

1 PARTICIPATING:

2 MARY ANNE HELTON, ESQUIRE, KATHERINE FLEMING,
3 ESQUIRE, and ROBERT GRAVES, representing the Florida Public
4 Service Commission staff.

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P R O C E E D I N G S

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3 CHAIRMAN CARTER: Let's get staff ready for Item 4.
4 Item 4. This is, Commissioners, a posthearing decision that's
5 limited to Commissioners and staff.

6 You're recognized.

7 MR. GRAVES: Thank you, Chairman. Robert Graves on
8 behalf of Commission staff.

9 Item 4 is Progress Energy's petition to determine
10 need for the proposed Levy Units 1 and 2.

11 Commissioners, nuclear power plant construction is an
12 essential component of meeting Florida's long-term electric
13 reliability and energy security requirements. In 2006, the
14 Florida Legislature took steps to promote utility investment in
15 additional nuclear power generation. In response to the new
16 legislation, the PSC amended Rule 25-22.081, which addresses
17 contents which should be included in a petition for need
18 determination, and adopted Rule 25-6.0423, which addresses
19 recovery of costs incurred in the siting, design, licensing and
20 construction of nuclear power plants.

21 Such legislation and rules recognize the unique
22 nature of nuclear power generation, but still holds on to the
23 general principle that a utility is responsible to prudently
24 manage its costs before, during and after construction of a
25 power plant.

1 This recommendation is based on the evidence
2 presented in this proceeding. The evidence indicates that
3 Progress has a reliability need for additional capacity in the
4 2016 through 2019 period. DSM and renewable energy generation
5 will satisfy some of this need, but additional nuclear power is
6 necessary to address a major portion of it.

7 Progress performed a cost-effectiveness analysis over
8 a variety of fuel and environmental cost scenarios. The
9 results indicate that Levy Units 1 and 2 would produce
10 long-term net savings for ratepayers in seven of the eight
11 scenarios considered. Such results indicate a high likelihood
12 of the proposed units providing long-term benefits to
13 Progress's customers.

14 The following are some strategic benefits of Levy
15 Units 1 and 2. Levy Units 1 and 2 will provide 2,200 megawatts
16 of continuous baseload power without emitting additional
17 greenhouse gases. It will also help to maintain Progress's
18 balanced fuel portfolio and will help to shield ratepayers from
19 some of the fuel volatility and service interruption risks
20 associated with natural gas generation.

21 Despite these long-term benefits, staff recognizes
22 that the initial rate impact of this project will be
23 substantial. As a means of mitigating rate impact to its
24 customers, Progress is pursuing joint ownership. Staff
25 strongly encourages Progress to continue pursuing joint

1 ownership with respect to Levy Units 1 and 2, and is
2 recommending that Progress file information regarding
3 discussions involving joint ownership as part of the review of
4 the continued feasibility of the proposed project. As such,
5 Commission staff recommends that Progress be granted a
6 determination of need for Levy Units 1 and 2 in order to
7 maintain its fuel diversity and to provide its ratepayers with
8 long-term adequate and reasonably priced electricity.

9 That concludes staff's summary.

10 CHAIRMAN CARTER: Thank you.

11 Commissioners?

12 COMMISSIONER ARGENZIANO: No questions.

13 CHAIRMAN CARTER: Commissioner Argenziano, you're
14 recognized for a question.

15 COMMISSIONER ARGENZIANO: No. Mr. Chair, I said I
16 have no questions.

17 CHAIRMAN CARTER: Oh, no questions.

18 COMMISSIONER ARGENZIANO: Not at this time.

19 CHAIRMAN CARTER: Not at this time.

20 Commissioner Skop, you're recognized, sir.

21 COMMISSIONER SKOP: Thank you, Mr. Chairman.

22 I guess I'd just like to, I guess, start by saying
23 that the greenfield development of two new nuclear, two new
24 nuclear generating units is quite an ambitious undertaking
25 which clearly demonstrates Progress Energy Florida's

1 leadership, dedication and commitment to its customers and to
2 protecting our environment. As staff, I think, has pointed
3 out, the proposed nuclear generating units will provide PEF
4 customers with fuel cost savings totaling over \$1 billion per
5 year, significantly improved fuel diversity within the state
6 and help reduce our nation's dependence on foreign oil. And
7 with that, Mr. Chairman, I will be supporting the staff
8 recommendation.

9 And I would just -- the only thing I would ask that
10 staff would include in the order would be some language that
11 all, in the interest of co-ownership that all costs be accrued
12 so that they can be allocated on their full pro rata share in
13 co-ownership instances. Thank you.

14 CHAIRMAN CARTER: Thank you. Commissioners, we're
15 just taking comments and questions. Any further questions and
16 comments?

17 COMMISSIONER McMURRIAN: Comments.

18 CHAIRMAN CARTER: Commissioner McMurrrian for
19 comments.

20 COMMISSIONER McMURRIAN: Thank you. And mine aren't
21 nearly as brief and to the point as Commissioner Skop's, but I
22 spent time working on them, so I want to share them.

23 CHAIRMAN CARTER: You're recognized.

24 COMMISSIONER McMURRIAN: And some of this is similar
25 to some of the discussion we had at the, at the last item with

1 respect to nuclear, but I wanted to go over some of those
2 points again.

3 Commissioners, by now everyone is painfully aware
4 that the cost of providing electricity is on the rise,
5 particularly the cost of most fuels used to generate
6 electricity, natural gas, oil and even coal, and rates are
7 going up. While the price of uranium may not remain perfectly
8 constant, it has proven to be by far less volatile than these
9 other baseload fuel options.

10 Without Progress's existing nuclear unit at Crystal
11 River, Progress's customers would have borne the brunt of
12 higher fuel charges for years and would see higher fuel charges
13 ahead. Thankfully back in the '70s and '80s our current fleet
14 of nuclear units were approved and the undoubtedly tough
15 decisions made then have inured to our benefit, to our benefit
16 for decades after. Because of those tough decisions made way
17 back then, because of the years of evidence of wisdom in those
18 decisions, because of the leadership of our Legislature and
19 Governor and because of the record developed in this case, our
20 decision today is not nearly so tough, at least not to me.

21 In addition to energy efficiency, conservation and
22 renewables, investment in nuclear power, in my opinion, is a
23 critical piece of the plan to provide reliable and affordable
24 electricity to consumers over the long-term. The record
25 clearly shows the need for additional baseload generation and

1 that the proposed Levy Units provide the most cost-effective
2 source consistent with the goals of providing electric system
3 reliability and integrity, fuel diversity and adequate
4 electricity at a reasonable cost, as Commissioner Skop
5 mentioned.

6 Consumers will benefit from the addition of these
7 units to Progress's fleet. I realize some are skeptical due to
8 the projected rate impacts of advanced cost recovery and a
9 number of other concerns raised by consumers at our service
10 hearing down in Crystal River and at our technical hearing, and
11 I want to touch on a couple of those.

12 As for the advanced cost recovery, well, I won't get
13 into that a lot because we, of course, have a pending
14 proceeding on that. But I think it's helpful to think of it
15 being kind of like buying a Toyota Prius, and let me explain
16 what I mean. It's going to cost you out of pocket, a good deal
17 out of pocket compared to other cars. But given that you need
18 some type of car to get around, it's an investment that pays
19 off over the long-run because of the lower operating costs and
20 the better fuel mileage. Advanced recovery of nuclear costs
21 will cost you out of pocket in the same way. But given that
22 you need some type of generation to keep your lights on, it's
23 an investment that pays off over the long-run in substantial
24 fuel cost savings.

25 Some consumers at our hearings voiced concern about

1 the safety of nuclear power, and, again, we talked about that
2 last time, and I point to Florida history there again as well.
3 Nuclear power has served us safely, reliably and economically
4 for decades at five units at three locations in the state.
5 Again, consumers raised a lingering concern about the lack of a
6 plan for the storage and disposal of spent nuclear fuel.
7 Again, I believe with certainty that the long-term waste
8 disposal issue can be resolved. Engineers know how to do it.
9 It's not nearly as complex as putting a man on the moon, and
10 Americans figured out how to do that.

11 What has been lacking is the political will, not the
12 know-how. And when the issue reaches that critical point that
13 I think it will reach in years to come, the political will will
14 show up too. I firmly believe that.

15 In conclusion, based on the record developed in this
16 case, I strongly support granting Progress's petition for
17 determination of need for the Levy Units 1 and 2, and I'm
18 willing to support the staff recommendation at the proper time
19 as well.

20 Thank you, Chairman.

21 CHAIRMAN CARTER: Thank you.

22 Commissioners, further comment? Commissioner
23 Argenziano, you're recognized.

24 COMMISSIONER ARGENZIANO: Thank you, Mr. Chairman.

25 I'm just going to go off the cuff because that's the

1 way I do things. And what I've heard from people around the
2 state and what I know to be true as a consumer of electric --
3 and first I would like to say that Progress Energy coming,
4 that's the area I live in also, in the Crystal River area, has
5 been a great corporate community friend to many counties in
6 that area and I think they've done a great job.

7 What I want to express is the fact that we have,
8 whether people want to know it, recognize it or not, we have a
9 need for more energy. We're not growing as quick as we were,
10 but there's a need. And we don't want to be stuck down the
11 road with when you try to flip that switch, nothing happens or
12 we're overloading our systems. And I think at this point what
13 I've heard from people around the state and knowing that we
14 have to meet that need while we're looking at alternatives and
15 not turning our face to other alternatives and renewables that
16 are out there, we need to do something now. So I'm in support
17 of the power plants.

18 As far as the advanced costs coming down the line of
19 the nuclear power plants and the advanced costs coming down the
20 line, we will have an opportunity to talk about that down the
21 road and how that may pan out. And how we may look at that
22 will be determined as we, as we move forward, and I will be
23 looking at that. So all I can say is that I know that the
24 company knows they have to prudently do business and make sure
25 they do it with prudence. And with that said, there's nothing

1 else other than the fact that the people of the State of
2 Florida have to have a reliable electric system. And as much
3 as there are pros and cons to anything, at this point we need
4 to move forward with the nuclear power plants.

5 Thank you, Mr. Chairman.

6 CHAIRMAN CARTER: Thank you.

7 Commissioner Edgar.

8 COMMISSIONER EDGAR: Thank you, Mr. Chairman. I'll
9 be brief, and I also am off the cuff.

10 I do believe that there is a need for new baseload
11 generating capacity and that there will be. And I've said many
12 times in comments on related issues that one of the challenges
13 but also one of the most interesting things about this job is
14 trying to meet short-term needs but also trying to make
15 decisions that will address long-term needs. And for a number
16 of years this nation has been somewhat conflicted about energy
17 policy and, of course, we still are. But I am thrilled to be a
18 part of a decision that helps Florida plan into the future, and
19 I think that having this step move forward in a long permitting
20 process for a new greenfield site is very exciting, recognizing
21 also that there are many, many other steps along the way and
22 checks and balances. I also find the costs quite daunting, but
23 I do think that it is a step that we need to take.

24 I am convinced and find the record compelling from
25 the hearing and the evidence that we have had, and that

1 includes the public testimony and the concerns that were raised
2 and the answers that were given, and I look forward to the next
3 steps as we continue to move through this process. So I find
4 Issue 3 to be quite compelling.

5 Issue 5, is there a way to mitigate through
6 conservation and renewable? I know that Progress and this
7 Commission and all other interested entities will continue to
8 look at conservation and alternative energy, but I also think
9 that we need to take this step to plan for the future. And so
10 at the appropriate time, Mr. Chairman, I would like to be
11 recognized for a motion.

12 CHAIRMAN CARTER: We'll do that. Commissioners,
13 thank you for your comments. I, I sincerely appreciate the
14 amount of work and effort that we've done as a body in this.
15 We went down for the hearings and talked to the people and
16 listened to them and heard their concerns, we looked at the
17 record, we saw the modeling and the estimations in terms of
18 what's been done, we've seen Progress willing to entertain
19 discussions with other utilities to lessen that cost.

20 We know that Florida's population, I think we've
21 heard in terms of our population trends in Florida, it's just
22 not growing as fast as it used to, and it was, it was
23 skyrocketing before. I think that over the life of this
24 project -- and I echo all of your comments and, if you don't
25 mind, I'd like to adopt them as my own, because I think that

1 over the life of this project you're talking about saving
2 \$94 billion to the ratepayers. That's not insignificant. I
3 know that's a double negative.

4 But the other thing too is that this is an
5 opportunity for us to move forward in the future to enhance the
6 economy of our state, to enhance the lives of the citizens of
7 our states. I looked at the different models that were
8 presented and all of them -- with the way the Legislature has
9 shown leadership in terms of how to do the cost recovery, also
10 with the prudency reviews that we'll have on an annual basis
11 gives us an opportunity to look at this on a, as we go forward
12 to that. And as I said, Commissioners, I sincerely appreciate
13 that. And if there are no further discussions -- Commissioner
14 Skop.

15 COMMISSIONER SKOP: Thank you, Mr. Chairman. I just
16 wanted to add, I guess, to kind of put this in perspective,
17 because, again, I think that the greenfield development is
18 significant, it is quite ambitious. And I think, as President
19 Kennedy once said, that we choose to go to the moon in this
20 decade and do the other things not because they're easy but
21 because they are hard. And hopefully over the next decade
22 Florida has and will have shown its leadership in the, leading
23 the nuclear renaissance and reducing our nation's dependence on
24 foreign oil and increasing our fuel diversity within the state,
25 and that'll lead to hopefully a little bit of energy

1 independence within the state. So I think that, again, I think
2 this is a good thing.

3 And I know it's not relevant to the proceedings under
4 our statutory guidance, but I think it goes without saying that
5 the proposed units will also support substantial economic
6 development within the state, bring many well-paying jobs to
7 Levy County and make a substantial contribution to Florida's
8 economy, and I think those are just the intangibles that go on
9 top of doing the right things to keep the lights on for the
10 people of the State of Florida. So thank you.

11 CHAIRMAN CARTER: Thank you.

12 Commissioner Edgar, you're recognized for a motion.

13 COMMISSIONER EDGAR: Thank you, Mr. Chairman. At
14 this time I'd like to make a motion in support of the staff
15 recommendation for Issues 1 through 8.

16 COMMISSIONER ARGENZIANO: Second.

17 CHAIRMAN CARTER: It's been moved and properly
18 seconded.

19 Commissioners, any final comments before we vote?

20 COMMISSIONER SKOP: Mr. Chair.

21 CHAIRMAN CARTER: Commissioner Skop, you're
22 recognized.

23 COMMISSIONER SKOP: Thank you, Mr. Chair.

24 And just to staff, I would just ask that the final
25 order, again, address the accrual of all costs so that they can

1 be allocated on a pro rata basis on the co-ownership issues.

2 CHAIRMAN CARTER: We can do that in the annual, as we
3 do our annual review, staff. So as we do that, we can look at
4 all of those at the appropriate time. I think that would be
5 consistent with the spirit of the motion.

6 COMMISSIONER EDGAR: Mr. Chairman, would it be
7 possible to hear from legal on that point, because I want to be
8 clear?

9 CHAIRMAN CARTER: Ms. Helton, you're recognized.

10 MS. HELTON: Good morning. If I could have
11 Commissioner Skop repeat for me what language it is that he
12 wants to have.

13 CHAIRMAN CARTER: I think he wants the costs --
14 there's a -- he wants to be able to look at all of the costs.
15 There was some discussion about whether or not Progress would
16 engage with other entities that may become part owners. And if
17 they do, he'd like to look at all of the costs, the pro rata
18 share costs of all the entities that are participating. Is
19 that right, Commissioner?

20 COMMISSIONER SKOP: Mr. Chairman, yes. And to legal,
21 I guess it's just, my concern is just that the accrual of
22 costs, that those costs be allocated in co-ownership instances
23 on a full pro rata share. So that just means that they accrue
24 costs and then when somebody comes in for an ownership
25 interest, they pay their full pro rata share.

1 MS. HELTON: I'm not sure how -- that our statutory
2 charge from the Legislature goes that far. If I could have one
3 minute to look at that, to confer with Ms. Fleming, who has a
4 better take on this than me, and get back --

5 CHAIRMAN CARTER: I'm not --

6 COMMISSIONER SKOP: We're making this more difficult
7 than it needs to be.

8 MS. HELTON: Okay.

9 CHAIRMAN CARTER: Here's, here's what it is. It's
10 prudence, is that if Progress -- and, I mean, I know that I'm
11 not practicing law right now, but basically is that if you look
12 at the prudence of it, you look at the costs affiliated and
13 associated with the plants themselves and those collateral
14 costs affiliated with that and how they break out in the
15 context of the ownership, I think that's no more than -- that's
16 within the context of our responsibilities and our authority.

17 MS. HELTON: I agree that that's --

18 CHAIRMAN CARTER: And that's what he's saying in my
19 opinion. Am I right, Commissioner?

20 MS. HELTON: Under our purview -- under your purview
21 in the cost recovery proceedings that you can look at all costs
22 associated with the construction of the plant and determine the
23 prudence for cost recovery for Progress's customers.

24 CHAIRMAN CARTER: Commissioner Skop.

25 COMMISSIONER SKOP: Thank you, Mr. Chairman.

1 Again, trying not to make this any more difficult
2 than it needs to be, it really has nothing to do with the
3 prudence. What it has to do is protecting Progress's general
4 body of ratepayers to the extent that if somebody comes in
5 third party, purchases an ownership interest, that they pay
6 their full pro rata share of that acquisition or that ownership
7 cost. And that's all I'm trying to make sure, that we make
8 sure that those costs are accrued from the onset so that the
9 third parties will pay that full pro rata share.

10 MS. HELTON: Ms. Fleming is wanting to speak to that,
11 so let me let her do that and see if that might help some.

12 CHAIRMAN CARTER: Ms. Fleming, you're recognized.

13 MS. FLEMING: With respect to your comment,
14 Commissioner Skop, my only concern is if we're looking for a
15 directive from the Commission to direct Progress to engage in
16 pro rata cost sharing, it could impact the negotiations with
17 respect to their joint ownership. If you're looking to just
18 give guidance, I think we can have something in the order that
19 encourages Progress to seek pro rata cost sharing, and then the
20 Commission can look at it on an annual basis in the annual cost
21 recovery proceeding.

22 COMMISSIONER SKOP: That's fine. And that's just the
23 only point. I mean, staff has suggested that co-ownership was,
24 you know, a course of action that they should pursue, and it's
25 just a matter of making sure that the costs are properly

1 allocated through the, through the co-owners and the general
2 body of ratepayers.

3 CHAIRMAN CARTER: Thank you.

4 Commissioner McMurrian.

5 COMMISSIONER McMURRIAN: Thank you, Chairman. And I
6 think perhaps it's been worked out anyway. I just wanted to
7 say to Commissioner Skop, I may tend to agree with you, I guess
8 I'm concerned about not having given it the full amount of
9 thought, and perhaps in the cost recovery stage we'll be
10 looking at that sort of thing. Whenever Progress asks to
11 recover those costs, that we would be looking at that sort of
12 thing anyway and then we would be able to make valued judgments
13 at that time as to whether we thought their body of ratepayers
14 were protected. So I guess that's the way I was viewing it,
15 that we didn't necessarily need to put something in this order.
16 But I'm comfortable with what I think I heard Ms. Fleming say,
17 but perhaps if she could repeat that one more time.

18 CHAIRMAN CARTER: Ms. Fleming.

19 MS. FLEMING: Something along the lines, the
20 Commission would encourage Progress to seek pro rata cost basis
21 during its joint ownership discussions.

22 CHAIRMAN CARTER: Okay. That's fine.

23 Commissioners, anything further? It's been moved and
24 properly seconded. All those in favor of the motion, let it be
25 known by the sign of aye.

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(Unanimous affirmative vote.)
All those opposed, like sign. Show it done.

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STATE OF FLORIDA)
 :
COUNTY OF LEON)

CERTIFICATE OF REPORTER

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 28th day of July, 2008.

Linda Boles
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