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Subject: FPSC Docket 110009-EI - PCS Phosphate's Pre-Hearing Statement
Attachments: p-pcs_prehearing_statement_11_FINAL.pdf

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b. Docket No. 110009-EI, In Re: Nuclear Cost Recovery Clause

c. Filed on behalf of White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs

d. Total Pages = 10

e. PCS Phosphate's Pre-Hearing Statement

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DOCUMENT NUMBER-DATE

05135 JUL 25 =

7/25/2011

FPSC-COMMISSION CLERK

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

In re: Nuclear Cost Recovery Clause)
_____)

**Docket No. 110009-EI
Filed: July 25, 2011**

**PREHEARING STATEMENT OF
WHITE SPRINGS AGRICULTURAL CHEMICALS, INC.
d/b/a PCS PHOSPHATE – WHITE SPRINGS**

Pursuant to the Florida Public Service Commission’s March 29, 2011, *Order Establishing Procedure*, Order No. PSC-11-0179-PCO-EI, (“*Procedural Order*”) and the June 3, 2011 *First Order Revising Order Establishing Procedure*, Order No. PSC-11-0245-PCO-EI (“*Revised Procedural Order*”), White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs (“PCS Phosphate”), through its undersigned attorney, files its Prehearing Statement.

A. APPEARANCES

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B. WITNESSES

PCS Phosphate will sponsor no witnesses.

C. EXHIBITS

PCS Phosphate may offer exhibits based on the responses to discovery requests as well as the testimony offered by Progress Energy Florida (“PEF”) and other party

witnesses at the hearing.

D. STATEMENT OF BASIC POSITION

In prior years, the principal focus of PCS Phosphate's concerns in the nuclear cost recovery clause proceedings have centered upon:

1. The stunning cost estimates associated with the proposed Levy Nuclear Project ("LNP") and the inevitable slippage of the expected commercial in-service dates for those units compared to the forecast originally provided by PEF.
2. PEF's failure to secure joint owner participation in LNP prior to embarking upon the project, and the substantially diminished prospects for meaningful participation by others in the project in light of the rising costs, extended commercial expected operation dates, and distinctly negative trends affecting the comparative economics of building new nuclear units at this time.
3. The need to mitigate the immediate rate impacts on Florida consumers and businesses of LNP expenditures approved by the Commission for clause recovery.
4. The urgent need for the Commission to confront the untenable rate consequences to PEF ratepayers associated with nuclear clause recovery of PEF's proposed spending plan for LNP absent meaningful joint owner participation in the project.

In the 2010 NCRC proceeding, the Commission approved PEF's proposal to dramatically alter its approach to the LNP project in light of significant regulatory delays that PEF estimated would postpone the project's expected entry into commercial service by five years and add another \$5 billion to total estimated LNP costs. By shifting from a "Go first" to a "Go slow" approach, PEF planned to continue pursuit of a Combined Operating License from the Nuclear Regulatory Commission ("NRC"), scale back spending in most other non-licensing areas, and halt or defer procurement of most long lead-time equipment. For NCRC clause recovery purposes, the cost of managing the long lead-time equipment procurement slow-down constituted both a major cost driver and a major area of uncertainty.

In this year's NCRC filing, under the guise of no material change in LNP cost and schedule, several material developments have occurred. First, PCS Phosphate agrees with Florida Office of Public Counsel ("OPC") that the trends for most relevant factors associated with continued pursuit of the LNP units (e.g., natural gas prices, prospects for natural climate change legislation) continue to be negative or have become more negative. The economic logic for construction of the units seems increasingly tenuous, and, more than ever, seems to hang solely upon the Florida ratepayer support provided by the nuclear cost recovery statute and rule.

Second, PEF's filing in this docket reveals that the utility considerably over-estimated its costs associated with winding down or deferring procurement of long lead-time equipment. This factor accounts for the majority of the over-collection of costs in the 2011 factor. Rather than reduce the nuclear cost recovery factor for 2012 to correct for this mis-estimation, PEF proposes instead to accelerate the amortization of LNP costs pursuant to the rate management plan the Commission approved in 2009 by nearly doubling the amount of rate management costs to be recovered in 2012. PCS Phosphate strongly opposes the PEF proposal and supports OPC's position that accelerated amortization is inappropriate under the circumstances at hand today. As OPC properly notes, Florida's economy continues to struggle and only costs that are strictly necessary should be recovered from consumers in 2011 and 2012. Also, given the diminishing prospects of LNP as a viable project, it makes far more sense to smooth out LNP rate impacts over time (as originally contemplated in the rate management plan) than to exacerbate rate impacts unnecessarily.

Finally, it is transparent that LNP is not viable under any circumstances absent meaningful joint owner participation. PCS Phosphate urges the Commission to require PEF to secure such participation levels before approving nuclear recovery for any project expenditures beyond securing a license from the NRC.

Next, this year the issues associated with the delamination of the Crystal River 3 (“CR3”) containment structure have eclipsed LNP as the primary concern of this docket. The most recent delamination event, announced in March 2011, was the result of PEF’s attempt to repair the previous delamination that occurred in 2009 and is now the subject matter of Commission review in Docket No. 100437-EI. PCS Phosphate offers no position on any issues that are properly presented in that docket. The March 2011 delamination has, however, materially altered PEF’s plans with respect to the CR3 extended power uprate (“EPU”) that are addressed in this proceeding. In late June, PEF announced that it intended to attempt to repair CR3 over a period of several years. The considerably far-reaching impacts of the new delamination include what likely amounts to a considerable additional delay in the EPU project. PCS Phosphate offered qualified support for PEF’s motion to defer consideration of CR3 EPU feasibility and prudence questions and to remove almost \$17 million in CR3 EPU revenue requirements from the proposed 2012 nuclear clause recovery. In all other respects with respect to CR3 issues in this year’s proceeding, PCS Phosphate supports the positions urged by OPC.

E. STATEMENT ON SPECIFIC ISSUES

With respect to the various issues presented in this proceeding, PCS Phosphate takes no position regarding the resolution of the issues with respect to Florida Power & Light. PCS Phosphate takes the following positions on the specific issues presented below as they pertain to Progress:

Legal Issues

ISSUE A: Should the Commission defer its decision regarding the long-term feasibility of completing the Crystal River Unit 3 (CR3) Extended Power Uprate (EPU) project and the reasonableness of PEF's 2011 and 2012 ongoing construction expenditures, including associated carrying charges?

PCS Phosphate: Yes.

Company Specific Issues – Progress Energy Florida

ISSUE 20: Should the Commission approve what PEF has submitted as its 2011 annual detailed analysis of the long-term feasibility of completing the Levy Units 1 & 2 project, as provided for in Rule 25-6.0423, F.A.C? If not, what action, if any, should the Commission take?

PCS Phosphate: PCS Phosphate agrees with and adopts the position of the OPC.

ISSUE 21: What is the total estimated all-inclusive cost (including AFUDC and sunk costs) of the proposed Levy Units 1 & 2 nuclear project and is this reasonable?

PCS Phosphate: No position.

ISSUE 22 What is the estimated planned commercial operation date of the planned Levy Units 1 & 2 nuclear facility and is this reasonable?

PCS Phosphate: No position.

ISSUE 23: Do PEF's activities to date related to Levy Units 1 & 2 qualify as "siting, design, licensing, and construction" of a nuclear power plant as contemplated by Section 366.93, F.S.?

PCS Phosphate: PCS Phosphate agrees with and adopts the position of the OPC.

ISSUE 24: Should the Commission find that for the year 2010, PEF's project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Levy Units 1 & 2 project? If not, what action, if any, should the Commission take?

PCS Phosphate: PCS Phosphate agrees with and adopts the position of the OPC.

ISSUE 25: What system and jurisdictional amounts should the Commission approve as PEF's final 2010 prudently incurred costs and final true-up amounts for the Levy Units 1 & 2 project?

PCS Phosphate: PCS Phosphate agrees with and adopts the position of the OPC.

ISSUE 26: Should the Commission approve for recovery in 2012 any estimated 2011 and 2012 costs necessary for receipt of the Combined License (COL) for Levy Units 1 & 2? If not, what action can and should the Commission take with respect to these costs?

PCS Phosphate: PCS Phosphate agrees with and adopts the position of the OPC.

ISSUE 27: What system and jurisdictional amounts should the Commission approve as reasonable actual/estimated 2011 costs and estimated true-up amounts for PEF's Levy Units 1 & 2 project?

PCS Phosphate: PCS Phosphate agrees with and adopts the position of the OPC.

ISSUE 28: What system and jurisdictional amounts should the Commission approve as reasonably projected 2012 costs for PEF's Levy Units 1 & 2 project?

PCS Phosphate: PCS Phosphate agrees with and adopts the position of the OPC.

ISSUE 29: Should the Commission approve what PEF has submitted as its 2011 annual detailed analysis of the long-term feasibility of completing the Crystal River Unit 3 Uprate project, as provided for in Rule 25-6.0423, F.A.C? If not, what action, if any, should the Commission take?

PCS Phosphate: PCS Phosphate agrees with and adopts the position of the OPC.

ISSUE 30: Should the Commission approve as prudent any costs incurred between October 2, 2009 and December 31, 2010 for the Crystal River Unit 3 Uprate project?

PCS Phosphate: PCS Phosphate agrees with and adopts the position of the OPC.

ISSUE 31: For the years 2009 and 2010, should the Commission find PEF reasonably and prudently managed its Crystal River Unit 3 Uprate license amendment request? If not, what dollar impact did these activities have on 2009 and 2010 incurred costs?

PCS Phosphate: PCS Phosphate agrees with and adopts the position of the OPC.

ISSUE 32: Should the Commission find that for 2010, PEF's project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Crystal River Unit 3 Uprate project? If not, what action, if any, should the Commission take?

PCS Phosphate: PCS Phosphate agrees with and adopts the position of the OPC.

ISSUE 33: What system and jurisdictional amounts should the Commission approve as PEF's 2009 and 2010 prudently incurred costs for the Crystal River Unit 3 Uprate project?

PCS Phosphate: PCS Phosphate agrees with and adopts the position of the OPC.

ISSUE 34: What system and jurisdictional amounts should the Commission approve as reasonable actual/estimated 2011 costs and estimated true-up amounts for PEF's Crystal River Unit 3 Uprate project?

PCS Phosphate: PCS Phosphate agrees with and adopts the position of the OPC.

ISSUE 35: What system and jurisdictional amounts should the Commission approve as reasonably projected 2012 costs for PEF's Crystal River Unit 3 Uprate project?

PCS Phosphate: PCS Phosphate agrees with and adopts the position of the OPC.

ISSUE 36: What amount from the deferred balance of the Rate Management Plan approved in Order No. PSC-09-0783-FOF-EI should the Commission approve for recovery in 2012?

PCS Phosphate: PCS Phosphate agrees with and adopts the position of the OPC.

ISSUE 37: What is the total jurisdictional amount to be included in establishing PEF's 2012 Capacity Cost Recovery Clause factor?

PCS Phosphate: No position.

F. STIPULATED ISSUES

None.

G. PENDING MOTIONS

None.

H. PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY

None.

I. OBJECTIONS TO QUALIFICATIONS OF WITNESS AS EXPERT

None at this time.

J. REQUIREMENTS OF ORDER ESTABLISHING PROCEDURE

There are no requirements of the *Procedural Order* or the *Revised Procedural Order* with which PCS Phosphate cannot comply.

Respectfully submitted the 25th day of July, 2011.

BRICKFIELD, BURCHETTE, RITTS & STONE, P.C.

s/ James W. Brew _____

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing has been furnished by electronic mail and/or U.S. Mail this 25th day of July 2011 to the following:

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