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March 1, 2010

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

Re: In re: Nuclear Cost Recovery Clause
Docket No. 100009

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);
2. Direct Testimony of Gary R. Doughty in Support of Actual Costs on behalf of Progress Energy Florida (original and 15 copies);
3. Direct Testimony of Jon Franke (original and 15 copies);
4. Direct Testimony of Kenneth Karp in Support of Actual Costs on behalf of Progress Energy Florida (original and 15 copies);
5. Direct Testimony of Sue Hardison in Support of Actual Costs;
6. Direct Testimony of Will Garrett in Support of Actual Costs;
7. Progress Energy Florida's Request for Confidential Classification Regarding Testimony of Sue Hardison and Testimony and Exhibits of Will Garrett; and

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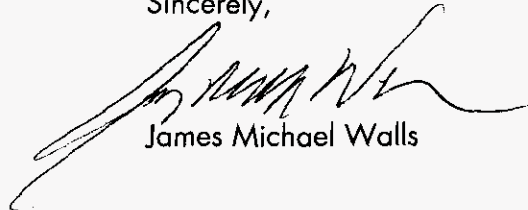
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Ann Cole, Director
March 1, 2010
Page 2

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

Sincerely,

A handwritten signature in black ink, appearing to read "James Michael Walls", with a long, sweeping flourish extending to the right.

James Michael Walls

Enclosures

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Nuclear Power Plant Cost
Recovery Clause

Docket No. 100009

Submitted for Filing: March 1, 2010

**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 2009, and approve and find prudent the actual Levy Nuclear Project ("LNP") costs incurred in 2009, 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 simultaneously filed testimony and exhibits for both the CR3 Uprate and LNP. These revenue requirements include preconstruction costs inclusive of carrying costs on the unrecovered balance, carrying costs on the construction cost balance, carrying costs on the deferred tax balance, in service revenue requirements, and Capacity Cost Recovery Clause ("CCRC") recoverable Operations and Maintenance ("O&M") costs.

BACKGROUND

The Commission granted PEF's petition for a determination of need for the expansion of the CR3 nuclear power plant through the CR3 Uprate on February 7, 2007 in Order No. PSC-07-0119-FOF-EI. The CR3 Uprate will increase the power output at CR3 by

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approximately 180 megawatts (“MWs”). PEF incurred construction costs during 2009 for its CR3 Uprate project and seeks to recover its carrying costs 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 1, the MUR, during the 2007 refueling outage. Phase 2 of this project involved a series of improvements to the efficiency of the secondary plant also known as the Balance of Plant (“BOP”). PEF completed work on the BOP phase during the 2009 refueling outage. The third and final phase, called the Extended Power Uprate (“EPU”), is presently scheduled to be performed during the next CR3 refueling outage. The joint owners of CR3 have indicated that they are electing to take their share of the additional uprate megawatts, and their share of the costs incurred to obtain these additional megawatts.

PEF has expended construction costs with respect to the BOP work and EPU work in 2009. PEF requests that the Commission find that PEF’s costs for the CR3 Uprate have been prudently incurred, and allow recovery, through the CCRC, of the carrying costs associated with the construction costs, carrying cost on the deferred tax balance, and CCRC recoverable O&M expenditures as well as the revenue requirements associated with portions of the project that went in service in 2009 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 and related facilities, including transmission facilities. The LNP will consist of two Westinghouse AP1000 nuclear-fueled generating units. PEF has expended site selection costs, preconstruction costs, and construction costs with respect to the LNP. In Docket No.

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, and in Docket No. 090009 the Commission reviewed and approved the prudence of these costs and the 2008 LNP costs. PEF has incurred additional costs in 2009 and therefore requests that the Commission find that PEF's costs for the LNP, incurred in 2009, have been prudently incurred, and allow recovery, through the CCRC, of the preconstruction costs inclusive of the carrying cost on the unrecovered balance, carrying costs on construction costs, carrying cost on the deferred tax balance, and CCRC recoverable O&M expenditures as well as the revenue requirements associated with portions of the project that went in service in 2009 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:

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alex.glenn@pgnmail.com
John Burnett
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Dianne M. Triplett
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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, Florida Statutes, 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 power uprate project in Order No. PSC-07-0119-FOF-EI. PEF therefore requests that, pursuant to the nuclear cost recovery rule, the Commission: (1) determine the costs PEF incurred during 2009 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 2009 as well as the revenue requirements associated with portions of the project that went in service in 2009. Detailed descriptions of the construction expenditures, the contracts executed, the carrying costs, the over/under-recoveries, and the other information required by Rule 25-6.0423(8), are provided in PEF's filed testimony, exhibits, and Nuclear Filing Requirement ("NFR") schedules, which are incorporated herein by reference.

6. In 2009, PEF incurred construction costs with respect to each of the final two phases of the CR3 Uprate. For Phase 2, PEF incurred reasonable and prudent costs to plan for and carry out work for the second phase of the project, which occurred during the 2009 refueling outage. For Phases 2 and 3, PEF has incurred costs for certain necessary equipment and contracts for long-lead time material and work. This work included fuels analysis, safety analysis and system and program reviews for the license application; project management activities, including project plans, governance and oversight to ensure reasonable costs; permitting activities to obtain environmental permits for facilities and other construction

activities; labor costs associated with mobilizing and maintaining temporary facilities to house the extra personnel needed; and outage work including, among other things, installation of four moisture separator reheaters; two secondary cooling heat exchangers; four turbine bypass valves and mufflers; modification of the turbine generator electrical output bus duct cooling system; replacement of the turbine generator exciter; rescaled integrated control system; and installation of a fiber optic “backbone” to interface with the new turbine monitoring equipment. Payments to secure such equipment and contract work were necessary to ensure installation of Phases 2 and 3 during the outage in 2009, and for the next planned outage. These costs are discussed in greater detail in the testimony of Jon Franke, filed simultaneously with this Petition.

7. When selecting vendors, PEF utilizes bidding procedures through a Request for Proposal (“RFP”) when possible for the particular services or materials needed to ensure that the chosen vendors provide the best value for PEF’s customers. Once proposals are submitted by potential vendors, formal bid evaluations are completed and a final selection is determined and documented. When an RFP cannot be used, PEF ensures that the contracts with the sole source vendors contain reasonable and prudent contract terms with adequate pricing provisions (including fixed price and/or firm price, escalated according to indexes, where possible). When deciding to use a sole source vendor, PEF documents a sole source justification for not doing an RFP for the particular work. In either situation, PEF managed the contract work in 2009 to ensure the work performed and the costs incurred were reasonable and prudent for the project.

8. As demonstrated in Jon Franke’s testimony, the costs PEF incurred in 2009 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 2009 through December 2009, PEF is requesting a total of \$15,510,142 in revenue requirements, adjusted for the contributions to construction expenditures made by the joint owners of CR3. These costs are made up of \$14,089,876 in carrying cost on construction cost balance, \$762,529 in CCRC recoverable O&M, \$261,719 in deferred tax asset carrying costs associated with the CR3 Uprate project, and \$396,018 in revenue requirements associated with items placed in service in 2009. These amounts were calculated in accordance with Rule 25-6.0423 and consistent with the methodology approved in Docket No. 090009 and are set forth in greater detail in the testimony and exhibits of Jon Franke and 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 Levy Units 1 and 2 in Order No. PSC-08-0518-FOF-EI. Further, in Docket No. 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, and thereafter approved those costs and the 2008 LNP costs as prudent in Docket No. 090009. PEF therefore requests that, pursuant to the nuclear cost recovery rule, Rule 25-6.0423, F.A.C., the Commission: (1) determine the preconstruction and construction costs, carrying cost on deferred tax balance, and CCRC recoverable O&M PEF incurred during 2009 for the LNP were prudently incurred; and (2) approve pursuant to Rule 25-6.0423 the final true-up of revenue requirements for 2009. Detailed descriptions of the expenditures, the contracts executed, the carrying costs, the over/under-recoveries, and the

other information required by Rule 25-6.0423(8), are provided in PEF's filed testimony, exhibits, and NFR schedules, which are incorporated herein by reference.

10. The 2009 LNP costs were incurred for engineering activities, license application activities, and engineering, design and procurement. Engineering work included, among other items, completion of activities related to the Levy Grout Test and completion of multiple design document reviews in support of the LNP. License application activity costs related to completion of Revision 1 to the Levy Combined Operating License Application ("COLA"), support for the Site Certification Application ("SCA") hearings, completion of SCA Conditions of Certification, and other activities. Engineering, design and procurement costs included costs incurred pursuant to the Engineering, Procurement and Construction ("EPC") Agreement with Westinghouse and Shaw and Stone & Webster (the "Consortium"), and costs associated with the schedule shift described further in the testimony of Sue Hardison.

11. PEF also incurred preconstruction and construction costs from January 2009 to December 2009 to complete the work required to site the proposed transmission lines and substations and to complete the necessary transmission analysis and design work required for the LNP. More specifically, the Levy Transmission Project Team worked on supporting state and federal licensing activities, program and project schedules and cost estimates, staffing and resource plans, external outreach and communications, project designs, transmission line route selection, land acquisition, and permitting activities.

12. These costs are explained in greater detail in the testimony of Sue Hardison and Kenneth Karp filed in this Docket in support of the Company's 2009 LNP costs. This

testimony demonstrates that these costs were prudently incurred as necessary for the LNP.

PEF is therefore requesting a prudence determination on these costs.

13. During 2009, PEF also incurred O&M costs associated with the LNP related to internal project management labor and expenses, legal costs, and the NuStart Energy Development LLC program, among other items. These costs are explained in greater detail in the testimony of Kenneth Karp and Sue Hardison. This testimony demonstrates that these costs were prudently incurred as necessary for the LNP. PEF is therefore requesting a prudence determination on these costs.

14. When selecting vendors for the LNP, PEF also utilized bidding procedures through a RFP process or, when necessary, its sole source process described above and in more detail in the testimony of Kenneth Karp and Sue Hardison. PEF managed the work under contracts issued through the RFP or the sole source processes to ensure the work performed and the costs incurred were reasonable and prudent for the project.

15. Pursuant to Rule 25-6.0423, F.A.C., PEF requests that the Commission approve the final true-up of revenue requirements for 2009 as presented in the simultaneously filed testimony and exhibits. For 2009, PEF has calculated total revenue requirements of \$293,765,928. This consists of \$2,538,561 in site selection costs (inclusive of carrying costs on any unrecovered balance), \$272,429,216 in preconstruction costs (inclusive of carrying costs on any unrecovered balance), \$7,279,415 in carrying cost on construction cost balance, \$4,020,056 in CCRC recoverable O&M, \$7,491,061 in deferred tax asset carrying costs, and \$7,619 in costs associated with portions of the LNP project placed in service. These amounts were calculated in accordance with Rule 25-6.0423 and consistent with the methodology approved in Docket No. 090009.

V. DISPUTED ISSUES OF MATERIAL FACT.

16. 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 LNP, 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.

17. PEF seeks an affirmative determination that PEF can recover the revenue requirements associated with the CR3 Uprate for 2009 necessary to achieve the benefits of the CR3 Uprate project as presented in the simultaneously filed testimony and exhibits. PEF also seeks a determination that the costs incurred in 2009 associated with the CR3 Uprate project 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 2009 presented in the simultaneously filed testimony and exhibits. PEF also seeks a determination that the costs incurred in 2009 associated with the LNP were prudently incurred. 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 simultaneously filed testimony and exhibits, PEF respectfully requests that the PSC:

(1) determine that the costs PEF incurred during 2009 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

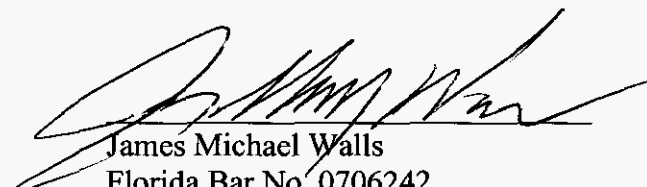
expenditures and revenue requirements for the CR3 Uprate project for 2009, and allow recovery, through the CCRC, of the carrying costs associated with the construction costs, carrying cost on the deferred tax balance, and CCRC recoverable O&M expenditures as well as the revenue requirements associated with portions of the project that went in service in 2009;

(3) determine that the costs PEF incurred during 2009 for the LNP were reasonable and prudent; and

(4) approve, pursuant to Rule 25-6.0423(5)(c), PEF's final true-up of the actual expenditures and revenue requirements for the LNP for 2009, and allow recovery, through the CCRC, of the preconstruction costs inclusive of carrying costs on any unrecovered balance, carrying costs on construction costs, carrying cost on the deferred tax balance, and CCRC recoverable O&M expenditures as well as the revenue requirements associated with portions of the project that went in service in 2009.

Respectfully submitted this 1st day of March, 2010.

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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 1st day of March, 2010.



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