

PMLevyCOLPEm Resource

From: Kitchen, Robert [robert.kitchen@pgnmail.com]
Sent: Tuesday, May 01, 2012 7:55 AM
To: Matthews, David; Akstulewicz, Frank; Tonacci, Mark; Habib, Donald
Cc: Waters, David; Wilkins, Tillie; Taylor, Larry
Subject: FW: NCRC News Release and When Neighbors Ask document
Attachments: PEF NCRC Filing News Release May 1 FINAL.pdf; When Neighbors Ask - NCRC Filing - 5-1-12 - FINAL.pdf

Dave/Frank/Mark/Don – See attached information and news release being issued today by Progress Energy re Levy.
Let me know if you have questions.

From: Grant, Suzanne
Sent: Tuesday, May 01, 2012 7:15 AM
To: Kitchen, Robert
Subject: NCRC News Release and When Neighbors Ask document

Bob:
The attached (and copied below) news release will be distributed to media at 7:30 a.m. this morning. The “When Neighbors Ask” document will be provided to employees to help answer questions from the public. Please feel free to share these documents with the NRC or others after 7:30 a.m.

Please contact me with any questions or concerns.

Best regards,
Suzanne

Progress Energy Florida files annual nuclear cost-recovery clause projections with the Florida Public Service Commission

Utility updates Levy County nuclear project schedule and cost

ST. PETERSBURG, Fla. (May 1, 2012) – Progress Energy Florida has filed its annual nuclear cost-recovery clause (NCRC) projections with the Florida Public Service Commission (FPSC) for consideration for the 2013 billing cycle. In its filing, the utility provided updates on its proposed Levy County nuclear project and on a project to increase the capacity at the Crystal River Nuclear Plant. These updates include new estimated in-service dates and a revised cost estimate for the Levy County nuclear project and 2013 cost-recovery estimates for the capacity upgrade project.

“Nuclear power remains a key component of Progress Energy’s balanced solution strategy to meet our customers’ future energy needs with efficient, carbon-free electricity,” said Vincent Dolan, president and CEO of Progress Energy Florida. “The 2006 Energy Act passed in Florida makes it possible for our company to pursue new, capital-intensive nuclear investments that will help ensure clean, affordable and reliable power for customers, now and in the future.”

Progress Energy Florida’s currently planned nuclear investments include:

- Constructing two new, 1,100-megawatt (MW) nuclear reactors in Levy County, Fla.
- Increasing the output of the existing Crystal River Nuclear Plant in Citrus County, Fla.

The NCRC filing is submitted each year in accordance with the Florida Renewable Technology and Energy Efficiency Act of 2006, which encourages the development of nuclear energy by allowing utilities to use a pay-as-you-go approach and recover prudent preconstruction and interest costs of new nuclear construction or

expansion of existing nuclear plants. The statute helps reduce the overall cost of new nuclear projects and provides for annual review and approval by the FPSC.

Although states across the Southeast average about 24 percent natural gas generation, approximately 60 percent of Florida's electric capacity is currently powered by natural gas. Overdependence on any one fuel source can expose customers to potential fuel cost spikes and supply disruptions, and the FPSC has repeatedly cited the growing lack of fuel diversity in the state as a major strategic concern. Expanding utilities' nuclear generation capabilities helps balance the generation fleet and reduces these risks.

If approved in its entirety, Progress Energy's total 2013 NCRC charge would be \$5.09 on a 1,000-kilowatt-hour (kWh) residential bill beginning with January 2013 billing (compared to \$2.86 in 2012). As a result of the previously announced, FPSC-approved rate settlement agreement between Progress Energy and consumer advocates, the portion of the NCRC charge related to the Levy County nuclear project will increase to \$3.45 on a 1,000-kWh residential bill in 2013 (compared to the 2012 rate of \$2.67) and will remain fixed through 2017. In addition, the utility has requested to adjust the Crystal River Nuclear Plant upgrade-related portion of the NCRC charge to \$1.64 on a 1,000-kWh residential bill in 2013 (compared to \$0.19 in 2012).

The Crystal River Nuclear Plant has been safely shut down since a delamination – or separation – was discovered within the wall of the plant's containment building during a scheduled maintenance outage in the fall of 2009. The company and outside experts are conducting a thorough and systematic engineering analysis and review and are assessing options to repair the containment building and return the plant to service in 2014.

Also included in the utility's filing are updates to the Levy County nuclear project schedule and cost. Due to lower-than-projected customer demand, the lingering economic slowdown, uncertainty regarding potential carbon regulation and current, low natural gas prices, the company is shifting the in-service date for the first Levy unit to 2024, with the second unit following 18 months later. The revised schedule is consistent with the approach the utility publicly discussed after announcing the recent rate settlement agreement. Although the scope and overnight cost for the Levy County nuclear project – including land acquisition, related transmission work and other required investments – remain essentially unchanged, the shift in schedule will increase escalation and carrying costs and raise the total estimated project cost to between \$19 and \$24 billion.

On April 27, the Nuclear Regulatory Commission (NRC) issued the Final Environmental Impact Statement for the project. Based on its comprehensive review, the NRC has determined that there are no environmental impacts that would prevent the agency from issuing the combined operating license for the construction and operation of the proposed reactors. This is an important milestone for the project.

“The Levy County nuclear project continues to be the best long-term baseload generation option for Florida when evaluating cost, potential carbon regulation, fuel price volatility and the benefits of fuel diversification,” said Dolan. “State-of-the-art nuclear power is important to reduce the carbon intensity and improve the fuel diversity of electric generation in Florida.”

By maintaining a diverse mix of generation sources, utilities are better able to mitigate the impact of fossil fuel price volatility, enabling customers to benefit from short-term, downward-price fluctuations while realizing lower and more stable electric rates over time.

About Progress Energy

Progress Energy (NYSE: PGN), headquartered in Raleigh, N.C., is a Fortune 500 energy company with more than 22,000 megawatts of generation capacity and approximately \$10 billion in annual revenues. Progress Energy includes two major electric utilities that serve about 3.1 million customers in the Carolinas and Florida. The company has earned the Edison Electric Institute's Edison Award, the industry's highest honor, in recognition of its operational excellence, and was the first utility to receive the prestigious J.D. Power and Associates Founder's Award for customer service. The company is pursuing a balanced strategy for a secure energy future, which includes aggressive energy-efficiency programs, investments in renewable energy technologies and a state-of-the-art electricity system. Progress Energy celebrated a century of service in 2008. Visit the company's website at www.progress-energy.com.

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From: Kitchen, Robert

Created By: robert.kitchen@pgnmail.com

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Files	Size	Date & Time
MESSAGE	7666	5/1/2012 7:53:44 AM
PEF NCRC Filing News Release May 1 FINAL.pdf		103616
When Neighbors Ask - NCRC Filing - 5-1-12 - FINAL.pdf		115937

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If approved in its entirety, Progress Energy’s total 2013 NCRC charge would be \$5.09 on a 1,000-kilowatt-hour (kWh) residential bill beginning with January 2013 billing (compared to

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When Neighbors Ask: Progress Energy Florida's April 30 Nuclear Cost-Recovery Clause Filing

5/1/2012

On April 30, 2012, Progress Energy Florida filed its annual nuclear cost-recovery clause (NCRC) projections with the Florida Public Service Commission (FPSC) for consideration for the 2013 billing cycle. This filing is made each year in accordance with the Florida Renewable Technology and Energy Efficiency Act of 2006, which encourages the development of nuclear energy by allowing the utility to recover prudent preconstruction and interest costs of new nuclear construction or modernization of existing plants.

The portion of the NCRC charge related to the Levy County nuclear project will remain fixed from 2013 through 2017 as a result of the previously announced rate settlement agreement.

In the filing, the utility provided updates on the Levy County nuclear project and the Crystal River Nuclear Plant (CR3) uprate project, including a new estimated cost estimate and in-service date for the Levy project, and 2013 customer cost projections for both projects.

Why is pursuing additional nuclear generation important?

Nuclear power remains a key component of Progress Energy's balanced solution strategy to meet our customers' future energy needs with efficient, carbon-free electricity. Additional nuclear generation will help reduce our state's reliance on fossil fuels and increase fuel diversity. Approximately 60 percent of Florida's electric capacity is currently powered by natural gas; compared to less than 25 percent in other Southeastern states.

Overdependence on any one fuel source can expose customers to potential fuel cost spikes and supply disruptions, and the Florida Public Service Commission (FPSC) has repeatedly cited the growing lack of fuel diversity in the state as a major strategic concern. Expanding utilities' nuclear generation capabilities helps balance the generation fleet and reduces these risks.

What is the total 2013 nuclear cost-recovery clause (NCRC) charge as filed?

The total proposed NCRC cost is \$151.7 million or \$5.09 per 1,000 kilowatt-hours (kWh) for residential customers. For the Crystal River Nuclear Plant (CR3) uprate project, the proposed charge is \$49 million or \$1.64 per 1,000 kWh for residential customers (\$1.45 more than the 2012 rate). The NCRC

charge for the proposed Levy County nuclear project is \$102.7 million or \$3.45 per 1,000 kWh for residential customers (an increase of 78 cents over the 2012 cost).

Levy County Nuclear Project

How much money has been spent on the Levy County nuclear project to date? How much as the company sought to recover from customers?

Progress Energy will have spent about \$935 million on the Levy project through the end of 2012.

Through 2013, PEF will have collected approximately \$728 million for the Levy County nuclear project.

When will the proposed Levy County Nuclear Plant go into service?

The first unit of the proposed Levy County nuclear plant is currently planned to go into service in 2024. The second unit could be in service 18 months later. We remain committed to new state-of-the-art nuclear generation, and we are focused on obtaining the Levy Combined Operating License (COL), which we expect to receive in 2013. The schedule and cost will continue to be reviewed and assessed to ensure the project remains in the best interest of our customers, our state and our company.

What are the costs associated with the Levy County nuclear project?

Although the scope and overnight cost for the Levy County nuclear project – including land acquisition, related transmission work and other required investments – remains essentially unchanged, the shift in schedule will increase escalation and carrying costs and raise the total estimated project cost to between \$19 and \$24 billion. This is consistent with estimated costs of other, similar projects under development.

Many factors can impact the cost estimate both up and down. Timelines, cost estimates and other factors will continue to be assessed, and reviewed with the FPSC annually, to ensure the project remains in the best interest of our customers, company and state.

Did the schedule shift result in the cost increase?

Financing costs for any project go up if the timeline is extended. When you take out a car loan, the total price you pay for your car is more on a six-year

loan than on a three-year loan. The same concept is true for this project. While the overnight cost of the plant is essentially the same, the schedule shift will increase escalation and carrying costs and raise the total estimated project cost.

The shift does not change the fact that the project remains in the best interest of our customers, our state and our company over the 60-year life of the proposed units. Customers will receive substantial fuel savings over the life of the plant, and the addition of new nuclear generation will provide Florida and our customers increased fuel diversity, reduced reliance on fossil fuels and carbon-free baseload generation.

Crystal River Nuclear Plant (CR3) Uprate Project

What is an uprate and what are the benefits and project scope?

In 2007, Progress Energy embarked on an uprate project to increase the Crystal River Nuclear Plant's output from approximately 900 megawatts (MW) to 1,080 MW. This 20 percent increase in capacity, or enough to power an estimated additional 110,000 homes, will provide our customers with additional, clean, carbon-free energy and increase our generation diversity. The project is expected to save customers more than \$1.2 billion (or about \$60 million a year) in gross fuel costs through 2036.

What is the total cost of the uprate project and how much as the company collected from customers

The total project cost is expected to be \$617 million. It is estimated the 20 percent increase in capacity will save customers \$1.2 billion dollars in fuel costs through 2036.

Through the end of 2012, Progress Energy will have collected a total of \$51 million for the uprate project.

Why is the company pursuing the Crystal River Nuclear Plant uprate project when a final decision to repair the plant hasn't been made?

The 2013 projected costs are for work that will be performed after the expected Crystal River Nuclear Plant (CR3) repair decision is made later in 2012. In 2011 and to date in 2012, only work necessary to maintain the viability of the project has been completed. All work that could be reasonably deferred was postponed. The projected 2013 costs reflect a reasonable schedule to provide customers an additional 164 megawatts of capacity.

Is Progress Energy planning to change its approach to the Crystal River Nuclear Plant uprate project due to the ongoing delamination issues at the plant?

No, the delamination does not affect the work necessary to achieve the power uprate, but Progress Energy has been reassessing the timing of certain components of the uprate project in light of the planned Crystal River Nuclear Plant (CR3) delamination repair. Although the timing has shifted, the actual work that will be performed as part of the uprate remains the same.

When will the Crystal River Nuclear Plant come back online?

Based on the information we have at this time, we continue to estimate that the Crystal River Nuclear Plant (CR3) will return to service in 2014. A number of factors – including regulatory reviews by the Nuclear Regulatory Commission (NRC) and other agencies, emergent work, engineering designs, computerized modeling, testing, weather and other developments – could affect the repair schedule and return-to-service date. We have committed to keep the Public Service Commission and the organizations representing our customers abreast of the status of the repair schedule.