

Matthew R. Bernier
Senior Counsel
Duke Energy Florida, Inc.

August 4, 2015

VIA ELECTRONIC FILING

Ms. Carlotta Stauffer, Commission Clerk Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0850

Re: Fuel and purchased power cost recovery clause with generating performance incentive factor; Docket No. 150001-EI

Dear Ms. Stauffer:

Please find enclosed for electronic filing on behalf of ("DEF") DEF's Request for Confidential Classification for certain information provided in the Direct Testimony of Jeffrey Swartz and Exhibit No. ___(JS-1). This filing includes:

- DEF's Request for Confidential Classification
- Slipsheet for confidential Exhibit A
- Redacted Exhibit B (two copies)
- Exhibit C (justification matrix), and
- Exhibit D (affidavit of Jeffrey Swartz)

DEF's confidential Exhibit A that accompanies the above-referenced filing, has been submitted under separate cover.

Thank you for your assistance in this matter. Please feel free to call me at (850) 521-1428 should you have any questions concerning this filing.

Respectfully,

s/Matthew R. Bernier

MRB/mw Enclosures Matthew R. Bernier Senior Counsel

Matthew.Bernier@duke-energy.com

cc: Certificate of Service

Duke Energy Florida, Inc.

Docket No.: 150001

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail this 4th day of August, 2015 to all parties of record as indicated below.

<u>s/Matthew R. Bernier</u> Attorney

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost

recovery clause with generating performance

incentive factor.

Docket No. 150001-EI

Dated: August 4, 2015

DUKE ENERGY FLORIDA INC.'S REQUEST FOR CONFIDENTIAL CLASSIFICATION

Duke Energy Florida, Inc. ("DEF" or "Company"), pursuant to Section 366.093, Florida Statutes (F.S.), and Rule 25-22.006, Florida Administrative Code (F.A.C.), submits this Request for Confidential Classification for certain information provided in the direct testimony of Jeffrey Swartz and Exhibit No. __ (JS-1), dated August 4, 2015. In support of this Request, DEF states:

- 1. The direct testimony of Jeffrey Swartz, specifically pages 5, 6, and 7, and Exhibit No. __(JS-1), contain information that is "confidential proprietary business information" under Section 366.093(3), Florida Statutes.
 - 2. The following exhibits are included with this request:
- (a) Sealed Composite Exhibit A is a package containing unreducted copies of all the documents for which DEF seeks confidential treatment. Composite Exhibit A is being submitted separately in a sealed envelope labeled "CONFIDENTIAL." In the unreducted versions, the information asserted to be confidential is highlighted in yellow.
- (b) Composite Exhibit B is a package containing two copies of redacted versions of the documents for which the Company requests confidential classification. The specific information for which confidential treatment is requested has been blocked out by opaque marker or other means.

- (c) Exhibit C is a table which identifies by page and line the information for which DEF seeks confidential classification and the specific statutory bases for seeking confidential treatment.
- 3. As indicated in Exhibit C, the information for which DEF requests confidential classification is "proprietary confidential business information" within the meaning of Section 366.093(3), F.S. Specifically, the information at issue relates to DEF's Root Cause Analysis Report for the Hines PB2 HP Steam Turbine Event, the disclosure of which would impair the Company's competitive business interests and efforts to contract for goods and services on favorable terms. *See* § 366.093(3)(d), F.S.; Affidavit of Jeffrey Swartz at ¶4. Furthermore, DEF's rights and claims under its insurance policies covering Hines 2 have been subrogated to its insurers. The disclosure of this information would impair DEF's and its insurers' competitive business interests. *See* § 366.093(3)(e), F.S.; Affidavit of Jeffrey Swartz at ¶5 and 6. Accordingly, such information constitutes "proprietary confidential business information" which is exempt from disclosure under the Public Records Act pursuant to Section 366.093(1), F.S.
- 4. The information identified as Exhibit "A" is intended to be and is treated as confidential by the Company. See Affidavit of Jeffrey Swartz at ¶ 5. The information has not been disclosed to the public, and the Company has treated and continues to treat the information at issue as confidential. See Affidavit of Jeffrey Swartz at ¶ 7.
- 5. DEF requests that the information identified in Exhibit A be classified as "proprietary confidential business information" within the meaning of section 366.093(3), F.S., that the information remain confidential for a period of at least 18 months as provided in section 366.093(4) F.S., and that the information be returned as soon as it is no longer necessary for the Commission to conduct its business.

WHEREFORE, for the foregoing reasons, DEF respectfully requests that this Request for Confidential Classification be granted.

RESPECTFULLY SUBMITTED this 4th day of August, 2015.

s/Matthew R. Bernier____

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Attorneys for Duke Energy Florida, Inc.

Duke Energy Florida, Inc.

CERTIFICATE OF SERVICE

Docket No. 150001-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via email this 4th day of August, 2015 to all parties of record as indicated below.

<u>s/Matthew R. Bernier_</u>

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Exhibit A

"CONFIDENTIAL" (filed under separate cover)

Exhibit B REDACTED

1	Q.	Please describe the process DEF followed to ascertain the root cause of the event.
2	A.	DEF created a RCA Team consisting of internal experts to investigate and determine
3		the root cause of the event. The RCA Team consisted of six individuals with expertise
4		in engineering, operations and process, and human performance.
5		
6		Following industry standard procedures, the RCA Team employed specific tools used
7		to determine potential root cause(s) including: interviews, event and causal factor
8		review ("E&CF"), flawed barrier analysis, change analysis, component analysis,
9		visual inspections of the equipment, photographs taken following the event,
10		engineering calculations and measurements, and detailed review of outage reports and
11		maintenance logs.
12		REDACTED
13	Q.	Please describe the RCA Team's conclusions.
14	A.	The DEF RCA Team determined that the root cause of the Hines 2 failure and
15		ensuing forced outage was the separation of the HP-IP coupling resulting from the
16		failure of the HP-IP coupling bolts. The coupling failed over time due to improper
17		reassembly during the 2011 outage which was performed by the OEM.
18		
19		
20		
21		
22		
23		

1		The RCA Team reviewed the 50,000 hour inspection performed in March 2011 and
2		discovered that the
3		
4		
5		
6		. If
7		the bolts were properly tightened, a one-time axial, non-vibrational force of 1,540,000
8		pounds would have been required to break all bolts simultaneously. Neither the RCA
9		Team nor the OEM have been able to establish a mechanism that could produce a
LO		force of this magnitude other than the failure mechanism described above, thereby
l1		confirming the RCA conclusion.
12		
13	Q.	Did the RCA Team consider alternative potential root causes?
L4	A.	Yes, the RCA Team evaluated L-0 Blade failure as a potential cause, but that theory
15		was ultimately rejected.
L6		TED/TOTED
L7	Q.	Why did the RCA Team reject the L-0 Blade failure theory?
18	A.	During this event, the Hines 2 Steam Turbine experienced a complete failure of the
19		42-inch titanium, last stage (L-0) LP turbine blade row as well as significant other
20		turbine, generator, and site damage. Because of this fact and due to past industry
21		failures in some L-0 blades in other non-Duke Energy plants, DEF examined an L-0
22		blade failure as a potential root cause. During the RCA investigation, however, DEF
23		discovered

1		As
2		mentioned above, both the RCA Team and OEM have been unable to create a
3		scenario that would yield the amount of force necessary to break all of the bolts after
4		L-0 blade failure had the HP-IP coupling bolts been properly tightened, further
5		indicating that the HP-IP bolts failed prior to L-0 blade failure. Thus, DEF
6		reasonably concluded that it appears to be physically impossible for an L-0 blade
7		failure to be the cause of the event. The root cause report that is Exhibit No (JS-
8		1) to my testimony provides further detail on how the RCA conclusion was
9		investigated.
10		
11	Q.	Does DEF carry insurance on Hines 2?
12	A.	Yes, DEF carries insurance that covers some of the costs associated with the

restoration at Hines 2, but that insurance does not cover replacement fuel costs. Currently, the insurance industry does not offer a reasonably priced replacement fuel cost product, and unlike the mutual insurance company created to provide coverage for replacement power in the event of nuclear outages (Nuclear Electric Insurance Limited ("NEIL")), there is no utility industry collective that provides insurance for replacement power for fossil plant outages. The costs DEF incurred to restore the unit that are covered by DEF's various insurance policies are not at issue in this docket, and any claims that may arise against the OEM as a result of the Hines 2 event are subrogated to DEF's insurers.

22

21

Duke Energy Florida, Inc.
Docket No. 150001
Witness J. Swartz
Exhibit No. ___(JS-1)
61 pages

REDACTED

DEF's Root Cause analysis Report Hines PB2 HP Steam Turbine Evene 7/7/14 Final Report (61 PAGES)

1	Q.	Please describe the process DEF followed to ascertain the root cause of the event.
2	A.	DEF created a RCA Team consisting of internal experts to investigate and determine
3		the root cause of the event. The RCA Team consisted of six individuals with expertise
4		in engineering, operations and process, and human performance.
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7		to determine potential root cause(s) including: interviews, event and causal factor
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13	Q.	Please describe the RCA Team's conclusions.
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14 15	A.	The DEF RCA Team determined that the root cause of the Hines 2 failure and ensuing forced outage was the separation of the HP-IP coupling resulting from the
	A.	
15	A.	ensuing forced outage was the separation of the HP-IP coupling resulting from the
15 16	A.	ensuing forced outage was the separation of the HP-IP coupling resulting from the failure of the HP-IP coupling bolts. The coupling failed over time due to improper
15 16 17	A.	ensuing forced outage was the separation of the HP-IP coupling resulting from the failure of the HP-IP coupling bolts. The coupling failed over time due to improper
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11	Q.	Does DEF carry insurance on Hines 2?	
12	A.	Yes, DEF carries insurance that covers some of the costs associated with the	
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Yes, DEF carries insurance that covers some of the costs associated with the restoration at Hines 2, but that insurance does not cover replacement fuel costs.

Currently, the insurance industry does not offer a reasonably priced replacement fuel cost product, and unlike the mutual insurance company created to provide coverage for replacement power in the event of nuclear outages (Nuclear Electric Insurance Limited ("NEIL")), there is no utility industry collective that provides insurance for replacement power for fossil plant outages. The costs DEF incurred to restore the unit that are covered by DEF's various insurance policies are not at issue in this docket, and any claims that may arise against the OEM as a result of the Hines 2 event are subrogated to DEF's insurers

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Duke Energy Florida, Inc.
Docket No. 150001
Witness J. Swartz
Exhibit No. ___(JS-1)
61 pages

REDACTED

DEF's Root Cause analysis Report Hines PB2 HP Steam Turbine Evene 7/7/14 Final Report (61 PAGES)

Exhibit C

DUKE ENERGY FLORIDA Confidentiality Justification Matrix

	DA CIENTINIE	HIGHEROA TRANS
DOCUMENT/RESPONSES	PAGE/LINE	JUSTIFICATION
Direct Testimony of Jeffrey	Page 5: (Lines 17 through	§366.093(3)(d), F.S.
Swartz; specifically pages 5,	22): The remaining	The document in question
6, and 7	sentences after "OEM".	contains confidential
	Description 2.1 1.6	information, the disclosure of
	Page 6: (Lines 2 through 6):	which would impair DEF's
	the remaining portion of the	efforts to contract for goods or
	sentences after "that the"	services on favorable terms.
	and before "If".	\$266,002(2)(a) E.S.
	Page 6. (Line 22), the	\$366.093(3)(e), F.S.
	Page 6 : (Line 23): the remaining portion of the	The document in question contains confidential
	sentence after "discovered".	information relating to
	sentence arter discovered.	competitive business interests,
	Page 7: entire line 1 and	the disclosure of which would
	before "As".	impair the competitive
	before 715.	business of the provider/owner
		of the information.
DOCUMENT/RESPONSES	PAGE/LINE	JUSTIFICATION
Exhibit No (JS-1),	DEF's Root Cause	§366.093(3)(d), F.S.
	Analysis Report-Hines	The document in question
	PB2 HP Steam Turbine	contains confidential
	Event 7/7/14 Final Report-	information, the disclosure of
	the entire document.	which would impair DEF's
		efforts to contract for goods or
		services on favorable terms.
		8266 002(2)(-) F.S.
		\$366.093(3)(e), F.S.
		The document in question contains confidential
		information relating to
		competitive business interests,
		the disclosure of which would

impair the competitive business of the provider/owner of the information.

Exhibit D AFFIDAVIT OF JEFFREY SWARTZ

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating

performance incentive factor.

Docket No. 150001-EI

Dated: August 4, 2015

AFFIDAVIT OF JEFFREY SWARTZ IN SUPPORT OF DUKE ENERGY FLORIDA'S REQUEST FOR CONFIDENTIAL CLASSIFICATION

STATE OF FLORIDA

COUNTY OF CITRUS

BEFORE ME, the undersigned authority duly authorized to administer oaths, personally appeared Jeffrey Swartz, who being first duly sworn, on oath deposes and says that:

1. My name is Jeffrey Swartz. I am over the age of 18 years old and I have been authorized by Duke Energy Florida (hereinafter "DEF" or the "Company") to give this affidavit in the above-styled proceeding on DEF's behalf and in support of DEF's Request for Confidential Classification (the "Request"). The facts attested to in my affidavit are based upon my personal knowledge.

2. I am the Vice President of Fossil/Hydro Operations Florida. This section is responsible for overall leadership and strategic direction of DEF's power generation fleet.

3. As the Vice President of Fossil/Hydro Operations Florida, I am responsible, along with the other members of the section, for strategic and tactical planning to operate and maintain DEF's non-nuclear generation fleet, generation fleet

project and additions recommendations, major maintenance programs, outage and project management, and retirement of generation facilities.

- 4. DEF is seeking confidential classification for portions of my direct testimony, specifically information on pages 5, 6, and 7, and Exhibit No. ___(JS-1) to my direct testimony filed on August 4, 2015 in this docket. The confidential information at issue is contained in confidential Exhibit A to DEF's Request and is outlined in DEF's Justification Matrix that is attached to DEF's Request as Exhibit C. DEF is requesting confidential classification of this information because it contains sensitive business information, the disclosure of which would impair the Company's competitive business interests and efforts to contract for goods or services on favorable terms.
- 5. The confidential information at issue relates to DEF's Root Cause Analysis Report for the Hines PB2 HP Steam Turbine Event. DEF's rights and claims under its insurance policies covering Hines 2 have been subrogated to its insurers. DEF has maintained the confidentiality of the information at issue in order to protect those subrogated rights and therefore DEF's and its insurers' competitive business interests. DEF has not publicly disclosed the detailed findings contained in the Root Cause Analysis report. Without DEF's measures to maintain the confidentiality of this sensitive business information, the value of the subrogated rights and claims would be undermined.
- 6. Additionally, the disclosure of confidential information in DEF's Root Cause Analysis, could adversely impact DEF's competitive business interests. If DEF cannot maintain the value of subrogated rights and claims on behalf of its insurers, DEF's

efforts to obtain insurance that provide economic value to both DEF and its ratepayers could be compromised.

- 7. Upon receipt of its own confidential information, strict procedures are established and followed to maintain the confidentiality of the terms of the documents and information provided, including restricting access to those persons who need the information to assist the Company, and restricting the number of, and access to the information and contracts. At no time since receiving the information in question has the Company publicly disclosed that information. The Company has treated and continues to treat the information at issue as confidential.
 - 8. This concludes my affidavit.

Further affiant sayeth not.

Dated the <u>51</u> day of <u>Jucy</u>, 2015.

(Signature)
Jeffrey Swartz
Vice President
Fossil/Hydro Operations Florida
Duke Energy Florida, Inc.
South Region Office
Crystal River, FL

	AENT was sworn to and subscribed before me this by Swartz. He is personally known to me, or has	
produced his driver's license, or his		
as identification.		
BARBARA MARTINUZZI Notery Public - State of Florida My Comm. Expires May 10, 2017	Signature) Barbara Martinezzi Barbara Martinezzi	
Commission # EE 887914	Barbara Martinuzzi	
(AFFIX NOTARIAL SEAL)	(Printed Name) NOTARY PUBLIC, STATE OF	
	(Commission Expiration Date)	
	EE 867914	
	(Serial Number, If Any)	