

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: NUCLEAR POWER PLANT COST RECOVERY CLAUSE Docket No. 090009-EI

ATTACHMENT B

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47 1 risk matrix, you have to come up with a risk 2 mitigation or action plan; correct? 3 Α Yes. 4 What was that risk mitigation or Q 5 action plan for the COLA? 6 А 13 Q And do you believe that to be a 14 reasonable action plan or mitigation strategy for 15 that risk? 16 I think that's what most utilities do, А 17 yes. 18 Would you agree with me that that risk 0 19 mitigation action plan or strategy would be the 20 same no matter what risk level you assign to the 21 COLA or LWA application? 22 I don't think I would agree with that. Α 23 I think if you assigned it a higher risk number 24 further up the matrix, you would develop more 25 resources to making sure that those actions

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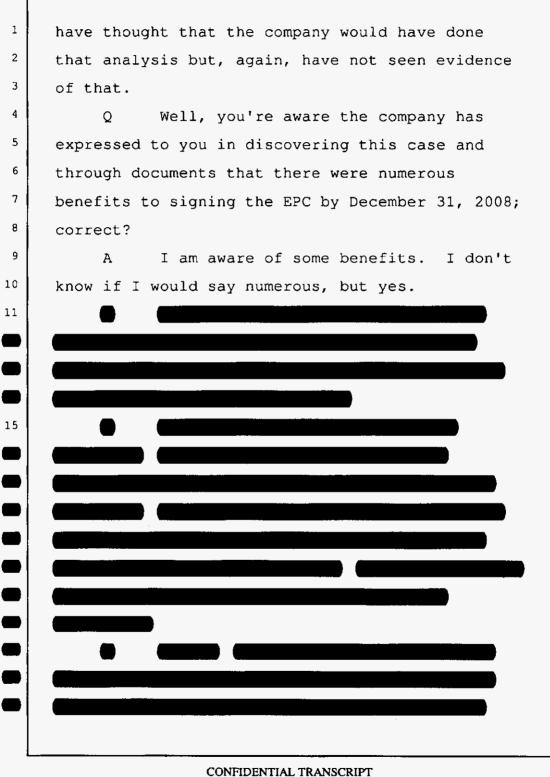
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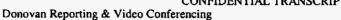
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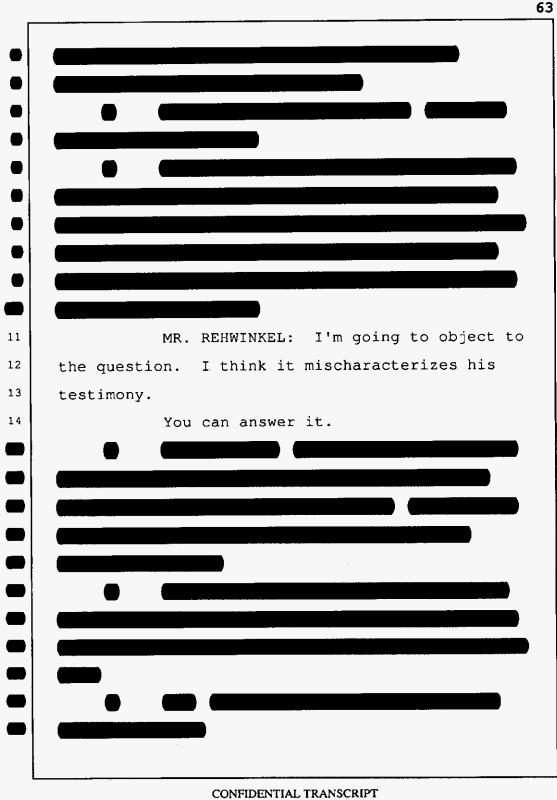
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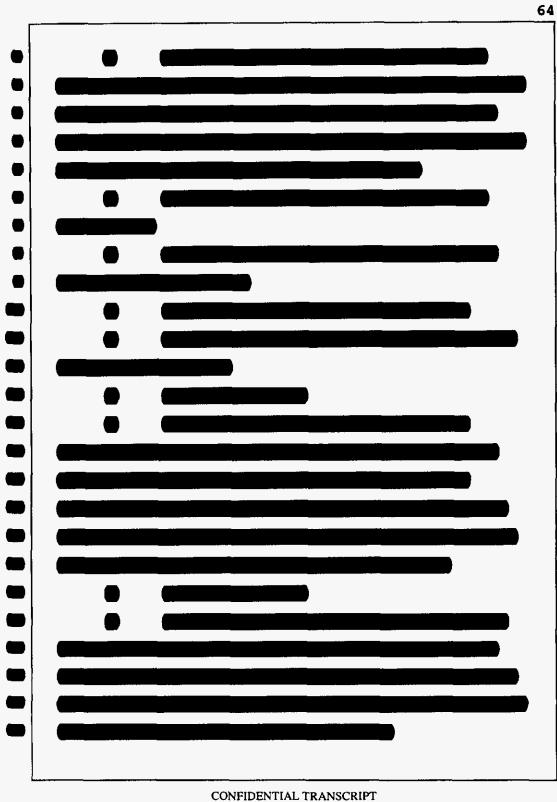




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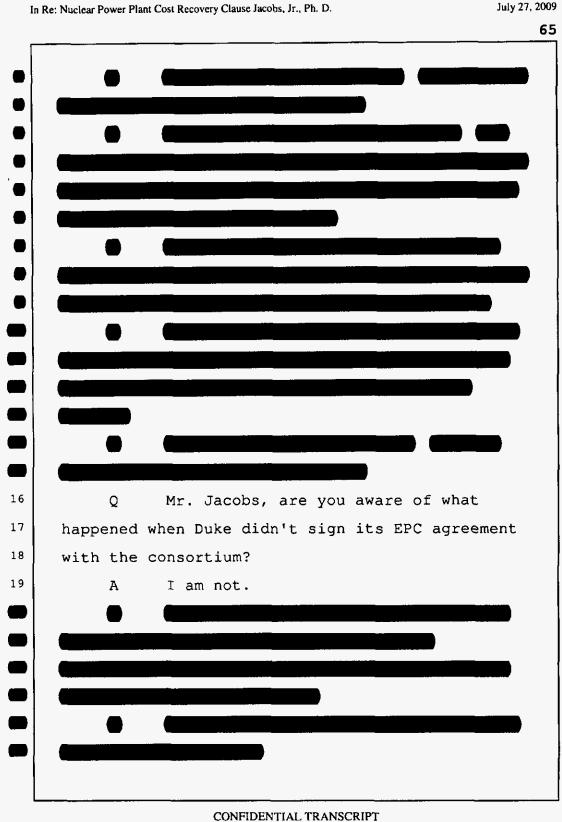
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In Re: Nuclear Power Plant Cost Recovery Clause Jacobs, Jr., Ph. D.

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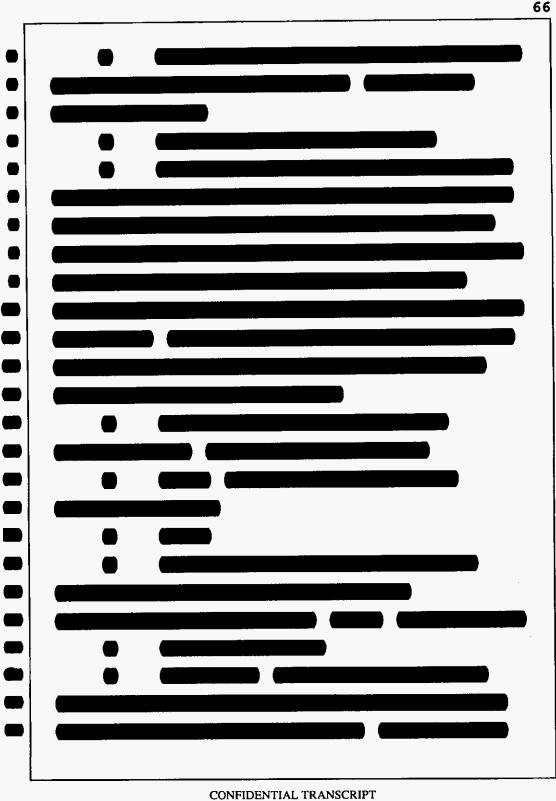


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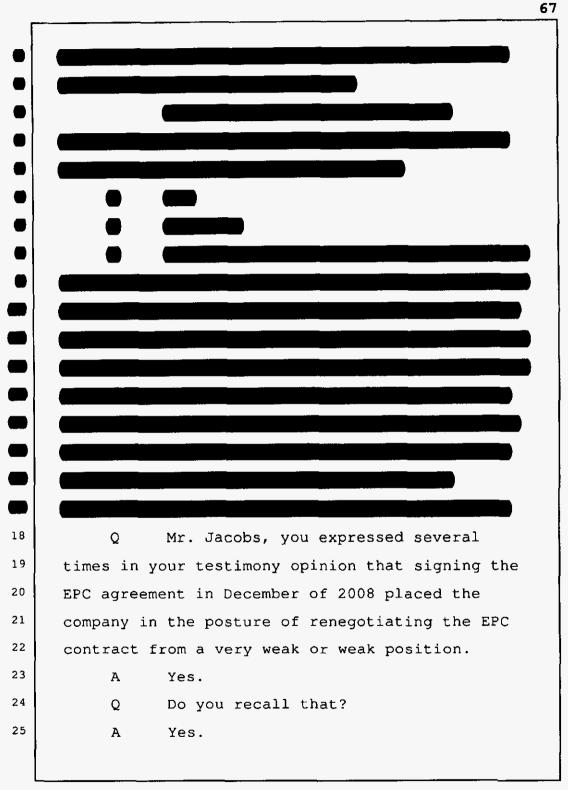


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it?

negotiations took place? А I'm sure Mr. Miller mentioned it. years comes to mind. Does that sound like a long time? 0 Yes. Two years is a long time, isn't Α That's the term that comes to mind. 0 And it's your testimony that after negotiating with the company for two years on

in the negotiations leading up to the EPC signing

Do you happen to know how long those

in December of 2008 either, did you?

No, I did not.

14 terms of an agreement, that the consortium would 15 actually consider Progress to be in a stronger 16 negotiating position to come back and renegotiate 17 the EPC having not signed it by December 31st? 18 Is that your testimony?

They wouldn't be renegotiating it. А They would be concluding the negotiations leading up to the initial signing. The renegotiation is after they've signed. I would think we're communicating.

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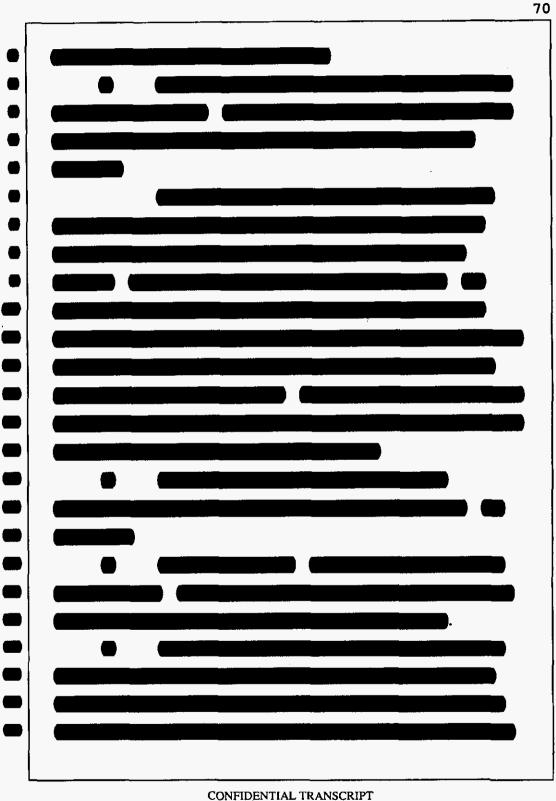
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Q And you have no reason to believe
that's an inaccurate statement, do you?
A That the consortium told the company
that? No, I don't have any reason to believe
that that's inaccurate.
Q Now, you make the point, I think at
least at one place, at page seven, line three of
your testimony that the EPC PEF signing included
the construction schedule; right?
A What did I say? Not exactly. I say
the approval of the LWA essentially the LWA
was needed to construct the project on the
schedule included in the EPC contract upon which
the contract pricing was based.
Q And by the schedule there, you're
talking about the construction schedule that was
in the EPC; right?
A I'm talking about the overall project
schedule.
Q Did that overall project schedule
include the construction schedule for the plans?
A Yes.
Q And did that construction schedule

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74 1 company; correct? 2 I don't know what the consortium told А 3 the company was outstanding. 8 If they had to renegotiate all those А 9 items, it likely would have delayed the schedule. And it would have delayed the schedule 10 0 11 no matter what the NRC review schedule would have 12 been; correct? 13 А No. 14 0 Why not? 15 If the NRC review schedule came out as А it did, that the LWA couldn't be granted except 16 17 within the time frame of the COL being issued, 18 then that would have controlled the delay of the 19 project. Renegotiating of the contract would 20 have been done within that limit. 21 0 How do you know that? 22 А That's my belief. I don't know that. 23 Your belief based on what? What do 0 24 you base that belief on? 25 А On the length of delay. It would not

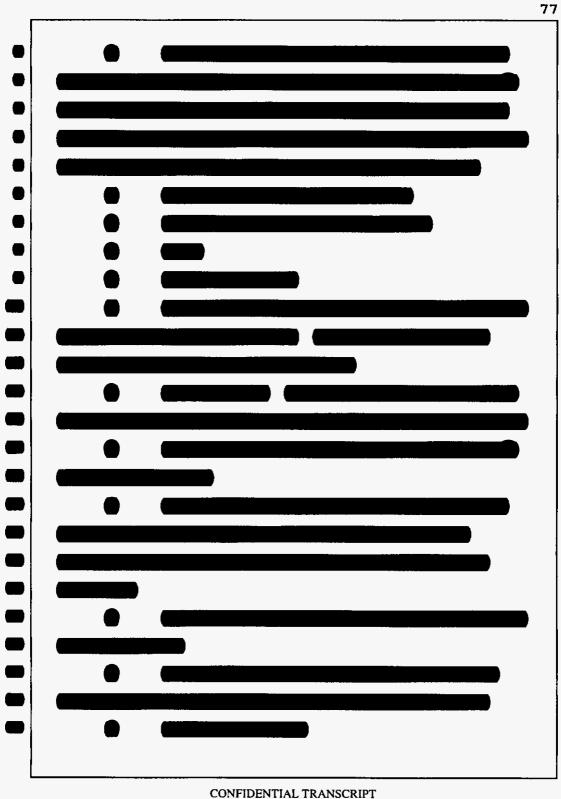
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75 have taken them an additional 20 months to 1 2 finalize those items. Oh, really? It took them two years to 3 0 get to the point of signing the agreement in 4 5 December 31, 2008; correct? I believe that's correct. 6 Α So what's your basis to conclude it 7 0 would have taken a shorter period of time to 8 negotiate all those other terms? 9 Well, there's thousands of details 10 Α that have to be negotiated starting at the 11 12 beginning of the contract. If you have it narrowed down to half a dozen items, it wouldn't 13 take 20 months to negotiate those items. That's 14 15 my belief. Do you know that for sure? 23 0 CONFIDENTIAL TRANSCRIPT

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76 3 0 That's correct. 4 А So how many months is that? Six, 5 seven months? 6 That's because they have an agreement, 0 7 though; right? They actually have an agreement 8 under which they would work? 9 А Well, they had an agreement before, a 10 working agreement. 11 What working agreement? 0 12 The draft EPC contract. А • CONFIDENTIAL TRANSCRIPT

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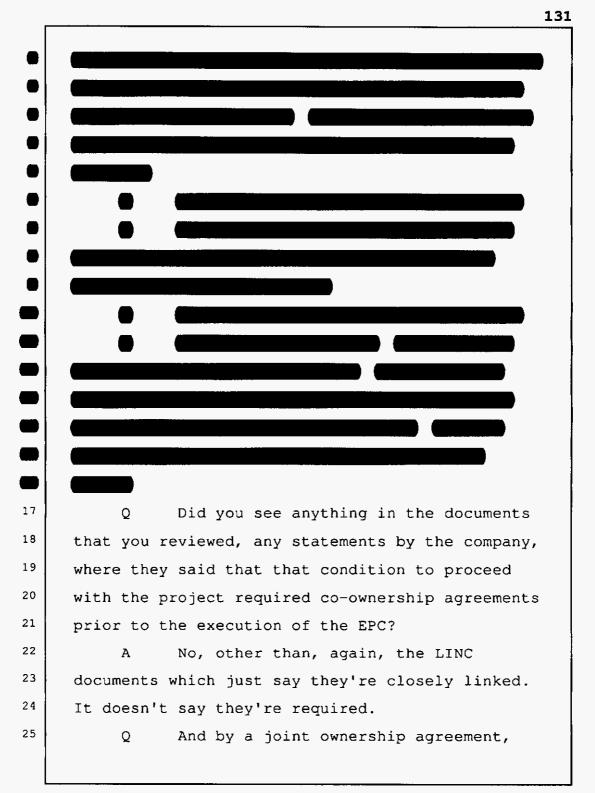
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particular terms, closely tied and linked? 1 2 Well, closely tied is the quote from Α the LINC minutes I guess or the weekly summary of 3 4 the LINC reports, and they say closely tied. 5 To me that meant that there was an 6 expectation that joint ownership agreements would 7 be signed -- my interpretation of that was that they would be signed prior to execution of the 8 9 EPC contract. 10 Now, is that what any of those 0 11 documents actually said? They don't. They don't say that 12 Α specifically. I believe there's another -- let 13 me just take a minute here. Beginning on page 63 14 of 233 is the Progress Energy Nuclear Plant 15 16 Development Performance Report for October 2008. And in that, on page 67, which is page five, it 17 18 lists a number of key issues. 19 And at the bottom of that page five, 20 one of those key issues is finalizing joint 21 ownership decisions. I don't see it here. So 22 that's another indication that the joint 23 ownership was the support for the project. CONFIDENTIAL TRANSCRIPT

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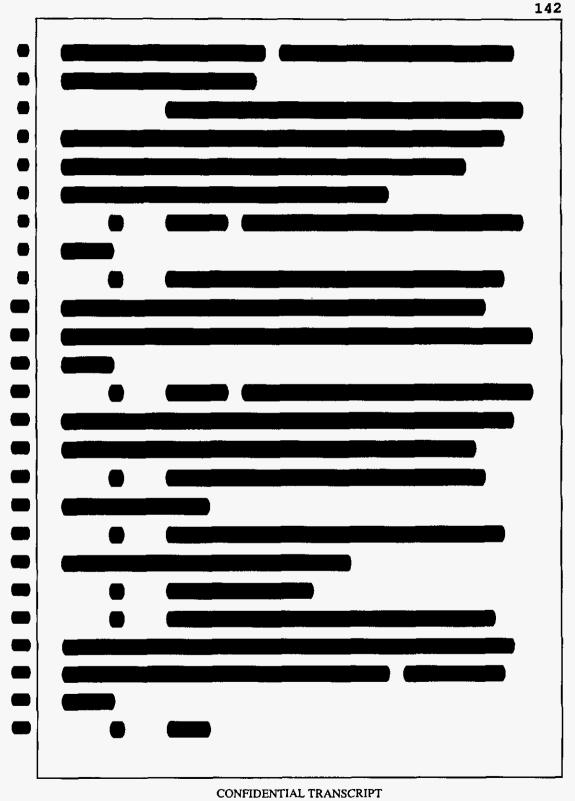
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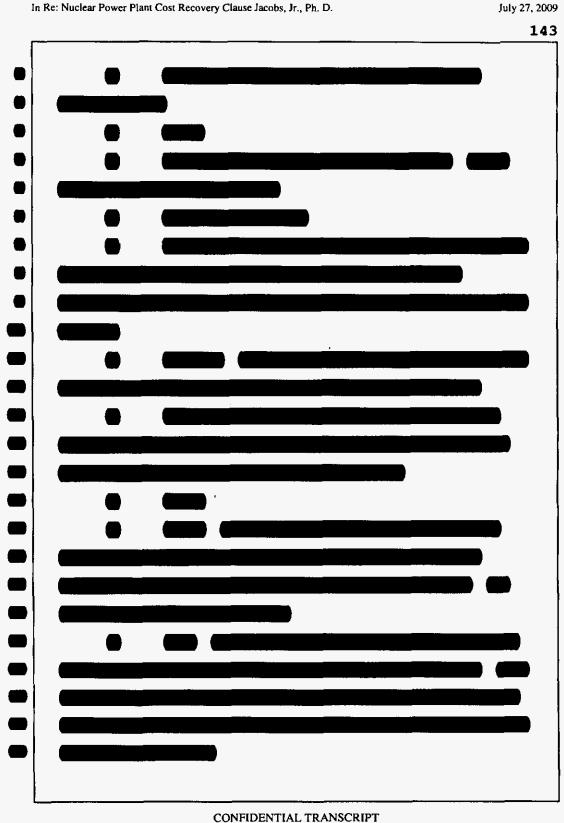
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1	А	Beginning on line eight on page 12?
2	Q	Yes.
3	A	Yes.
4	Q	And the LWA event had already occurred
5	by the	time of this board meeting; correct?
6	A	That's correct.
7	Q	And, in fact, you highlight a
8	particu	lar term in this letter that doesn't
9	appear	highlighted in the letter itself; correct?
10	А	That's correct.
11	Q	In fact, you highlight the words,
12	quote,	"in addition," quote; right?
13	А	Yes.
14	Q	That's not bolded in the letter;
15	right?	
16	А	No. It says emphasis added.
17	Q	And your point there is you're trying
18	to say	that the things that were mentioned before
19	that se	entence were things for the suspension in
20	the wor	k, and that this was just an additional
21	reason,	the LWA; correct? Is that your point?
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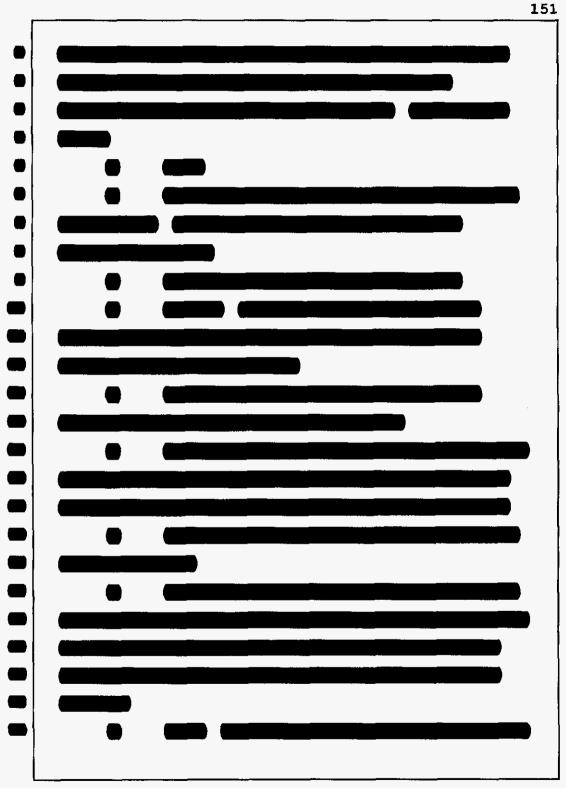
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	Q And, by the way, doesn't this
	demonstrate that Progress Energy was actively
	managing the quality assurance of its contractors
	and subcontractors on the project?
	A Well, once you get an audit report or
	inspection report from the NRC, you don't have
	much choice to get involved in that point. It
doesn't demonstrate that they were doing it	
before that.	
	Q Well, you've read the documents. Were
	they doing it before then, Mr. Jacobs?
	A They were involved, yes.
ļ	Q "They," being Progress, was involved
in the quality assurance issues that CH2M Hill	
	handled?
	A Yes, they were.
	Q They identified them and they took
action with respect to them; correct?	
	A Yes.
	Q One final question on a technical
feasibility issue that you had identified at page	
	19 of your testimony.
	A Okay.

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2 And you're aware, right, that the Q 3 company had discussed with you and you heard that that risk matrix is being updated all the time; 4 5 right? 6 А Yes. 7 And so that risk matrix designation 0 8 could have been changed? Oh, sure, it could have changed. 9 А 10 I want to turn now to your comments 0 about the CR-3 uprate project --11 12 Α Okay. 13 -- which I think begins at page 22 of 0 14 your testimony. 15 Α Yes. And by the way, before we do that, I 16 0 have one final question on the LNP project. 17 In reviewing your testimony, I saw nowhere in there 18 that you questioned the reasonableness of any 19 20 specific 2009-2010 costs that the company 21 identified. Is that an accurate assessment? 22 That is accurate, yes. I believe А 23 that's accurate. 24 And as well when I reviewed the CR-3 0 uprate issues, you do not identify any specific 25

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181 1 about the advantages as well as the disadvantages 2 of the timing of execution of the EPC. Do you 3 recall that? 4 А Yes. You were asked about your testimony 16 0 17 regarding -- I think it was on page seven of your testimony, I think on lines eight through ten. 18 19 А Yes. 20 You were asked questions about NRC's 0 21 decision being nearly two months past the 22 expected 30-day traditional milestone letter 23 delivery date. Do you recall that? 24 Α Yes. 25 Is the calculation of this two months 0

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