -- are -- let me ask it

1 as a question. Are we mandated by the Legislature to  
2 allow the base rate charges? We were told we shall. So  
3 there is no discretion, and that's the question.

4 **MS. BROWN:** That's correct, Commissioner.

5 **COMMISSIONER ARGENZIANO:** Okay. So for media  
6 and people who are watching, we shall, the Legislature  
7 says we must.

8 The second thing, the thing I see as a tool to  
9 make sure that while we shall do this, that it's done  
10 the right way, that there's prudence and -- what is our  
11 other word that we always use? Well, that recovery be  
12 prudent. Now my question --

13 **MS. BROWN:** I think it's reasonable.

14 Reasonable and prudent.

15 **COMMISSIONER ARGENZIANO:** Yes. Reasonable.

16 Thank you. Yes. See, I forgot that, reasonably forgot  
17 that because I'm older than Commissioner Skop. So if he  
18 can forget something, I can reasonably forget  
19 reasonable.

20 Are we confident in our, in our research that  
21 prudence and reasonableness was, is applied in this, in  
22 this case before us? Has been -- I won't even go -- you  
23 know what I mean.

24 **MR. SLEMKEWICZ:** These costs have been  
25 reviewed in, you know, Docket 090009-EI, the nuclear

1 cost recovery clause. And Mr. Laux may address that if  
2 you have any other questions.

3 **COMMISSIONER ARGENZIANO:** Yes. I would just  
4 like to feel assured, I've read through it, that we are  
5 doing -- the tool that we have, what we're supposed to  
6 be doing today is not determining whether they shall or  
7 shall not receive the cost recovery but whether they  
8 had, prudence was applied and the costs.

9 **MR. LAUX:** Yes, ma'am. And the Commission  
10 will have one more opportunity to review these costs  
11 during the hearing next year, and then that would be the  
12 end of the Commission review. So during that review  
13 next year if for some reason the Commission finds that  
14 some of the costs are not prudent, there would be an  
15 adjustment made to the rates at that point in time.

16 **COMMISSIONER ARGENZIANO:** Okay. Thank you.

17 **CHAIRMAN CARTER:** Thank you, Commissioner.

18 Commissioner -- okay. We'll, we'll take a few  
19 minutes and then we'll, I'll ask for a motion. Just a  
20 couple of seconds here. Give Commissioner Klement an  
21 opportunity to step back.

22 I apologize to you, Commissioners. I was just  
23 going on and on and on, and if anyone needs a break, now  
24 would be a good time. Let's take five.

25 (Recess taken.)

1           We are back on the record, and when we last  
2 left we had asked were there any further questions or  
3 concerns or comments on Item 19, and I heard that there  
4 were none. So the Chair is now open for a motion for  
5 disposition of Item 19.

6           **COMMISSIONER ARGENZIANO:** Mr. Chairman.

7           **CHAIRMAN CARTER:** Commissioner Argenziano,  
8 you're recognized.

9           **COMMISSIONER ARGENZIANO:** I'm sorry. I do  
10 have another comment I'd like to make.

11          **CHAIRMAN CARTER:** You're recognized.

12          **COMMISSIONER ARGENZIANO:** Because when I had  
13 to think back on the hearing that we had, I voted  
14 against preconstruction cost recovery because of the  
15 conflicting statutes. And as I'm thinking and sitting  
16 here and saying, well, you know, this is the one that  
17 the Legislature said we shall, my arguments the last  
18 time were that I felt, and I remember Commissioner Skop,  
19 we kind of had a little difference of opinion on a  
20 different way to go, but I looked at the statute as also  
21 being conflicting here. Because while it does say we  
22 shall allow the upfront recoveries, which, by the way,  
23 and I said it the last time, when I was in the  
24 Legislature when this passed, it was never brought  
25 before me as an individual legislator.

1           But the statute to me conflicts itself because  
2 what I'm looking at also in 366.06 under rates,  
3 procedures for fixing and charging, and down, down in  
4 the first paragraph where it also pertains to us as far  
5 as fixing, and I'll read it, in fixing fair, just and  
6 reasonable rates for each customer class, the Commission  
7 shall to the extent practical, and it goes on and on and  
8 on. And throughout that section it talks about in  
9 fixing, in fixing fair, just and reasonable, and those  
10 words to me were in conflict with shall because of the  
11 many people that testified or wrote to me or talked to  
12 me that said that, you know, I may be 80 years old and I  
13 don't see how it's fair for you to charge me for  
14 something ahead of time that I will not derive a benefit  
15 from.

16           It's very difficult because in one part of the  
17 statute the Legislature says you shall allow upfront  
18 recoveries, but it also says that I must adhere to being  
19 fair and reasonable in setting, in fixing rates. And  
20 I've heard from too many people that it's just not fair  
21 or reasonable, so I'm going to have to oppose this also  
22 or, again, I would be in, in opposition to my last vote  
23 and for the reasons why.

24           **CHAIRMAN CARTER:** Thank you.

25           Commissioner Skop.

1                   **COMMISSIONER SKOP:** I guess there's been a  
2 motion -- or has there been a motion?

3                   **CHAIRMAN CARTER:** Not yet.

4                   **COMMISSIONER SKOP:** Okay. Good. Then if,  
5 with your permission, I'd like to --

6                   **CHAIRMAN CARTER:** You're recognized.

7                   **COMMISSIONER SKOP:** Thank you.

8                   Just a quick question to staff on Commissioner  
9 Argenziano's concern. I know that a lot of the  
10 controversy related to the nuclear cost recovery clause  
11 has centered around new nuclear construction, which is  
12 of long duration and, again, the preconstruction costs,  
13 site preparation, all that, which adds up fast for new  
14 construction.

15                   With this particular item before us, however,  
16 this is related to an uprate, which is an existing  
17 reactor. So it's basically go in, make your phases of  
18 the uprate, and you're getting immediate benefit from  
19 that.

20                   The reason that I'm asking the question I'm  
21 about to ask, on Issue 1 it's a request to raise base  
22 rates for the BOP phase of the CR3 uprate project. I  
23 believe BOP would be balance of plant; is that correct?

24                   **MR. SLEMKEWICZ:** That's correct.

25                   **COMMISSIONER SKOP:** Okay. Is it also correct

1 that the balance of plant, and again I have to test my  
2 memory from two years prior, but the balance of plant I  
3 believe was the last phase of that uprate; is that  
4 correct?

5 **MR. SLEMKEWICZ:** I believe there's one more  
6 phase. I think there's three phases. Mr. Laux can --

7 **MR. LAUX:** That's correct. That's correct,  
8 Commissioner. The third phase will be the nuclear phase  
9 or the containment phase. This is the upgrade to the  
10 equipment so that when you do generate more steam from  
11 the nuclear phase, you will actually be able to turn  
12 that into electricity.

13 **COMMISSIONER SKOP:** Okay. With respect to --  
14 and I think the first phase was, is the measurement  
15 uncertainty capture (phonetic); is that correct?

16 **MR. LAUX:** That's correct. And that's been --

17 **COMMISSIONER SKOP:** That's already been done  
18 and recovered for?

19 **MR. LAUX:** Yes.

20 **COMMISSIONER SKOP:** Okay.

21 **MR. LAUX:** That's been in, in service for  
22 almost two years now, and that was 18 megawatts.

23 **COMMISSIONER SKOP:** Okay. And that was actual  
24 new production that was achieved by implementing that.  
25 So it's not something we're paying for in advance. It's



1 something that was implemented and put into service and  
2 the customers are getting that additional uprate  
3 benefit; is that correct?

4 **MR. LAUX:** Under the nuclear clause,  
5 construction cost, the only thing that goes through on a  
6 current basis is the AFUDC component and not the actual  
7 cost of construction. Once the unit or the equipment  
8 that is recognized by that cost is ready to go into  
9 service, then the Commission sets a revenue requirement  
10 to recover it through base rates.

11 **COMMISSIONER SKOP:** Okay. So this is, this is  
12 through base rates then, not through the clause; is that  
13 correct?

14 **MR. LAUX:** That's correct. And that base  
15 rates are lower with the -- since customers have been  
16 paying the AFUDC charge on it during the construction  
17 phase.

18 **COMMISSIONER SKOP:** Okay. So this was  
19 previously approved -- or for this project the  
20 incremental costs were covered in the nuclear cost  
21 recovery clause, I think as somebody mentioned. Now  
22 this is the adjustment to base rates because this phase  
23 has actually been placed in service for the benefit of  
24 the customers; is that correct?

25 **MR. LAUX:** That is correct.

1                   **COMMISSIONER SKOP:** So to answer Commissioner  
2 Argenziano, or the question or concern she had, this is  
3 separate I think from the clause.

4                   **COMMISSIONER ARGENZIANO:** Yes. Mr. Chair?

5                   **CHAIRMAN CARTER:** Commissioner Argenziano.

6                   **COMMISSIONER ARGENZIANO:** I stand corrected.  
7 My staff whispered something in my ear and confused me  
8 unfortunately. And, and then taking a look at it,  
9 you're correct, this is not preconstruction costs.  
10 Thank you.

11                   **CHAIRMAN CARTER:** Commissioner Skop.

12                   **COMMISSIONER SKOP:** Thank you, Mr. Chair.  
13 Again, I was just trying to clarify that  
14 because, again, we've -- the agenda book is pretty thick  
15 and I had to look real close. But I thought I saw a  
16 disconnect there and I just wanted to kind of clarify  
17 that to make sure.

18                   But with that, if there's no further  
19 questions, I'd move approval of staff recommendation for  
20 Issues 1 through 4.

21                   **COMMISSIONER EDGAR:** Second.

22                   **CHAIRMAN CARTER:** It's been moved and properly  
23 seconded. Commissioners, any comments? Any questions?  
24 Any debate?

25                   Hearing none, all in favor, let it be known by

1 the sign of aye.

2 (Simultaneous vote.)

3 All those opposed, like sign.

4 Show it done.

5 Thank you, Commissioners. Thank you, staff.

6 (Agenda item concluded.)

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STATE OF FLORIDA        )  
                                  :                    CERTIFICATE OF REPORTER  
COUNTY OF LEON        )

I, LINDA BOLES, RPR, CRR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 15<sup>th</sup> day of December, 2009.

Linda Boles  
LINDA BOLES, RPR, CRR  
FPSC Official Commission Reporter  
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