

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear Cost Recovery
Clause.

DOCKET NO.: 130009-EI

FILED: July 3, 2012

PREHEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL

The Citizens of the State of Florida, through the Office of Public Counsel, pursuant to the Order Establishing Procedure in this docket, Order No. PSC-13-0063-PCO-EI, issued January 29, 2013, and Order No. PSC-13-0301-PCO-EI, issued July 1, 2013, hereby submit this Prehearing Statement.

APPEARANCES:

Charles J. Rehwinkel
Deputy Public Counsel
Joseph A. McGlothlin
Erik L. Saylor
Associate Public Counsels
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida

1. **WITNESSES:**

The Citizens intend to call the following witness, who will address the issues indicated:

NAME

ISSUES

William R. Jacobs, Jr., Ph.D.

11-16 (FPL EPU issues)

2. EXHIBITS:

Through William R. Jacobs, Jr., Ph.D., the Citizens intend to introduce the following exhibits, which can be identified on a composite basis:

FPL

WRJ-1	Resume of William R. Jacobs, Jr.
WRJ-2	Resume of James P. McGaughy, Jr.
WRJ-3	Late Filed Exhibit to Witness Jones Deposition
WRJ-4	April 16, 2012 ESC Presentation Excerpt
WRJ-5	Excerpt from ANSI Guide
WRJ-6	Excerpt, TP Monthly Cost Review 8/16/2012
WRJ-7	Example of Article on “Sunk Cost Dilemma”

3. STATEMENT OF BASIC POSITION

FPL

FPL Turkey Point Units 6 & 7 Project

With respect to Turkey Point Units 6 & 7, FPL has continued to limit its activities to those necessary to pursue an operating license. At this time, the Office of Public Counsel (OPC) is not recommending any adjustments to the amounts that FPL wishes to recover from customers to sustain its conservative approach. However, in light of the amendments to Section 366.93, F.S., it appears FPL must either certify that its intent to build Turkey Point Units 6 & 7 satisfies the statutory revision or provide supplemental testimony which conforms to the revised statutory intent language. Based on the amendments to the statute, it appears that FPL must utilize its new AFUDC rate for costs after July 1, 2013.

FPL St. Lucie and Turkey Point EPU Projects

In 2007, FPL estimated the Turkey Point EPU and St. Lucie EPU projects would cost approximately \$750 million and \$651 million, respectively, for a combined estimated cost of approximately \$1.4 billion.¹ In 2013, the Turkey Point EPU and St. Lucie EPU projects are now estimated to cost ratepayers approximately \$2.2 billion and \$1.2 billion, respectively. The Turkey Point EPU will be more than twice as expensive as the St. Lucie EPU on a dollars per kilowatt basis and almost three times its original \$750 million estimate. Fortunately, the runaway spending on FPL's Turkey Point EPU will soon cease. The question remains, whether the St. Lucie and Turkey Point EPU projects are economically justifiable and beneficial to FPL's customers.

By Order No. PSC-09-0783-FOF-EI, the Commission indicated it has the discretion to use whatever methodology it deems appropriate to monitor the continued feasibility of a nuclear project on an annual basis.² That discretion applies to measuring the economics of the project and the reasonableness of the final increment of costs as the overall project, nearing completion, comes into focus. The extraordinary level of spending on the Turkey Point plant site in 2012 compels a separate appraisal of the economics of the St. Lucie and Turkey Point EPU projects to assess whether each project is economically justifiable and beneficial to FPL's customers on a standalone basis.

Utilizing information obtained from FPL, OPC witness Dr. Jacobs demonstrates that, while the St. Lucie uprate capacity is economic and beneficial, the vastly more expensive uprate capacity of the existing Turkey Point units is not.

To demonstrate this, Dr. Jacobs applied the same "breakeven analysis" concept that FPL

¹ Order No. PSC-08-0021-FOF-EI, Issued January 7, 2008, at 5 (EPU Need Determination Order)

² Order No. PSC-09-0783-FOF-EI, issued November 19, 2009, at 14-16.

uses to gauge the cost-effectiveness of its proposed new Turkey Point 6&7 units. The breakeven cost analysis identifies the maximum amount that FPL can spend on the capital cost associated with installing nuclear capacity and remain cost-effective when compared to its generation alternative. It, therefore, takes into account the lower fuel costs of the nuclear option. If the actual cost of the nuclear project is higher than the breakeven cost, then the nuclear project is *not cost-effective*, despite any fuel savings associated with the nuclear project. FPL's breakeven analysis for new nuclear construction is a range from \$4,217/kW to \$6,640/kW. Based upon the information provided in the 2013 NCRC proceeding and using FPL's figures and breakeven cost methodology, at a cost of \$1.2 billion for 280 MWe of added capacity, the St. Lucie EPU cost \$4,300/kW (this figure is \$3,800/kW of construction costs alone). The actual construction cost for St. Lucie is below the breakeven cost calculated using FPL's methodology. Because a new nuclear project will generate fuel savings for over 40 years compared to only 19 years for the Turkey Point EPU, the breakeven point for the Turkey Point uprate will be lower than that of a new nuclear unit. Therefore, using the breakeven cost for new nuclear capacity is a very conservative proxy for the economic effectiveness of the Turkey Point EPU project. The corresponding cost of the Turkey Point EPU is \$8,100/kW (total cost of \$2.2 billion for 232 MWe), which exceeds the \$4,217/kW to \$6,640/kW range of FPL's breakeven analysis for new nuclear construction. Using the upper value (which is favorable to FPL), the Turkey Point uprate is \$1,460 more costly per installed kilowatt than the amount that FPL regards as the maximum cost-effective level of capital costs for a new nuclear plant. At 232,000 kilowatts of additional capacity, the Turkey Point uprate exceeds the maximum cost-effective overnight capital cost of a new nuclear plant by \$339 million from the customers' perspective. Much of this excess is related to the extraordinarily expensive, final increment of costs that FPL incurred

in 2012. Based on answers to discovery, it appears that FPL knowingly understated the costs that it would incur in calendar years 2012 and 2013, and/or ignored its internal projections of massive overruns when managing the project. In either event, the Commission should protect ratepayers from the company's imprudence and resulting unreasonable costs. The Commission should disallow \$200 million of the amount requested by FPL.

DUKE

Levy Nuclear Project

On March 8, 2012, the Commission issued its Final Order No. PSC-12-0104-FOF-EI approving the stipulation and settlement agreement entered into between Duke Energy Florida (Duke), OPC, Florida Industrial Power Users Group (FIPUG), Florida Retail Federation (FRF), PCS Phosphate-White Springs (PCS), and Federal Executive Agency (FEA) (collectively, the Parties). Exhibit A of the settlement addressed various aspects of the Levy Nuclear Project (LNP) and specified the costs that could be recovered from customers as a result of the settlement. Therefore, Duke should neither recover any LNP costs from customers apart from those identified in this Agreement throughout the term of the settlement, nor file for any additional LNP nuclear cost recovery unless otherwise agreed to by the parties to the settlement, before the first billing cycle of January 2018. This settlement did not obviate the need for Duke to carry its burden of proof before the Commission for cost recovery of costs that will ultimately be subject to true-up; however, OPC does not take issue at this time with the filing of Duke in the 2013 proceeding. Further, in light of the amendments to Section 366.93, F.S., it appears that Duke must either certify that its intent to build the LNP satisfies the statutory revision or provide supplemental testimony which conforms to the revised statutory intent language. Based on the amendments to the statute, it appears that Duke must utilize its new AFUDC rate for costs after

July 1, 2013.

CR3 Extended Power Uprate Project

On February 5, 2013, Duke announced that it planned to retire Crystal River Unit 3 (CR3) and cancel the extended power uprate project. As a result of Duke's decision to retire, the EPU project will never be used and useful in the public service. In its testimony, since announcing its decision to retire CR3 and cancel the EPU project, Duke states it has taken affirmative steps to halt and minimize all expenditures related to the CR3 EPU project and to wind down the project.

In the 2012 NCRC cycle, OPC asked Duke to avoid making any expenditures that were avoidable or deferrable on the EPU project if Duke decided to cancel the EPU project. As such, Duke was on notice that these expenditures would be scrutinized. The Commission should make a determination in this year's docket whether Duke was prudent in its decisions related to 2012 and 2013 EPU expenditures.

With regard to the long-lead equipment (LLE) components purchased for this uprate, Duke should use its best efforts to obtain maximum salvage value for all EPU components it has received whether installed or not. These components should prudently be sold or salvaged for the best possible value for the benefit of Duke's customers. Any value obtained from the disposition of these components should be applied to reduce any unrecovered balance and associated carrying costs.

4. STATEMENT OF FACTUAL ISSUES AND POSITIONS

Legal Issues

Issue 1: Does recently enacted Senate Bill 1472, effective July 1, 2013, change the AFUDC rate that should be used for nuclear cost recovery clause computations in this year's pending case.

OPC: OPC will brief the legal issue.

Issue 2: Does recently enacted Senate Bill 1472, effective July 1, 2013, preclude a utility from continuing work not related to obtaining a combined operating license from the Nuclear Regulatory Commission or uncertified preconstruction work that was under contract or commenced prior to July 1, 2013?

OPC: OPC will brief the legal issue.

Issue 3: Does recently enacted Senate Bill 1472, effective July 1, 2013, preclude a utility from recovering costs associated with work not related to obtaining a combined operating license from the Nuclear Regulatory Commission or uncertified preconstruction work that was under contract or commenced prior to July 1, 2013?

OPC: OPC will brief the legal issue.

Turkey Point Unit 6 & 7 Project Issues

Issue 4: Do FPL's activities since January 2012 related to the proposed Turkey Point Units 6 & 7 qualify as "siting, design, licensing and construction" of a nuclear power plant as contemplated by Section 366.93, F.S.?

OPC: Because FPL is pursuing an approach that limits expenses to minimal licensing activities to the extent possible, OPC does not contest FPL's approach to Turkey Point Units 6&7 or expenses related to that approach at this time.

In light of the amendments enacted in 2013 to Section 366.93, F.S., it appears the utility should certify that its "siting, design, licensing and construction" comports to the statutory changes or resubmit testimony in light of these statutory changes; otherwise, the utility will be unable to satisfy its burden of proof for the new units to qualify as "siting, design, licensing and construction" of a nuclear power plant as contemplated by Section 366.93, F.S.

Issue 5: Should the Commission approve what FPL has submitted as its 2013 annual detailed analysis of the long-term feasibility of completing the Turkey Point Units 6 & 7 project, as provided for in Rule 25-6.0423, F.A.C.? If not, what action, if any, should the Commission take?

OPC: OPC does not contest FPL's approach to Turkey Point Units 6&7 or expenses related to that approach at this time.

In light of the amendments to Section 366.93, F.S., it appears the utility should certify that its long-term feasibility analysis comports to the statutory changes or resubmit its long-term feasibility analysis in light of these statutory changes; otherwise, the utility will be unable to satisfy its burden of proof for the feasibility of this project.

Issue 5A: What is the current total estimated all-inclusive cost (including AFUCD and sunk costs) of the proposed Turkey Point Units 6 & 7 nuclear project?

OPC: No position.

Issue 5B: What is the current estimated planned commercial operation date of the planned Turkey Point Units 6 & 7 nuclear facility?

OPC: No position

Issue 6: What are the jurisdictional amounts for Turkey Point 6 & 7 project activities that are related to obtaining a combined license from the Nuclear Regulatory Commission or certification during 2013 and 2014?

OPC: OPC does not contest FPL's approach to Turkey Point Units 6&7 or expenses related to that approach at this time.

Issue 7: Should the Commission find that, for the year 2012, FPL's project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Turkey Point Units 6 & 7 project? If not, what action, if any, should the Commission take?

OPC: No position

Issue 8: What jurisdictional amounts should the Commission approve as FPL's final 2012 prudently incurred costs and final true-up amounts for the Turkey Point Units 6 & 7 project?

OPC: No position

Issue 9: What jurisdictional amounts should the Commission approve as reasonably estimated 2013 costs and estimated true-up amounts for FPL's Turkey Point Units 6 & 7 project?

OPC: It appears that no amounts should be approved as reasonable until the utility certifies that its costs (including AFUDC) comports to the statutory changes enacted in 2013 to Section 366.93, F.S., or resubmit revised costs in light of these statutory changes; otherwise, the utility will be unable to satisfy its burden of proof for recovery of these 2013 costs.

Issue 10: What jurisdictional amounts should the Commission approve as reasonably projected 2014 costs for FPL's Turkey Point Units 6 & 7 project?

OPC: It appears that no amounts should be approved as reasonable until the utility certifies that its costs (including AFUDC) comports to the statutory changes enacted in 2013 to Section 366.93, F.S., or resubmit revised costs in light of these statutory changes; otherwise, the utility will be unable to satisfy its burden of proof for recovery of these 2014 costs.

EPU Project Issues

Issue 11: During the September 2012 hearing in Docket No. 120009-EI, did FPL provide the Commission with all the relevant cost information regarding the actual and estimated Turkey Point EPU expenditures for calendar year 2012 and projected total costs at completion in 2013? If not, what action, if any should the Commission take?

OPC: No. FPL failed to provide all relevant cost information. In September 2012, FPL witnesses testified FPL would spend approximately \$688 million on the Turkey Point EPU. This figure was consistent with its testimony pre-filed in May 2012. By the time of the September 2012 hearing, FPL had already spent nearly the entire amount of its projection for calendar year 2012. According to FPL witness Terry Jones, FPL's EPU management team estimates costs being incurred on the EPU on a daily basis. Further, according to FPL's Monthly Cost Review Meeting report dated mid-August 2012, the expected Turkey Point EPU 2012 budget for calendar year 2012 had increased to over \$900 million as of the date of that report. Had this information been presented to the Commission, it may have decided the measure for protecting customers from inordinate costs that OPC raised in 2012 differently. The staggering numbers finally being revealed are proof of imprudence and of unreasonable costs. The Commission should disallow \$200 million of the \$975 million that FPL spent in calendar year 2012. In light of the \$339 million by which the Turkey Point EPU exceeds the maximum cost-effective overnight cost of a new nuclear plant, which is a conservative proxy for the breakeven level of the Turkey Point uprate, this adjustment only partially protects customers.

Issue 11A: What is the current total estimated all-inclusive cost (including AFUDC and sunk costs) of the completed EPU Project? (New OPC Issue, parallel to Issue 5A)

OPC: Approximately \$3.4 billion.

Issue 11B: What is the current total estimated all-inclusive cost (including AFUDC and sunk costs) of the completed St. Lucie EPU Project? (New OPC Issue, parallel to Issue 5A)

OPC: Approximately \$1.2 billion.

Issue 11C: What is the current total estimated all-inclusive cost (including AFUDC and sunk costs) of the completed Turkey Point EPU Project? (New OPC Issue, parallel to Issue 5A)

OPC: Approximately \$2.2 billion.

Issue 12: Are the costs of the Turkey Point EPU, as affected by actual 2012 and estimated 2013 costs, economic and cost-effective for FPL's ratepayers? If not, what action, if any, should the Commission take? (Disputed by FPL)

OPC: No. On a conservative (that is, favorable to FPL) basis, the cost of the Turkey Point uprate capacity will exceed the maximum overnight cost that FPL deems cost-effective for a new nuclear plant by \$1,460 per installed kW. Because it has a shorter operational life, the breakeven cost of the Turkey Point uprate is lower than that of a new nuclear unit. This means the 232,000 kilowatts of additional Turkey Point uprate capacity will exceed the cost-effective level by at least \$339 million. This measurement fully takes into account the fuel cost savings associated with the nuclear uprate project. FPL has avoided disclosing the extent of the uneconomic costs only by masking the cost of the Turkey Point uprate within a feasibility calculation that combines the St. Lucie and Turkey Point plant sites and by consistently understating estimates of costs to be incurred. The final costs are impacted by a truly extraordinary level of 2012 spending, of which FPL was aware but which it did not disclose during the September 2012 NCRC hearing before the Commission. The Commission should disallow the \$200 million of costs that FPL failed to disclose at the time as imprudent and unreasonable. This adjustment will only partially protect ratepayers from the extent to which the Turkey Point uprate is uneconomic from customers' perspective.

Issue 13: Should the Commission find, that for the year 2012, FPL’s project management, contracting, accounting and cost oversight controls were reasonable and prudent for FPL’s Extended Power Uprate project? If not, what action, if any, should the Commission take?

OPC: No. Dr. Jacobs’ testimony establishes that FPL failed to inform the Commission during the 2012 NCRC hearing that the actual costs it knew or should have known would be expended during 2012 for the Turkey Point EPU would vastly exceed its 2012 projections. FPL knew it had already spent almost the entire 2012 projected expenditures by the time of the September 2012 hearing, and internally FPL had increased its projections from \$688 million to more than \$900 million. (Even that ballooning figure proved inadequate when compared to the actual amount spent in 2012.) Had FPL provided this necessary information to the Commission during the September 2012 NCRC hearing, the Commission could reasonably have come to a different conclusion on the long-term feasibility of the Turkey Point EPU and OPC’s proposal for protecting ratepayers from inordinate costs. The Commission should protect customers from bearing the impact of FPL’s imprudent management and unreasonable costs of the Turkey Point uprate. It should disallow \$200 million from FPL’s request.

Issue 14: What jurisdictional amounts should the Commission approve as FPL’s final 2012 prudently incurred costs and final true-up amounts for the Extended Power Uprate project?

OPC: See OPC’s position on Issue FPL 6. The jurisdictional amount should be adjusted to account for OPC’s recommended \$200 million reduction.

Issue 15: What jurisdictional amounts should the Commission approve as reasonably estimated 2013 costs and estimated true-up amounts for FPL’s Extended Power Uprate project?

OPC: See OPC’s position on Issue FPL 6. The jurisdictional amount should be adjusted to account for OPC’s recommended \$200 million reduction.

Issue 16: What jurisdictional amounts should the Commission approve as reasonably projected 2014 costs for FPL’s Extended Power Uprate project?

OPC: See OPC’s position on Issue FPL 6. The jurisdictional amount should be adjusted to account for OPC’s recommended \$200 million reduction.

FPL Fallout Issue

Issue 17: What is the total jurisdictional amount to be included in establishing FPL’s 2014 Capacity Cost Recovery Clause factor?

OPC: See OPC’s position on Issue FPL 6. The jurisdictional amount should be adjusted to account for OPC’s recommended \$200 million reduction.

DUKE

Levy Project Issues

Issue 18: Do DEF’s activities since January 2012 related to the proposed Levy Units 1 & 2 qualify as “siting, design, licensing and construction” of a nuclear power plant as contemplated by Section 366.93, F.S.?

OPC: See settlement approved by Order No. PSC-12-0104-FOF-EI, issued March 8, 2012, in Docket No. 120022-EI. The settlement, however, does not relieve Duke from demonstrating to the Commission that its activities since January 2011 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. Further, in light of the amendments enacted in 2013 to Section 366.93, F.S., it appears the utility should certify that its “siting, design, licensing and construction” comports to the statutory changes or resubmit testimony in light of these statutory changes; otherwise, the utility will be unable to satisfy its burden of proof for the new units to qualify as “siting, design, licensing and construction” of a nuclear power plant as contemplated by Section 366.93, F.S.

Issue 19: Should the Commission approve what DEF has submitted as its 2013 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?

OPC: See settlement approved by Order No. PSC-12-0104-FOF-EI, issued March 8, 2012, in Docket No. 120022-EI. The settlement, however, does not relieve Duke from submitting its 2013 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., nor the Commission's determination of long-term feasibility. Further, in light of the amendments enacted in 2013 to Section 366.93, F.S., it appears that the utility should certify that its long-term feasibility analysis comports to the statutory changes or resubmit its long-term feasibility analysis in light of these statutory changes; otherwise, the utility will be unable to satisfy its burden of proof for the feasibility of this project.

Issue 19A: What is the current total estimated all-inclusive cost (including AFUDC and sunk costs) of the proposed Levy Units 1 & 2 nuclear project?

OPC: See settlement approved by Order No. PSC-12-0104-FOF-EI, issued March 8, 2012, in Docket No. 120022-EI. Evidence adduced in this docket will indicate the total estimated all-inclusive cost for the planned Levy Units 1 & 2.

Issue 19B: What is the current estimated planned commercial operation date of the planned Levy Units 1 & 2 nuclear facility?

OPC: See settlement approved by Order No. PSC-12-0104-FOF-EI, issued March 8, 2012, in Docket No. 120022-EI. Evidence adduced in this docket will indicate the current estimated planned commercial operation date of the planned Levy Units 1 & 2 nuclear facility.

Issue 20: What are the jurisdictional amounts for Levy Units 1 & 2 project activities that are related to obtaining a combined license from the Nuclear Regulatory Commission or certification during 2013 and 2014?

OPC: The total jurisdictional amount will be a fall-out and LNP recovery is subject to the settlement approved by Order No. PSC-12-0104-FOF-EI, issued March 8, 2012, in Docket No. 120022-EI.

Issue 21: Should the Commission find that, for the year 2012, DEF'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?

OPC: See settlement approved by Order No. PSC-12-0104-FOF-EI, issued March 8, 2012, in Docket No. 120022-EI. The settlement however does not relieve PEF from proving that its project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Levy Units 1 & 2 project.

Issue 22: What jurisdictional amounts should the Commission approve as DEF's final 2012 prudently incurred costs and final true-up amounts for the Levy Units 1 & 2 project?

OPC: See settlement approved by Order No. PSC-12-0104-FOF-EI, issued March 8, 2012, in Docket No. 120022-EI. These amounts are specified in the settlement.

Issue 23: What jurisdictional amounts should the Commission approve as reasonably estimated 2013 costs and estimated true-up amounts for DEF's Levy Units 1 & 2 project?

OPC: See settlement approved by Order No. PSC-12-0104-FOF-EI, issued March 8, 2012, in Docket No. 120022-EI. These amounts are specified in the settlement.

Issue 24: What jurisdictional amounts should the Commission approve as reasonably projected 2014 costs for DEF's Levy Units 1 & 2 project?

OPC: See settlement approved by Order No. PSC-12-0104-FOF-EI, issued March 8, 2012, in Docket No. 120022-EI. These amounts are specified in the settlement.

Issue 25: What is the appropriate regulatory treatment of any amount equal to the difference between the collections pursuant to Order No. PSC-12-0104-FOF-EI and the sum of recoverable amounts identified in the prior issues?

OPC: The Commission should identify these costs for the purpose of true-up pursuant to the settlement approved by Order No. PSC-12-0104-FOF-EI, issued March 8, 2012, in Docket No. 120022-EI. These costs should be tracked and monitored so that customers and the Commission can be assured that costs are minimized, eliminated or otherwise controlled to insure that the monthly charge is eliminated as soon as possible.

CR3 Uprate Project Issues

Issue 26: What action, if any, should the Commission take as a result of the DEF decision to retire the CR3 unit with respect to the Balance of Plant Uprate of CR3 associated with the December 7, 2009 base rate tariff filing by DEF? (Disputed by Staff)

OPC: This issue is to be decided in Docket No. 100437-EI, so no Commission action is necessary at this time or in this year's phase of this docket as to this issue. With respect to the dollars being proposed for recovery in this docket, fall out cost impacts on those dollars, if any, from the resolution of this issue in Docket No. 100437-EI will be treated accordingly in this docket in a subsequent year.

Issue 27: Should the Commission find, that for the year 2012, DEF'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?

OPC: No. In the 2012 NCRC cycle, OPC asked the Commission not to make a determination on Duke's project management, contracting, accounting and cost oversight controls.

OPC argued that Duke should avoid making any expenditures that were avoidable or deferrable on the EPU project if Duke decided to cancel the EPU project. As such, Duke was on notice that these decisions would be greatly scrutinized. The Commission should make a determination in this year's docket whether Duke was prudent in its decisions related to Duke's project management, contracting, accounting and cost oversight controls.

Issue 27A: Has Duke undertaken reasonable and prudent measures to mitigate the CR3 uprate asset (e.g., through salvage, sale, cost reduction, etc.) following its decision to retire CR3? If not, what action should the Commission take?

OPC: Duke should use its best efforts to obtain maximum salvage value for all EPU components it has received whether the component is installed (but not in service) or not installed. Any salvage value obtained from the disposition of these components should be applied to reduce any unrecovered balance.

Issue 28: What jurisdictional amounts should the Commission approve as DEF's final 2012 prudently incurred costs and final true-up amounts for the Crystal River Unit 3 Uprate project?

OPC: In the 2012 NCRC cycle, OPC asked Duke to avoid making any 2012 expenditures that were avoidable or deferrable on the EPU project if Duke decided to cancel the EPU project. As such, Duke was on notice that these expenditures would be greatly scrutinized. The Commission should make a determination in this year's docket whether Duke was prudent in its decisions related to 2012 EPU expenditures.

Issue 29: What jurisdictional amounts should the Commission approve as reasonably estimated 2013 costs and estimated true-up amounts for DEF's Crystal River Unit 3 Uprate project?

OPC: In the 2012 NCRC cycle, OPC asked Duke to avoid making any 2013 expenditures that were avoidable or deferrable if Duke decided to cancel the EPU project. As such, Duke was on notice that these expenditures would be greatly scrutinized. The Commission should make a determination in this year's docket whether Duke was prudent in its decisions related to 2013 EPU expenditures.

Issue 30: What jurisdictional amounts should the Commission approve as reasonably projected 2014 costs for DEF's Crystal River Unit 3 Uprate project?

OPC: None. There should be little to no 2014 costs except that which would be related to salvaging any of the EPU assets.

DEF Fallout Issue

Issue 31: What is the total jurisdictional amount to be included in establishing DEF's 2014 Capacity Cost Recovery Clause factor?

OPC: The total jurisdictional amount will be a fall-out from other decisions and LNP recovery is subject to the settlement approved by Order No. PSC-12-0104-FOF-EI, issued March 8, 2012, in Docket No. 120022-EI.

5. STIPULATED ISSUES:

None at this time. Potentially Issues 25 and 26.

6. PENDING MOTIONS:

None

7. STATEMENT OF PARTY'S PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY:

None.

8. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:

None at this time.


9. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

There are no requirements of the Order Establishing Procedure with which the Office of Public Counsel cannot comply.

Dated this 3rd day of July, 2013

Respectfully submitted,

J.R. Kelly
Public Counsel


Erik L. Sayler
Associate Public Counsel

c/o The Florida Legislature
Office of Public Counsel
111 W. Madison Street
Room 812
Tallahassee, FL 32399-1400

Attorney for the Citizens
of the State of Florida

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and foregoing **PREHEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL** has been furnished by electronic mail and U.S. Mail on this 3rd day of July 2013

Bryan J. Anderson
Florida Power and Light Company
700 Universe Blvd
Juno Beach, FL 33018

Kenneth Hoffman
Florida Power & Light Company
215 S. Monroe Street, Ste 810
Tallahassee, FL 32301

Michael Lawson
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Mr. Paul Lewis, Jr.
Duke Energy Florida, Inc.
106 E. College Ave., Ste 800
Tallahassee, FL 32301

Jon C. Moyle, Jr.
c/o Moyle Law Firm
118 North Gadsden Street
Tallahassee, FL 32301

John T. Burnett
Dianne M/ Triplett
Duke Energy Florida, Inc.
P.O. Box 14042
St. Petersburg, FL 33733-4042

Matthew R. Bernier
Duke Energy Florida, Inc.
106 E. College Ave., Suite 800
Tallahassee, FL 32301

James Michael Walls
Blaise N. Gamba
Carlton Fields, P.A.
Corporate Center Three at
International Plaza
P.O. Box 3239
Tampa, Florida 33607-5736

James W. Brew/F. Alvin Taylor
c/o Brickfield Law Firm
1025 Thomas Jefferson St. NW,
Eighth
Washington, DC 20007

Robert Scheffel Wright
John T. LaVia
c/o Gardner Bist Wiener Law Firm
1300 Thomaswood Drive
Tallahassee, FL 32308

George Cavros
Southern Alliance for Clean Energy
120 E. Oakland Park Blvd., Ste. 105
Fort Lauderdale, FL 33334


Erik L. Sayler
Associate Public Counsel