

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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In re: Nuclear Cost Recovery  
Clause

Docket No. 150009-EI  
Submitted for Filing: March 2, 2015

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**DUKE ENERGY FLORIDA, INC.'S PETITION TO RECOVER  
COSTS OF THE CRYSTAL RIVER UNIT 3 UPRATE PROJECT AND  
THE LEVY UNITS 1 AND 2 NUCLEAR POWER PLANT PROJECT AS  
PROVIDED IN SECTION 366.93, FLORIDA STATUTES, AND RULE 25-6.0423, F.A.C.**

Pursuant to Section 366.93(6), Florida Statutes, and Rule 25-6.0423(7), Florida Administrative Code (“F.A.C.”), Duke Energy Florida, Inc. (“DEF” or the “Company”) respectfully petitions the Florida Public Service Commission (the “Commission”) to approve and find prudent the actual Crystal River Unit 3 (“CR3”) Extended Power Uprate (“EPU”) project wind-down and exit costs incurred in 2014, and approve and find prudent the actual Levy Nuclear Project (“LNP”) wind-down and exit costs incurred in 2014. DEF further petitions the Commission to approve and find prudent the 2014 project management, contracting, accounting, and cost oversight controls for the EPU project and LNP. Finally, DEF petitions the Commission to approve the true-up of revenue requirements as presented in the contemporaneously filed testimony and exhibits and schedules for both the EPU and LNP.

DEF’s petition is supported by the testimony and exhibits of Mr. Christopher M. Fallon, Mr. Mark R. Teague and Mr. Thomas G. Foster filed herewith and incorporated by reference. DEF requests that the Commission find that DEF’s 2014 actual costs for the EPU and LNP have been prudently incurred, and allow recovery, through the Capacity Cost Recovery Clause (“CCRC”) as applicable, current period wind-down and exit costs, carrying costs on the unrecovered investment balance (including prior period (over)/under balances), the amortization of the true-up of prior period costs, and the amortization associated with the remaining unrecovered investment balance, in accordance with Section 366.93(6), Fla. Stat. and Rule 25-

6.0423(7), F.A.C. and the 2013 Revised and Restated Stipulation and Settlement Agreement (“2013 Settlement Agreement”) approved by the Commission in Order No. PSC-13-0598-FOF-EI issued November 12, 2013.

**I. PRELIMINARY INFORMATION.**

1. The Petitioner’s name and address are:

Duke Energy Florida, Inc.  
299 1st Avenue North  
St. Petersburg, Florida 33701

2. Any pleading, motion, notice, order, or other document required to be served upon DEF or filed by any party to this proceeding should be served upon the following individuals:

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## **II. PRIMARILY AFFECTED UTILITY.**

3. DEF is the utility primarily affected by the proposed request for cost recovery. DEF is an investor-owned electric utility, regulated by the Commission pursuant to Chapter 366, Florida Statutes, and is a wholly owned subsidiary of Duke Energy Corporation (“Duke Energy”). The Company’s principal place of business is located at 299 1st Ave. N., St. Petersburg, Florida 33701.

4. DEF serves approximately 1.7 million retail customers in Florida. Its service area comprises approximately 20,000 square miles in 29 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. DEF supplies electricity at retail to approximately 350 communities and at wholesale to Florida municipalities, utilities, and power agencies in the State of Florida.

5. DEF seeks cost recovery pursuant to Section 366.93(6), Fla. Stat. and Rule 25-6.0423(7), F.A.C. for its prudent wind-down and exits costs for the EPU project and the LNP.

## **III. DEF REQUESTS COST RECOVERY FOR THE EPU PROJECT AS PROVIDED IN SECTION 366.93(6), FLA. STAT., AND THE NUCLEAR COST RECOVERY RULE, RULE 25-6.0423(7), F.A.C.**

6. On February 5, 2013, Duke Energy announced its decision to retire and decommission the CR3 nuclear power plant. As a result of this decision, the CR3 EPU project was cancelled. In 2014, DEF continued to disposition EPU-related assets using a step-wise approach under its investment recovery policies and procedures to obtain the maximum value for the EPU-related assets for DEF’s customers. In 2014, DEF sold or transferred several EPU-related assets as described in the testimony of Mr. Teague. In mid-2014, after conducting extensive internal and external solicitation efforts pursuant to DEF’s policies and exhausting

direct sale or transfer opportunities, DEF made the decision to hire an auction company to conduct a global auction for the remaining CR3 assets, including EPU-related assets. The auction was conducted in September 2014 and DEF successfully sold various EPU-related assets at the auction. Auction proceeds were accounted for in January 2015 and will be presented in the Company's May 2015 filing in this docket.

7. Mr. Teague's direct testimony and exhibits explain and support (1) the EPU project wind-down progress; (2) the process for disposition of EPU-related assets; (3) the status of disposition of EPU-related assets, including sale, transfer and salvage proceeds; (4) the prudence of DEF's 2014 EPU wind-down and exit costs; and (5) the prudence of DEF's 2014 project management, contracting, oversight policies and procedures for the EPU project wind-down and investment recovery efforts. Mr. Foster's direct testimony and exhibits present the actual costs and associated carrying costs for EPU project activities for 2014. Mr. Foster's direct testimony also supports the prudence of DEF's accounting and cost oversight controls. The direct testimony and exhibits of Mr. Teague and Mr. Foster support the Company's request for cost recovery pursuant to Section 366.93(6), Fla. Stat. and Rule 25-6.0423(7), F.A.C. for the prudent wind-down and exit costs incurred in 2014 for the EPU project.

8. DEF also incurred costs associated with the EPU project related to accounting, corporate planning, and legal in 2014. These costs are explained in greater detail in the testimony and exhibits of Mr. Foster filed in this Docket.

9. Pursuant to Rule 25-6.0423, F.A.C., DEF is therefore entitled to recover through the CCRC the revenue requirements associated with these prudently incurred costs. For the time period January 2014 through December 2014, DEF is requesting a total of \$67,520,520 in revenue requirements presented in Mr. Foster's Exhibit No. \_\_\_ (TGF-2) "2014 Summary" on Line 5, adjusted for the contributions made by the joint owners of CR3. These costs are made up

of \$23,501,504 in carrying costs on the remaining unrecovered CWIP balance and prior period (over/under) balances, including wind-down/exit costs net of sales, transfer, and salvage proceeds, shown on Lines 1a through 1d, and \$44,019,016 of amortization associated with the remaining unrecovered investment balance and prior period (over/under) balances reflected on Line 4. This results in DEF's final true-up amount of (\$1,070,629) reflected on Line 3. These amounts were calculated in accordance with Rule 25-6.0423(7), F.A.C., and they are set forth in greater detail in the testimony and exhibits of Mr. Teague and Mr. Foster.

**IV. DEF REQUESTS COST RECOVERY FOR THE LEVY NUCLEAR PROJECT AS PROVIDED IN SECTION 366.93(6), FLORIDA STATUTES, AND THE NUCLEAR COST RECOVERY RULE, RULE 25-6.0423(7), F.A.C.**

10. The Company elected not to complete construction of the LNP pursuant to the nuclear cost recovery statute and rule, Section 366.93(6), Fla. Stat., and Rule 25-6.0423(7), F.A.C., as amended, with its execution of the 2013 Settlement Agreement. Subsequently, DEF commenced development of the process to start winding down the LNP in an orderly fashion, which was fully put in place after the Commission voted to approve the 2013 Settlement Agreement. In January 2014, because DEF was unable to obtain the LNP Combined Operating License ("COL") from the Nuclear Regulatory Commission ("NRC") by January 1, 2014, DEF terminated the Engineering, Procurement and Construction ("EPC") Agreement with Westinghouse Electric Company LLC ("WEC") and Stone & Webster, Inc. ("S&W") (together the "Consortium").

11. The LNP wind-down process involves the disposition of the LNP Long Lead Equipment ("LLE") and the resolution of remaining costs under the EPC Agreement with the Consortium. As explained in more detail in the testimony of Mr. Fallon, DEF developed and implemented a LLE Disposition Plan and, pursuant to that Plan, DEF has been able to

disposition or will soon disposition the majority of the LNP LLE.

12. DEF also incurred costs associated with the LNP related to accounting, corporate planning, legal, and nuclear generation in 2014. These costs are explained in greater detail in the testimony and exhibits of Mr. Foster filed in this Docket in support of the Company's 2014 LNP wind-down and exit costs.

13. The only remaining LNP work is for the LNP COL from the NRC. DEF agreed to exercise reasonable and prudent efforts to obtain the LNP COL by March 31, 2015 in the 2013 Settlement Agreement. Throughout 2014 DEF continued with the work necessary to obtain the LNP COL including environmental permitting work necessary to obtain the Section 404 permit from the United States Army Corps of Engineers ("USACE"). DEF, however, is not seeking cost recovery in this proceeding for costs incurred in 2014 to obtain the LNP COL. DEF agreed to account for the 2014 COL-related costs as construction work in progress and agreed to remove them from recovery in the Nuclear Cost Recovery Clause ("NCRC") proceeding in the 2013 Settlement Agreement. DEF has segregated its 2014 COL-related costs from the 2014 LNP wind-down costs and the 2014 COL-related costs are not presented by DEF for cost recovery in the 2015 NCRC proceeding.

14. Mr. Fallon's and Mr. Foster's direct testimony support DEF's request for cost recovery and a prudence determination for (1) the Company's LNP actual wind-down and exit costs incurred from January 2014 through December 2014, and (2) DEF's 2014 LNP project management, contracting, and oversight controls pursuant to Rule 25-6.0423(7), F.A.C. and the Commission's Order No. PSC-13-0598-FOF-EI approving the 2013 Settlement Agreement.

15. Pursuant to Rule 25-6.0423(7), F.A.C., DEF requests that the Commission approve the final true-up of revenue requirements for 2014 as presented in the contemporaneously filed testimony and exhibits. For 2014, DEF has calculated total revenue requirements of \$98,801,754

presented in Mr. Foster's Exhibit No. \_\_\_\_ (TGF-1) "2014 Summary" on Line 5. This consists of \$23,508,493 in wind-down/exit costs (inclusive of carrying costs on any unrecovered balance) shown on Lines 1a through 1c, and \$75,293,261 of amortization associated with the remaining unrecovered investment balance and prior period (over/under) balances reflected on Line 4. This results in DEF's final true-up amount of (\$6,833,655) reflected on Line 3. These amounts were calculated in accordance with Rule 25-6.0423(7), F.A.C., and they are set forth in greater detail in the testimony and exhibits of Mr. Fallon and Mr. Foster.

**V. DISPUTED ISSUES OF MATERIAL FACT.**

16. DEF is not aware at this time that there will be any disputed issues of material fact in this proceeding. Through its testimony and exhibits, DEF expects to demonstrate the prudence of the costs it has incurred for 2014 for both the EPU project and the LNP, and to show why recovery of the capacity costs through the CCRC, as provided in Section 366.93(6), Fla. Stat., and Rule 25-6.0423(7), F.A.C., is appropriate and warranted.

**VI. CONCLUSION.**

17. Approval of DEF's petition for cost recovery as provided for in the statute and rule is warranted for both the EPU project and the LNP.

WHEREFORE, for all the reasons provided in this Petition, as developed more fully in DEF's contemporaneously filed testimony and exhibits, DEF respectfully requests that the Commission:

- (1) determine that the wind-down and exit costs DEF incurred during 2014 for the EPU project were reasonable and prudent;
- (2) determine that DEF's 2014 EPU project management, contracting, and oversight controls and project accounting and cost oversight controls were reasonable and prudent;
- (3) approve DEF's final true-up of the actual expenditures and revenue requirements

for the EPU project for 2014, and allow recovery, through the CCRC, of the costs inclusive of carrying costs balance, and carrying costs on and amortization associated with the remaining unrecovered balance;

(4) determine that the wind-down and exit costs DEF incurred during 2014 for the LNP were reasonable and prudent;

(5) determine that DEF's 2014 LNP project management, contracting, and oversight controls and project accounting and cost oversight controls were reasonable and prudent; and

(6) approve DEF's final true-up of the actual expenditures and revenue requirements for the LNP for 2014, and allow recovery, through the CCRC, of the costs inclusive of carrying costs balance, and carrying costs on and amortization associated with the remaining unrecovered balance.

Respectfully submitted,

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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 2nd day of March, 2015.

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