BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 100009-EI

In the Matter of:

NUCLEAR COST RECOVERY CLAUSE.
_________________________________/

VOLUME 1

Pages 1 through 168

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PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN NANCY ARGENZIANO
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER NATHAN A. SKOP
COMMISSIONER ART GRAHAM
COMMISSIONER RONALD A. BRISÉ

DATE: Tuesday, August 24, 2010

TIME: Commenced at 9:30 a.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: LINDA BOLES, RPR, CRR
Official FPSC Reporter
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FLORIDA PUBLIC SERVICE COMMISSION

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I N D E X

WITNESSES

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P R O C E E D I N G S

CHAIRMAN ARGENZIANO: Good morning. Just gather my things here and we will start our hearing. We will convene our hearing this morning, and we'll have staff read the notice.

MR. YOUNG: Good morning. By notice duly given on August 10th, 2010, this time and place has been set for a hearing in Docket Number 10009-EI (sic.), Nuclear Cost Recovery Clause. The purpose of this hearing is set out in the notice.

CHAIRMAN ARGENZIANO: We'll take appearances.

MR. ANDERSON: Good morning, Chairman Argenziano.

CHAIRMAN ARGENZIANO: Good morning.

MR. ANDERSON: Good morning, Commissioners. My name is Bryan Anderson. I'm here today with my colleague Mitchell Ross and with Jessica Cano. We are attorneys for Florida Power & Light Company.

CHAIRMAN ARGENZIANO: Good morning.

MR. WALLS: Good morning, Commissioners. My name is Mike Walls with Carlton Fields on behalf of Progress Energy Florida. Behind me is Mr. Glenn, Alex Glenn and John Burnett, also appearing on behalf of Progress Energy Florida.

CHAIRMAN ARGENZIANO: Good morning.

MS. HUHTA: Good morning, Commissioners. Blaise Huhta with Carlton Fields, also on behalf of Progress Energy Florida.

CHAIRMAN ARGENZIANO: Good morning.

MR. JACOBS: Good morning, Commissioners. Leon Jacobs here. With me is Gary Davis, and he'll be carrying on most of the case, and we represent Southern Alliance For Clean Energy.

CHAIRMAN ARGENZIANO: Good morning.

MS. KAUFMAN: Good morning, Chairman and Commissioners. I'm Vicki Gordon Kaufman. I am with the law firm of Keefe, Anchors, Gordon & Moyle here in Tallahassee. We're appearing on behalf of the Florida Industrial Power Users Group. And I'd like to enter an appearance for Jon Moyle as well.

MR. BREW: Good morning.

CHAIRMAN ARGENZIANO: Good morning.

MR. BREW: My name is James Brew. I'm with the law firm of Brickfield, Burchette, Ritts & Stone. I'm representing White Springs Agricultural Chemicals - PCS Phosphate in this proceeding, and I'd also like to make an appearance for F. Alvin Taylor.

MR. REHWINKEL: Good morning. My name is Charles Rehwinkel, Florida Office of Public Counsel. Here with me today also making an appearance is Joe

McGlothlin and J.R. Kelly.

CHAIRMAN ARGENZIANO: Good morning.

CAPTAIN McNEILL: Good morning, Madam Chair, Commissioners. Captain Shayla McNeill on behalf of the Federal Executive Agencies.

CHAIRMAN ARGENZIANO: Good morning, Captain.

Okay. Let's move into our technical hearing. I'm sorry.

MR. YOUNG: Madam Chair.

CHAIRMAN ARGENZIANO: Sorry. Go ahead.

MR. YOUNG: Keino Young, Anna R. Williams.

CHAIRMAN ARGENZIANO: I'm sorry.

MR. YOUNG: Keino Young, Anna R. Williams and Lisa Bennett on behalf of the staff.

MS. HELTON: And, Madam Chairman, Mary Anne Helton, Advisor to the Commission. And also here today to advise the Commission is our General Counsel, Curt Kiser.

CHAIRMAN ARGENZIANO: We're done. Anybody else? Okay. Let's move into our technical hearing and start with preliminary matters. Yes.

MR. YOUNG: Madam Chairman, staff has prepared a Comprehensive Exhibit List. The list itself is marked as Exhibit Number 1. If there are no objections to the Comprehensive Exhibit List, staff will ask that the

Comprehensive Exhibit List be entered into the record as, be entered into the record after opening statements or at the Chairman's pleasure.

CHAIRMAN ARGENZIANO: Any comments? Fine.

(Exhibit 1 marked for identification.)

MR. YOUNG: Also, Madam Chairman, staff will ask that the staff's stipulated exhibits that is included throughout the Comprehensive Exhibit List be entered into the record after opening statements of each case or at the Chairman's pleasure.

CHAIRMAN ARGENZIANO: So be it. Thank you.

MR. YOUNG: Staff will also, staff will also request, Madam Chairman, that, that marked -- staff would also request marking the listed exhibits as numbered in the Comprehensive Exhibit List and suggest that any other exhibits proffered during the hearing be numbered sequentially following those listed in the Comprehensive Exhibit List.

CHAIRMAN ARGENZIANO: Very good.

MR. YOUNG: The stipulated prefiled testimony exhibits can be taken up in turn as the witnesses are called at the hearing. At that time, staff will recommend that the testimony of the stipulated witnesses be inserted into the record as though read, and staff will request that the stipulated exhibits be moved into the record.

CHAIRMAN ARGENZIANO: Very good. And we have excused witnesses?

MR. YOUNG: Yes, ma'am. The following witnesses have been excused: Cooper, Gunderson, Karp, Garrett, Galloway, and Galloway.

CHAIRMAN ARGENZIANO: Okay. Why don't we -- okay. We're on the proposed stipulations. Do I see somebody? Okay. Do we want to take up Progress first?

COMMISSIONER SKOP: Madam Chair.

CHAIRMAN ARGENZIANO: Commissioner Skop.

COMMISSIONER SKOP: I'd be prepared to take up Progress first, if it's the will of the Commission.

CHAIRMAN ARGENZIANO: And then move back, since staff has noted that they requested any stipulations concerning FPL be taken up after an opportunity to cross-examine the three witnesses, FPL witnesses.

COMMISSIONER SKOP: Madam Chair.

CHAIRMAN ARGENZIANO: Commissioner Skop.

COMMISSIONER SKOP: I also have problems with that. At the time when we get to the motion, I would like to speak to the proposed motion for stipulation. I have substantial issues with considering the proposed stipulations prior to hearing all of the FPL witness testimony in this docket for reasons that I will get into.

CHAIRMAN ARGENZIANO: Okay. Anyone else? Then why don't we do -- why don't we go to Progress and move on with our agenda, and then we'll come back to the stipulation.

Staff.

MS. KAUFMAN: Chairman Argenziano?

CHAIRMAN ARGENZIANO: Yes.

MS. KAUFMAN: I'm sorry. And respectfully, Commissioner Skop, I just wanted to ask the Commission if it might be possible to take up the Florida Power & Light stipulation before we begin the witness testimony just for purposes of planning and maybe to avoid some late nights and so the witnesses would know.

COMMISSIONER SKOP: Thank you, Madam --

MS. KAUFMAN: Just for, you know, ease of administration.

COMMISSIONER SKOP: Thank you, Madam Chairman. And, Ms. Kaufman, again, I think that, you know, in fairness to Progress, I mean, we could have lengthy debate as to whether to accept the motion or approve the motion for the proposed stipulations, but I don't believe that would be fair to Progress. I mean, they're here, they're prepared to put on their case in chief.

The Order Establishing Procedure indicated that Progress would go first. The motion was filed, you know, a few days ago, to say the least. I have problems. I don't have a problem in discussing the motion prior to the FPL case in chief. However, I will have problems considering accepting the proposed stipulations for reasons that I will get into that should be astutely obvious to all of the intervening parties that agreed to this proposed stipulation. I'll get into that at the appropriate time. But it's probably going to be a lengthy discussion and, you know, I'm -- from my perspective, I'm willing to consider the stipulations after hearing the witness testimony. But I will get into that at the appropriate time. Thank you.

CHAIRMAN ARGENZIANO: Let's proceed with Progress's case. Thank you.

MR. YOUNG: Madam Chairman?

CHAIRMAN ARGENZIANO: Yes, please.

MR. YOUNG: Opening statements, if any, staff recommends shall not exceed ten minutes as ruled upon by the Prehearing Officer for PEF's petition.

CHAIRMAN ARGENZIANO: Okay. Opening statements.

MR. GLENN: Thank you, Madam Chairman, Commissioners. Alex Glenn on behalf of Progress Energy

Florida.

My company has two projects before this Commission today: Our Levy nuclear plant project and our Crystal River Unit 3, CR3, power uprate project.

With respect to our Levy nuclear project, the real question today is this: Should our company continue to build these plants and have new nuclear generation in Florida? That's really it. We say yes. We intend to build these plants because it's the right thing to do for our customers and for the State of Florida. This decision really is about the future 60-plus years that these nuclear power plants are going to produce electricity and provide billions of dollars of benefits for our customers. These plants are going to enhance fuel diversity, reduce reliance on fossil fuels and provide carbon free baseload energy. These plants will also provide our customers billions of dollars of fuel savings over the plants' lives.

Now these long-term nuclear benefits are the reasons that the Legislature decided to encourage investment in new nuclear generation, the reasons we decided to build these plants and the reasons that this Commission decided to approve our need determination and build these plants. The reasons to build these plants still exist today.

Now Intervenors will tell you that there's greater uncertainty, that the costs have increased, that the risks have increased, that the plants are expensive, that they will be delayed several years, that they could increase the price $5 billion. Some will tell you that the project should be canceled, some will tell you that the project should not be canceled, but that projected costs should be placed at risk if the project is canceled at some future time.

Let's be clear, there is greater uncertainty, there is greater risk since the need determination, potential risks and uncertainties, I would note, that we raised in our need determination, that we raised in our 2008 nuclear cost recovery docket, our 2009 filing, and in our prefiled direct testimony today. So we don't entirely disagree with the Intervenors that the overall risk profile of the Levy project has changed since the project began. Where we depart completely from the Intervenors is on the notion that the increased uncertainties make project cancellation the optimal choice.

Under the circumstances facing us, we agree that project cancellation is an alternative that must be considered. We considered it. We studied it and analyzed it in great detail. Had my company not been able to mitigate some of the risks and uncertainties through an amendment to our engineering, procurement and construction contract, our EPC agreement, we would have canceled the project. But we were able to amend the EPC agreement in a prudent manner that will allow us to continue with the project in a deliberate and prudent way.

The path we've chosen, we believe, properly balances the risks and the benefits of the Levy project and is the optimal decision for our customers and for the state. It recognizes the long-term substantial benefits of these plants to our customers, while mitigating the short-term uncertainty and risk by reducing the capital investment and the costs to our customers in the near term until we obtain the operating license from the U.S. Nuclear Regulatory Commission, the NRC.

Now after months of review of our evaluation and our decision, the Commission staff audit agreed. In their audit report, the staff states, and I quote, given the uncertainties facing the company, audit staff recognizes that keeping the project progressing without further substantial investment and cost is a reasonable approach at this point in time.

Now some of the Intervenors may contend that our decision was not reasonable, but listen carefully to what they're saying. What they're really saying is that they think a different decision should be made. That decision, project cancellation, will virtually end the development of nuclear generation in Florida. That decision, we contend, is not the optimal decision given the substantial long-term benefits of new nuclear generation. That decision, abandoning new nuclear at this stage and foregoing the opportunity to realize billions of dollars over the long-term, in our view would be shortsighted. And we believe after you hear all the evidence, after you listen, you listen to Mr. Lyash and Mr. Elnitsky, that you'll agree with us.

Now turning to our CR3 uprate project, this project involves modifications to our existing nuclear power plant, the CR3 plant, to increase the power output by 180 megawatts when the project is finished. Now we separated this project into three phases of work over the planned refueling outages when the unit is already offline. We completed the Phase 1 work in the 2007 refueling outage. We completed, just completed the Phase 2 work in our recent 2009 refueling outage. And we're on track to complete the Phase 3 work, what we call the extended power uprate or EPU, you'll hear the witnesses talk about, is on schedule for the next planned CR3 refueling outage.

Now the EPU requires us to file a license amendment request or LAR, you'll hear the witnesses say L-A-R or LAR, which must be approved by the Nuclear Regulatory Commission prior to the full power uprate. Now the Commission's staff auditors raised questions regarding the $1.8 million that we paid to AREVA to provide an initial draft of the LAR because we needed to do rework on that initial draft.

The initial draft LAR was not the quality product it should have been, period. We recognized that at the time and we corrected it at no additional cost to our customers. Let me say that again. Any work to fix the initial draft rework on the initial draft of the LAR was done at no additional cost to customers. It was done on AREVA's dime, and you'll hear Mr. Franke talk about that.

Now we continue to work with the NRC on the LAR submittal and we remain confident that we will obtain that approval. No one really contends otherwise here today. In fact, OPC's witness, Dr. Jacobs, agrees that we could obtain approval of the LAR. Dr. Jacobs, however, recommends that we demonstrate the project is feasible and that our project schedule is prudent next year. In next year's docket, not today, not this week during the hearings, but next year based on the NRC's future review of our license amendment request.

Just as he unsuccessfully argued last year, Dr. Jacobs simply disagrees with a project schedule where a substantial portion of the project costs are incurred before we actually obtain approval by the NRC.

Now as this Commission heard and agreed last year, this is the way every other nuclear power uprate project has been licensed and managed by every other utility across the country, and that the NRC has approved every single uprate of the 104 since 2001. So, again, this was Dr. Jacobs' same argument last year which was not accepted when the Commission approved all of our reasonable and prudent uprate costs, and it should not be accepted this year as well.

So why are we here? We ask this Commission to find that Progress Energy prudently incurred costs on our Levy project and our CR3 power uprate project in 2009, that our 2010 and projected 2011 costs are reasonable, that we be allowed to recover those prudent and reasonable costs and really, most important, that moving forward with new nuclear in Florida remains the right course of action for customers and for the state. Thank you.

CHAIRMAN ARGENZIANO: Thank you. Who's up?

MR. REHWINKEL: I think --

CHAIRMAN ARGENZIANO: Sorry.

MR. REHWINKEL: Yeah. Madam Chairman, Charles Rehwinkel with the Office of Public Counsel. I assume that we're going to go in the order that we've agreed among ourselves to cross.

CHAIRMAN ARGENZIANO: Yes. That will be fine. Thank you.

MR. REHWINKEL: Madam Chairman, Commissioners, my name is Charles Rehwinkel with the Office of Public Counsel.

Today you embark on a historical hearing for the people of Florida. You have heard Progress's opening, and it is the opening I would expect from a worthy and honorable opponent in a hearing like this. Count how many times you heard the word "optimal" in the opening statement. We understand that Progress would like you to make or endorse the optimal decision that they have made, but we're asking you to make what's the best decision for the people of Florida.

From our perspective, there are at least two major issues for you to decide in this docket this week. One relates to the overall status of the Levy nuclear project and whether customers, Florida customers should be forced to pony up 100 percent of the stakes to place a 400 plus million dollar bet in a high stakes gamble where the odds have decreased lately for any chance of a payoff.

The second major issue is whether Progress made a prudent decision back in 2006 or 2007 about the sequencing of the licensing and procurement activities for the Crystal River Unit 3 extended power uprate project. While both issues are significant, it is the LNP decision that we believe deserves your most careful consideration in this year's proceeding.

The ramifications of your ultimate decision are profound and will certainly impact Florida customers' bills either positively or negatively for the next ten to 15 years and beyond. The evidence will be fairly undisputed that the LNP project that you authorized barely two years ago, two years ago this month, has encountered a series of setbacks since those euphoric days of the summers of 2008. Literally days after your August 8th issuance of your need order, housing and financial crises plunged financial and credit markets into turmoil, triggering a recession that has been the worst since the Great Depression. Recovery has been slow, a domino effect on customer demand, natural gas prices, and the appetite for any form of carbon tax have materially undercut the very foundation upon which the Levy need case was decided.

Against this backdrop, the critical early work authorization that was essential to meeting the then fast track of the LNP project was denied by the NRC in early 2009. Together you will hear testimony these events have put the LNP project into a tailspin. Initially in May 2009 the company announced then just a 20-month delay in the in-service date of the LNP. However, as 2009 progressed, that relatively significant delay grew to a 24-month and then a 36-month delay in those discussions in the North Carolina offices and board room of the parent corporation. Scenarios were analyzed you will hear about, numbers were crunched. The parent company's senior executives and the Progress Energy parent board debated and decided that the financials of the corporation would not support even that significant three-year delay.

Instead, it was back to the drawing board. Look at 60 months, five years. This was done. The senior management of the parent corporation and the board settled upon what effectively is a minimum five-year delay in any possible in-service date of the plant. This even took the option for nuclear generation outside the window of the need determination that you had just determined in 2008. But importantly to

Progress Energy's shareholders, it provided a safe haven for billions of dollars of the corporation's precious capital.

Sounds like a good deal; correct? Well, there's one tiny hitch. The proposed scenario approved by the board that they're asking for your endorsement of comes at a steep price to Florida customers; not to Progress, but to Florida customers. They keep their powder dry, they buy time to improve their financial outlook. The price instead is proposed -- the price for continuing at this juncture of the project is proposed to be paid by PEF's customers here in Florida.

Let's look at the price tag for delay. We believe the evidence you will hear will show that if it is even built, the overall project costs go from above the original $17.2 billion number that you endorsed two years ago to well above $20 billion, with the chance that it could significantly increase another 10 percent or more by PEF's own estimate. Customers' bills in the years before it goes into service, if it's ever built, would be increased well above the, more than 50 percent above the amount you were told in the 2008 hearing. Base rates, base rates for Progress Energy's customers in Florida would more than double by the time the two LNP units would go into service in 2022.

From 2010 to 2012 and during the minimum time that construction of the project would be on hold, PEF's customers will be asked to pay what amounts to a retainer or option fee of more than $400 million just so PEF can wait and see if conditions might get better so they can consider taking the steps to restart the stalled project.

All of this real story is masked by the legal speak of the testimony that follows, the statutory formula that ensures that the company gets their money upfront and what they really hope will be a rather routine cost recovery docket. What was once a robust, fast-tracked construction project has been whittled down to essentially the management of what remains of a $7.6 billion contract that PEF rushed headlong to sign in those heady days of 2008 when they really were taking a vigorous and unambiguous step to build this nuclear plant. Back then they could look you in the eye and tell you that they unequivocally were building a nuclear power plant.

Commissioners, we strongly urge and we plead with you to read between the lines of what you hear today in the evidence. Listen to the subtle wording and the shading in the wordings, the subtext. Accept the company's invitation that you've heard hear today to critically evaluate the status of this project. You must glean from both the words and actions embodied in the evidence enough information to make your own decision and judgment about this project.

You will hear live testimony in this hearing from four outstanding nuclear engineers, three of them testifying on the Levy project: Our witness, Dr. William Jacobs, and Jeff Lyash and John Elnitsky from Progress Energy. They all have impeccable credentials.

Dr. Jacobs has extensive involvement in the construction and startup of nuclear plants. He is the Georgia Public Service Commission's independent construction monitor for the only nuclear plant project that has actual safety-related construction underway. And while it may be uncommon to hear an attorney from the other side compliment the witnesses for another side, I must state my admiration and respect for all three of Progress Energy's excellent nuclear engineering witnesses. Jon Franke is a nuclear engineer you will hear from in the CR3 portion of the document.

In the Levy part of the case, however, you cannot help but be impressed with the credentials, experience, knowledge, passion, earnestness and sincerity of these professionals. If you're going to contract for, procure and build a nuclear plant, these are the people that you want to have working for you. They're passionate about this project, they believe they can build it. They will tell you they know they can build it. They will tell you they want to build it. They will even tell you they intend to build it. But they will not testify and they cannot testify that they will build it. They cannot say this and they will not say this because they don't know for certain if conditions will ever improve so that they can take the steps to restart this project and build the plant.

This case though is not about their personalities. You will hear a lot of testimony about enterprise risks. These are risks outside of their control. These are risks that are so great that they have effectively caused the project to be on indefinite hold until and only if these risks become such that the Progress Energy Corporation board of directors take the steps to authorize them to tell the contractor to restart the project and proceed sometime maybe in 2013 or 2014 at the earliest based on what is basically a guestimate.

We believe you will see that at best this once vibrant, robust LNP project is now very tenuous. It's effectively on life support, and someone has to decide who will pay to continue to keep the patient alive.

Progress has a proposal for you today, but you have the last word on who pays. Progress is willing to keep its option alive and they describe it as an option in their testimony, so long as the Florida customers pay all of the 400 million plus hospital bill. Otherwise, management in North Carolina is unwilling to put any of the shareholders' money on the line.

In prefiled testimony, they appear to want to give -- want you to give the unqualified blessing of this Commission to submitting the bill to those customers, all the while they concede that the project may never be built.

Dr. Jacobs testifies that PEF gave little or no consideration to a scenario that PEF would spend over $400 million of the customers' money, get a license to build the plant and still cancel it. The company has now said that they were aware of this potential outcome and implicitly considered it. They will testify that $400 million is but a small price to pay and that it is, quote, clearly insignificant, close quote. This analysis is insensitive at best and inadequate at worst. The customers deserve better. They deserve your active supervision and oversight. They need for you to step in and say, Progress, you must share in this gamble. If you want to ask your customers to support this project in its current state, you must share in it equally at least. Public Counsel takes this position --

CHAIRMAN ARGENZIANO: Mr. Rehwinkel, you're at your ten-minute mark.

MR. REHWINKEL: Okay. This is the position of the Office of Public Counsel, and I appreciate your consideration. Thank you.

CHAIRMAN ARGENZIANO: Thank you.

MR. BREW: Good morning, Madam Chairman, Commissioners.

CHAIRMAN ARGENZIANO: Good morning.

MR. BREW: My name is James Brew. I'm counsel for PCS Phosphate in this proceeding. PCS Phosphate operates mining and fertilizer manufacturing facilities over about 100,000 acres in Hamilton County. The operation is very energy intensive. To put things in perspective, PCS is about a 70-megawatt load that uses as much electricity as a city of roughly 100,000 people. We are one of the largest interruptible loads on the Progress system, and Progress does cut us off in order to preserve firm and reliable service to their firm service customers.

The PCS operation is also a source of renewable energy in that we recapture waste heat from manufacture of sulfuric acid to generate substantial amounts of electricity with no incremental carbon emissions.

Now most important for the purposes of this proceeding, PCS operates in a globally competitive marketplace, and the cost of electric power is a big component of our overall operating cost. The decisions you make in this docket very definitely affects our economic competitiveness.

It's also important, I think, to appreciate that PCS does not have any particular interest for or against nuclear power in general. We do not bring any preconceived agenda to these proceedings other than a need for reliable and economically competitive power.

Now I want to talk briefly about the Levy project. There are, as you know, three basic purposes to these nuclear cost recovery proceedings: To audit the actual and estimated costs of the project, to determine the prudence of costs that might be recovered, and to assess the long-term feasibility of completing the project.

There is, as we know, a fourth essential function of these proceedings, and that is how to address the rate impacts of the project. In 2008, the Commission approved $418 million for recovery for the project and deferred $198 million for later recovery.

Last year, the Commission approved $444 million for recovery and agreed to spread the $273 million of those costs over five years. And so $60 million of the amounts requested for recovery this year relate to the amortization of last year's costs.

Putting our position in the briefest terms, Progress consumers can't afford Levy alone. In this docket we must come to grips with a monumental change in the project. It is now five years behind schedule, an additional $5 billion over cost, over the original estimate. That brings the going in before construction estimated installed cost of the two units up to $22.5 billion.

Now there are two major issues that a, that accompany this cost and schedule increase. First -- and Progress offers at least three witnesses to talk about enterprise risks. Interestingly, none of those enterprise risks include project management, engineering, procurement, construction or all of the other facets of construction where you normally expect delays and cost increases to occur. The point in all of this is that Progress is trying to make it very clear that they are not understating the going-forward risks of this project and that those risks are, in fact, increasing.

Second, unlike last year, unlike in the need case, Progress no longer claims that finalizing joint ownership agreements is a top priority and just around the corner. The company concedes that for the foreseeable future, and one would guess at least through the receipt of a construction license but probably beyond that, Progress and its ratepayers are on their own. Folks may talk about having a potential interest in the future about investing in the Levy project, but there is no one at this point that's been willing to commit their capital to the project.

So after we finish talking about the omitted EPC contract, enterprise risks and Progress's three Levy scenarios, we return to the core concern, which is the level of customer rate impacts. And the unaltered fact that is not disputed is that these impacts are thoroughly unacceptable even in a best-case scenario. Also, waiting three or four years while the licensing process follows its course will not lessen the project cost or impacts but will throw another $450 million of ratepayer money at the project.

Given this outlook, which pretty much is not in dispute between Progress and the Intervenors that filed testimony, PCS urges the Commission to bring an element of common sense to this process. We believe that the fundamental issue is that Levy is not viable without significant joint ownership even in a best-case scenario because the rate impacts will be too severe long before the units approach in-service, and especially because the best-case scenario is not a particularly likely one.

We also believe that the impact of the schedule delay on Progress's inability to secure joint ownership participation must be addressed before Progress ratepayers are placed more at risk.

Now let's briefly talk about the rate impacts for a minute based on the information in this case.

Based on what Progress has supplied, they now estimate that the project costs at $22.5 billion, about $8 billion of that would be recovered through the NCRC, still leaving about $14 billion to go into base rates. Now you take a 10 percent return on $14 billion taxes, property taxes and depreciation, and we're looking at $2 billion base rate increases when the units go into service.

What we do have from Progress is an estimate that once the units go into service, the average cost to your average residential customer is going to go up about 700 bucks a year. And in 2014 as part of the NCRC recovery your average residential customer is going to see increases of about 300 bucks a year.

In the past two years, the Commission has found ways to spread some of the rate impacts over time. As the project spins up on its own, with Progress alone, there's not going to be a way to spread those costs over time. We're going to have to confront them squarely, and we think this is an issue that we have to deal with now.

With respect to joint ownership, Progress has maintained that it has actively negotiated to find other participants in this project. And remember that since the costs of the project aren't likely to really go down, they're only likely to go up, the essential way for mitigating rate impacts is to find others to share in the costs and risks. And Progress has maintained that it's been actively discussing this with various parties in Florida, but that it's needed greater clarity. Well, now they have a need determination, they have Cabinet approval for the site, they filed their application with the NRC, they negotiated an EPC contract, they negotiated an amendment to the EPC contract. And instead of joint ownership being right around the corner, now it's basically back burner, which means that for the foreseeable future, Progress ratepayers are on their own, and that's something that has to be dealt with.

Next, and ironically or perhaps most importantly, the basic definition of prudence concerns what a reasonable utility manager would do under the same or similar circumstance. Now in your average prudence case that's usually clouded by the fact that parties argue you can't apply hindsight information to that determination. Well, here we have spot on comparisons. Other Florida utility systems managers that need to address their resource needs under the same circumstances in Florida, including Florida's interest in developing clean energy sources, have determined that the known costs of Levy are too high, the risks are too uncertain, and they are unwilling at this point to commit their capital to the project. So as opposed to -- it's not so much that reasonable people can differ on which option is optimal or best, but that other Florida utility system managers have all actually decided against project participation at this time.

To sum up, it's our view that it's now apparent that Levy is not viable with Progress as the sole owner for the simple reason that the rate impacts for Progress customers are too severe. We do not see any winners in a dynamic in which Progress shareholders and consumers are effectively all in every year in these proceedings over the cost of the project and the rate impacts. We do not see any ratepayer benefit in spending another $450 million to arrive at exactly the same point in three years.

What we're recommending is that the recommendations of the Public Counsel to look at other options should be adopted. And more importantly, that absent executed agreements for joint ownership amounting to at least 50 percent of the capacity of both units, which is what PCS argued in the need case was required since there was never a need for the second unit in the first place, the Commission should not approve cost recovery for anything besides licensing and that those issues need to be addressed here. Thank you.

CHAIRMAN ARGENZIANO: Thank you.

Ms. Kaufman.

MS. KAUFMAN: Thank you, Madam Chairman, Commissioners.

I'm Vicki Gordon Kaufman, and I am here on behalf of the Florida Industrial Power Users Group, and you'll hear them referred to throughout the proceeding by the acronym FIPUG. I just wanted to take a moment before I turn to Progress's request to tell you all a little bit about FIPUG and who they are.

FIPUG is a group of large industrial customers throughout the state, and our members are engaged in various and diverse endeavors such as phosphate mining and production; air separation for use in hospitals; grocery chains, which, as you can imagine, have very large electrical loads; hospitals; cement companies; all of whom are large, large consumers of electricity.

These companies have several things in common. One thing that they have in common is that they employ people in the areas in which they are located, and FIPUG members take service both in Progress and in Florida Power & Light's territory, they contribute to the local tax base of their communities for support of schools and other services, they create jobs, and they support and are trying to expand economic development in Florida, which I think we all know is a big and important issue in these economic times.

The FIPUG members also have something else in common, and that is that one of their largest variable costs, and for many of them the largest variable cost that they have when they try to plan their budgets and plan for the future is the price of electricity. And when I talk about electricity, I'm not only talking about base rates but about all the pass-through clauses that appear on every customer's bill every month, including the nuclear pass-through clause that you're considering here. And we know that those clauses are now accounting for over half of customers' bills.

So you'll see FIPUG here in this proceeding and you will see them in other proceedings where you consider issues related to whether the utilities are appropriately pursuing the best course to ensure that they deliver reliable and cost-effective power to the ratepayers, and how their projects, including the ones you're going to hear about today, what impact those projects have on the rates that FIPUG members and all consumers in Florida pay.

I want to talk about the Levy project first, and I'll try not to repeat what my colleagues have said about it, which FIPUG agrees with their positions. I will tell you that FIPUG has very grave concerns regarding this project and the amount of money that has been spent and will be spent on it, including whether it will ever be built and whether it will ever provide any energy to ratepayers.

Since your approval of the project in the determination of need, the project has experienced delay after delay, increase after increase, while the company continues to receive complete recovery for every dollar and while ratepayers pay the bill, retail ratepayers only.

The delays include the fact that the NRC refused to issue Progress a limited work authorization for certain activities, and this denial led to an entire restructuring of the schedule for the project. Currently, and I believe this is subject to many more delays given the risks that Progress itself describes through many of its witnesses, you have a project that's five years behind schedule, $5 billion over budget, and the first slab of cement has not been poured.

At this point in time, as others have mentioned and as you'll hear I think the Progress witnesses talk about in some detail, the project faces numerous risks and uncertainties, including licensing and permitting issues, uncertainty in state and federal energy policy, world and state economic conditions, and these are only some of the risks.

And as Mr. Rehwinkel has already described to you, essentially Progress has this project on hold at the ratepayers' expense until they -- as they continue to see what their future may hold. On top of this, as Mr. Brew has alluded to, there is no joint ownership in this project. This joint ownership, were Progress able to secure it, would certainly take some of the onus off the retail ratepayers who now are bearing the entire burden of the project.

Now Mr. Lyash in his testimony describes the status or maybe it's more correct to say the lack thereof of the joint ownership situation, and he basically says that the prospective joint owners need greater certainty about the project. And as I read his testimony, he doesn't hold out any hope for joint ownership any time in the near future. Just as prospective joint owners are evaluating the risks and uncertainty, that's what's facing Florida's ratepayers as well. Potential joint owners see the risk and they're unwilling to commit to it, essentially leaving the retail ratepayers holding the bag here.

Mr. Brew talked to you about rate impact, and I have a feeling that that's something that we're going to hear a lot about as we start the hearing. The rate impact of this project is significant, and I think you need to look at the rate impact and balance it against the grave uncertainty as to whether this project will ever come to fruition and ever provide any benefits to retail ratepayers.

Now to summarize the difficulties that the project has faced, but, as I said, Progress wants the ratepayers to continue to pay every single dollar while they have no -- someone said in this case, they have no skin in the game. The costs are simply passed through to the retail ratepayers, and we think it's unfair to continue to ask the ratepayers to bear the financial burden of a project that may never materialize and has faced one delay and one increase after another.

So we would join in the recommendations that my colleagues have given to you, and we would ask you to do two things after you hear the testimony. We would ask you to continue, I mean, to consider deferring the cost recovery of any future costs for this project until we have a handle as to whether this project is ever going to happen. And then we also think you should take a hard look at some kind of risk sharing mechanism so that the ratepayers are not what I call the payer of last resort in this situation.

As you know, ratepayers, including FIPUG members and all consumers, they don't have an option as to where they can get their electric service and they don't have an option as to what, what appears on their bill. That's your job to take a look at this and be sure that the costs that are sought and that ultimately the ratepayers pay are reasonable. We believe you have the authority to adopt a risk sharing mechanism, and I know that's an issue that we're going to brief after the hearing is over.

As, briefly as to the uprate project, we have a lot of concerns about this project as well. We agree with Mr. Rehwinkel, the costs pale in comparison to the Levy project, but it's still important. As I understand it as we sit here today, Progress has not even submitted its license amendment request or LAR to the NRC, which it needs to proceed with the project. So we would ask you to thoroughly review Progress's activities in regard to the management of this project and see whether there are duplicate costs that may have been incurred in regard to the work that Mr. Glenn mentioned that AREVA has done on the, on the LAR and the revision of the LAR, which I understand to still be in progress.

Commissioners, this is an important docket, its issues are vitally important to the ratepayers of Florida, and FIPUG appreciates the opportunity to present its views to you, and we know that you will carefully consider them. Thank you.

CHAIRMAN ARGENZIANO: Thank you.

Mr. Jacobs or -- I'm sorry.

MR. JACOBS: Madam Chairman, Mr. Davis will offer the -- one brief point. I omitted entering an appearance for Mr. James Whitlock as well on behalf of the Southern Alliance for Clean Energy.

CHAIRMAN ARGENZIANO: Wonderful.

MR. DAVIS: Good morning, Madam Chair and members of the Commission.

CHAIRMAN ARGENZIANO: Good morning.

MR. DAVIS: My name is Gary Davis, and I'm here representing the Southern Alliance for Clean Energy today. Those of you who may not be familiar with SACE, we have made a big investment in working with this Commission in a number of documents. SACE does this throughout the southeast. I'm honored to be on the board of SACE as -- and serve with Mr. Jacobs in addition to representing SACE here today. We work with Commissions throughout the southeast to promote responsible energy choices, and that's why we're here in this docket today.

As you may know, we appeared last year as well. And the -- we're participating again to focus the Commission on the basic point that, of the lack of long-term feasibility of the Levy nuclear project. We're not taking a position other than supporting the position of OPC on the uprate project, but we're focused entirely on Levy in this docket.

Last year Progress was forced to acknowledge a scheduled delay of 20 months and as compared to the schedule that was the basis for the need determination in 2008. In the space of one year that schedule delay has tripled, now we're talking 60 months or five years, and the projected non-firm cost has grown from $17.2 billion to $22.5 billion for the project. That's an over $5 billion increase, 31 percent, in one year. So remember those two numbers, five and five, five years, $5 billion in the space of one year. So under the current schedule, the Levy project would not be in service until 2021, 2022. That's beyond the ten-year plan horizon of the utility.

As I will discuss in a minute, SACE predicted this would happen last year, but Progress refused to acknowledge the possibility. And now Progress has acknowledged that the economics of nuclear construction are highly uncertain even with the cost recovery from the ratepayers, and they are asking for $148 million just to preserve a place in line or, as Progress says, preserve the nuclear option.

Reserving a place in line has little value for the Progress ratepayers because the line is leading nowhere. I call it the line to nowhere. Progress has presented you with a false choice today. It's not a choice where you are going to cancel the Levy project. That's not your role. It is entirely up to Progress to decide whether to cancel. Your role is to determine the long-term feasibility of the project and to decide whether the ratepayers of Progress are going to be on the hook for more costs if the project proceeds.

These costs are not reasonable or prudent and that's another decision you have to make. But if Progress believes that the costs are reasonable from a corporate perspective, then you have the choice of saying to Progress in this docket, go ahead and take that risk yourselves. You're not canceling a nuclear project if you determine that the Levy project is not feasible in the long-term and if you determine that the recovery of costs in the future are not reasonable. That's again not your role.

Now for the new Commissioners on the Commission, I'm sure you're familiar with the cost recovery rule at this point. But just harking back to the mission statement, your mission is to facilitate the efficient provision of safe and reliable utility services at fair prices. So your job is not to make sure that Progress's board decisions are validated. It's really up to you to protect the consumers and the ratepayers of Florida. You swore to perform your duties in an independent and objective manner. This means that you have the courage to form your own opinions, and that no matter what the staff recommends, you will be independent. So -- and that includes going against staff's recommendation if staff recommends that you approve the long-term feasibility of the Levy nuclear plant.

The cost recovery clause and the long-term feasibility requirement is not a hollow requirement. I want to emphasize how important it is, because the nuclear cost recovery provision is an unprecedented, extraordinary financial incentive for a utility like Progress.

As you know, generally construction costs cannot go into the rate base until the plant starts generating electricity. But in this case with cost recovery, the ratepayers pay upfront long before any electricity is generated, and they pay whether or not the unit is ever completed. So this transfers the risk from the utility to the ratepayers. In return for this extraordinary incentive, you have every year the responsibility to determine whether the project is still in the interest of Florida ratepayers, and you have to determine whether a nuclear project is still feasible so that it is reasonable to recover the costs from the ratepayers.

Again, the Commission doesn't decide to cancel a reactor. If Progress is unwilling to accept that yearly scrutiny, then the utility can build the Levy project without cost recovery. I mean, that's the choice. And so, again, it's a quid pro quo; in exchange for the cost recovery, you have the scrutiny that you apply in this nuclear cost recovery docket each year. Now the company has indicated that it would not place that risk on its shareholders without cost recovery. But, I mean, again, that's the company's choice, not yours.

You will hear a lot of testimony from Progress about how it has weighed and will continue to weigh enterprise risks to determine whether it should move ahead with the reactors. The company does this for its own business purposes and it has its own business-based equation in doing that. You have your own equation that you have to follow in this docket for the protection of the Florida ratepayers.

Keep in mind that Progress has a very strong incentive to continue with this project because the Levy project will more than double the company's rate base, and that is the rate base upon which, as Mr. Brew pointed out, the return on equity is based and the consumers actually will ultimately get billed. Let me say that one more time. This project would double, more than double the Progress rate base. It would also boost rates to Progress ratepayers by $40, more than $40 per 1,000 kilowatt hours per month in 2020 before one kilowatt hour of electricity is ever generated by the unit.

So, again, the Commission has its own risk equation. It's not bound by the one Progress has used to evaluate its enterprise risks. Enterprise by definition is Progress's business. The burden in this proceeding is on Progress though to convince you that the project is feasible in the long-term and that it's reasonable to keep those risks on the ratepayers. It's not up to OPC, it's not up to FIPUG, it's not up to SACE to make that demonstration otherwise. It's up to Progress to demonstrate to you that the project is long-term, feasible and that the costs should be put on the ratepayers.

We have presented in this docket two expert witnesses, their testimony has been prefiled, and these are two witnesses who testified last year: Dr. Mark Cooper, who testifies primarily about the economic risks and the other risks such as the regulatory risks as we proceed forward, and we also have Mr. Arnold Gunderson, who is a nuclear engineer who was part of the nuclear boom and bust of the 1970s and actually licensed plants and managed construction projects like these in the '70s, and he tells, as he did last year, a cautionary tale about any nuclear engineer who's going to come into a proceeding like this and predict with certainty the future is rosy for this plant or any other plant.

If you read Mr. Gunderson's testimony from last year and Dr. Cooper's testimony from last year as I do, I have to say we told you so as far as where we are this year. Progress has attacked their credibility in the rebuttal testimony you'll hear, but their credibility is firmly established by the fact that they predicted the situation we're in a year later last year.

And they predicted extended delays, they predicted these risks that Progress has discussed in detail. As a matter of fact, if you read Progress's testimony from this year, particularly the petition itself, it reads like SACE's testimony last year except that the conclusion is different. So I submit to you that the credibility of these witnesses is in the truth of what they said last year. And if you'll please pay close attention to their testimony this year -- they won't be here for cross-examination, so I encourage you to read what they said and to look at their exhibits.

I won't go through a summary of their testimony, but suffice it to say that they both recommend again not that the Commission cancel the Levy nuclear project, but that the Commission find that it's not long-term feasible and deny any future costs for cost recovery for the project as not reasonable.

It -- Dr. Cooper does recommend that the nuclear option be evaluated in the future but not through licensing. Both of them talk about the proposal by Progress, which is to spend money to obtain a license for the nuclear plant as either line sitting or site banking, but it's basically, as they call it, preserving an option. And both of our experts talk about how that option is not worth the cost that it will cost the ratepayers to preserve.

And just let me close on why that is. If Progress goes through the licensing process and spends the 400 million or whatever it will cost to get through that process and then cancels the project, the option has no value. If Progress cancels the project at some point in the future, the option has no value. So what does that option cost as compared to canceling the project now? Well, the testimony will show that it costs at least one and a half times more to preserve that option through the licensing process than it does to cancel the project now. So you'll see that that is a false promise and is of little value to the ratepayers of the State of Florida if the project is ultimately canceled.

CHAIRMAN ARGENZIANO: And you are at your ten-minute mark.

MR. DAVIS: I'm going to close. Thank you very much.

CHAIRMAN ARGENZIANO: Okay.

MR. DAVIS: Just we again request that the Commission exercise your oversight role in this case and put an end to this waste of the ratepayers' hard-earned money. Thank you.

CHAIRMAN ARGENZIANO: Thank you.

Okay. I guess we're -- Keino.

MR. YOUNG: Yes, Madam Chairman, two things. FEA is present at the hearing and has informed me that they wish not to make an opening statement but request to be excused from the hearing.

CHAIRMAN ARGENZIANO: Okay. I'll allow that.

Are we ready for our witnesses?

MR. YOUNG: Second thing, Madam Chairman, before we get to the witnesses, staff would request that at this time we move in the Comprehensive Exhibit List, which is identified as Exhibit Number 1.

CHAIRMAN ARGENZIANO: Show that moved.

(Exhibit 1 admitted into the record.)

MR. YOUNG: Also, staff would request that staff's stipulated exhibits, which is identified as 61 through 76 and it begins on page, page 8 of the

Comprehensive Exhibit List, be entered into the record at this time.

CHAIRMAN ARGENZIANO: Show that entered. 61 to 76, did you say, Keino?

MR. YOUNG: 76, yes, ma'am.

(Exhibits 61 through 76 marked for identification and admitted into the record.)

CHAIRMAN ARGENZIANO: Anything else? Keino, is that it?

MR. YOUNG: At this time, Madam Chairman, staff would request that you rule on whether FEA can be excused from the hearing at this time.

CHAIRMAN ARGENZIANO: Yes. Let's show that they can leave. Thank you.

I think we're ready for our witnesses. And if we can go, if we can get our -- we're going to have our little color-coded five-minute timer on. And for the witnesses, we're going to need to swear you in, but we will, when you see the red, please sum up your discussion. We need all witnesses to stand. We need to swear in your oath.

(Witnesses collectively sworn.)

Thank you. If any new witnesses come, please let us know if they have not been sworn in. And let's move on to our first witness. I guess Mr. Garrett has been excused, so it's Mr. Foster.

MR. YOUNG: Madam Chairman, just a reminder to the parties, as per the Prehearing Officer's ruling, opening statements shall not exceed five minutes.

CHAIRMAN ARGENZIANO: Yes. And we have the little light there to show you. Thank you.

COMMISSIONER EDGAR: Madam Chair, do we need to enter Mr. Garrett's testimony?

CHAIRMAN ARGENZIANO: Yes, we do.

MS. HUHTA: Madam Chairman, if I may be recognized.

CHAIRMAN ARGENZIANO: Where are we? Oh, I'm sorry.

MS. HUHTA: Madam Chairman, Ms. Blaise Huhta from Progress. We would just move that Mr. Garrett's testimony of March 1st, 2010, would be entered into the record as though read. He has been excused by stipulation of the parties. Mr. Garrett also had Exhibits WG-1 and WG-2, staff's comprehensive Exhibits 2 and 3 on the Comprehensive Exhibit List. We would ask that those also be moved into evidence.

CHAIRMAN ARGENZIANO: Show those moved. Thank you.

(Exhibits 2 and 3 marked for identification and admitted into the record.)

IN RE: NUCLEAR COST RECOVERY CLAUSE

BY PROGRESS ENERGY FLORIDA

FPSC DOCKET NO. 100009

DIRECT TESTIMONY OF WILL GARRETT

I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Will Garrett. My business address is 299 First Avenue North, St. Petersburg, FL 33701.

Q. By whom are you employed and in what capacity?

A. I am employed by Progress Energy Service Company, LLC as Controller of Progress Energy Florida.

Q. What are your responsibilities in that position?

A. As legal entity Controller for Progress Energy Florida ("PEF" or "the Company"), I am responsible for all accounting matters that impact the reported financial results of this Progress Energy entity. I have direct management and oversight of the employees involved in PEF Regulatory Accounting, Property Plant and Materials Accounting, and PEF Financial Reporting and General Accounting. In this capacity, I am also responsible for the Levy County Nuclear Project ("LNP") and Crystal River Unit 3 ("CR3")

Uprate Project Cost Recovery True-Up filings, made as part of this docket, in accordance with Rule 25-6.0423, Florida Administrative Code (F.A.C.).

Q. Please describe your educational background and professional experience.

A. I joined the company as Controller of PEF on November 7, 2005. My direct relevant experience includes the position of Corporate Controller for DPL, Inc. and its major subsidiary, Dayton Power and Light, headquartered in Dayton, Ohio. Prior to this position, I held a number of finance and accounting positions for 8 years at Niagara Mohawk Power Corporation, Inc. (NMPC) in Syracuse, New York, including Executive Director of Financial Operations, Director of Finance and Assistant Controller. As the Director of Finance and Assistant Controller, my responsibilities included regulatory proceedings, rates, and financial planning, having provided testimony on a variety of matters before the New York Public Service Commission. Prior to joining NMPC, I was a Senior Audit Manager at Price Waterhouse (PW) in upstate New York, with 10 years of direct experience with investor owned utilities and publicly traded companies. I am a graduate of the State University of New York in Binghamton, with a Bachelor of Science in Accounting and I am a Certified Public Accountant in the State of New York.

Q. Have you previously filed testimony before this Commission in connection with Progress Energy Florida's Nuclear Cost Recovery?

A. Yes.

II. PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present for Commission review and approval, the actual costs associated with Progress Energy Florida's LNP and CR3 Uprate activities for the period January 2009 through December 2009. Pursuant to Rule 25-6.0423, F.A.C., PEF is presenting testimony and exhibits for the Commission's determination of prudence for actual expenditures and associated carrying costs.

Q. Are you sponsoring any exhibits in support of your testimony?

A. Yes. I am sponsoring sections of the following exhibits, which were prepared under my supervision:

- Exhibit No. ___ (WG-1), consisting of Schedules T-1 through T-7B of the Nuclear Filing Requirements ("NFRs") and Appendices A and B, which reflect PEF's retail revenue requirements for the LNP from January 2009 through December 2009; however, I will only be sponsoring Schedules T-1 through T-6 and Appendices A and B. Sue Hardison and Kenneth Karp will be co-sponsoring portions of Schedules T-4, T-4A, T-6 and Appendix B and sponsoring Schedules T-6A through T-7B.
- Exhibit No. ___ (WG-2), consisting of Schedules T-1 through T-7B of the NFRs and Appendices A through C, which reflect PEF's retail revenue requirements for the CR3 Uprate Project from January 2009 through December 2009; however, I will only be sponsoring Schedules T-1 through T-6 and Appendices A through C. Jon Franke will be co-sponsoring

Schedules T-4, T-4A, T-6 and Appendix B and sponsoring Schedules T-6A through T-7B.

These exhibits are true and accurate.

Q. What are Schedules T-1 through T-7B and the Appendices?

A.
- Schedule T-1 reflects the actual true-up of total retail revenue requirements for the period.
- Schedule T-2 reflects the calculation of the site selection, preconstruction, and construction costs for the period.
- Schedule T-3A reflects the calculation of actual deferred tax carrying costs for the period.
- Schedule T-3B reflects the calculation of the actual construction period interest for the period.
- Schedule T-4 reflects Capacity Cost Recovery Clause ("CCRC") recoverable Operations and Maintenance ("O&M") expenditures for the period.
- Schedule T-4A reflects CCRC recoverable O&M expenditure variance explanations for the period.
- Schedule T-5 reflects other recoverable O&M expenditures for the period.
- Schedule T-6 reflects actual monthly capital expenditures for site selection, preconstruction, and construction costs for the period.
- Schedule T-6A reflects descriptions of the major tasks.
- Schedule T-6B reflects capital expenditure variance explanations.
- Schedule T-7 reflects contracts executed in excess of $1.0 million.

- Schedule T-7A reflects details pertaining to the contracts executed in excess of $1.0 million.
- Schedule T-7B reflects contracts executed in excess of $250,000, yet less than $1.0 million.
- Appendix A reflects a comparison of 2006 to 2009 revenue requirements.
- Appendix B reflects a comparison of 2006 to 2009 actual capital expenditures.
- Appendix C (CR3 Uprate) reflects various Uprate in service project revenue requirements.

Q. What is the source of the data that you will present in your testimony and exhibits in this proceeding?

A. The actual data is taken from the books and records of PEF. The books and records are kept in the regular course of our business in accordance with generally accepted accounting principles and practices, provisions of the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission ("FERC"), and any accounting rules and orders established by this Commission.

Q. What is the final true-up amount for the LNP for which PEF is requesting recovery for the period January 2009 through December 2009?

A. PEF is requesting approval of a total under-recovery amount of $4,192,819 for the calendar period ending December 2009. This amount, which can be seen on Line 9 of Schedule T-1 of Exhibit No. __ (WG-1), represents the site selection, preconstruction, carrying costs on construction cost balance, CCRC recoverable

O&M, and deferred tax asset carrying cost associated with the Levy County project, as well as the revenue requirements associated with the Crystal River Substation expansion project, and was calculated in accordance with Rule 25-6.0423.

Q. What is the final true-up amount for the CR3 Uprate Project for which PEF is requesting recovery for the period January 2009 through December 2009?

A. PEF is requesting approval of a total over-recovery amount of $244,764 for the calendar period of January 2009 through December 2009. This amount, which can be seen on Line 9 of Schedule T-1 of Exhibit No. __ (WG-2), represents the carrying costs on construction cost balance, CCRC recoverable O&M, and deferred tax asset carrying cost associated with the CR3 Uprate, as well as the revenue requirements associated with the various in service projects, and was calculated in accordance with Rule 25-6.0423.

Q. What is the carrying cost rate used in Schedules T-2.1, T-2.2, and T-2.3?

A. The carrying cost rate used on Schedules T-2.1, T-2.2, and T-2.3 is 8.848 percent. It is explained in detail at footnote "A" of these schedules, and it is based on the approved Allowance for Funds Used During Construction ("AFUDC") rate pursuant to Order PSC-05-0945-S-EI in Docket 050078-EI.

REDACTED

III. CAPITAL COSTS INCURRED IN 2009 FOR LEVY NUCLEAR PLANT

Q. What are the total costs PEF incurred for the LNP during the period January 2009 through December 2009?

A. Total preconstruction capital expenditures, excluding carrying costs, were [redacted], as shown on Schedule T-6.2, Line 8 and 21. Total construction capital expenditures, excluding carrying costs, were $3.5 million, as shown on Schedule T-6.3, Line 10 and 25.

Q. How did actual Preconstruction Generation capital expenditures for January 2009 through December 2009 compare with PEF's estimated/actual projections for 2009?

A. Schedule T-6B.2, Line 6 shows that total preconstruction Generation project costs were [redacted], or [redacted] lower than projected. By cost category, major cost variances between PEF's projected and actual 2009 preconstruction LNP Generation project costs are as follows:

License Application: Capital expenditures for License Application activities were $26.4 million or $12.4 million lower than projected. As explained in the testimony of Sue Hardison, this variance is primarily attributable to lower than anticipated project scope change requests.

Engineering & Design: Capital expenditures for Engineering & Design activities were [redacted] higher than projected. As explained in the testimony of Sue Hardison, this variance is attributable to long-lead item work in progress before the schedule shift occurred that was not anticipated in the 2009 Actual/Estimate.

Q. How did actual Preconstruction Transmission capital expenditures for January 2009 through December 2009 compare with PEF's estimated/actual projections for 2009?

A. Schedule T-6B.2, Line 11 shows that total Transmission project costs were $11.0 million or $5.0 million lower than projected. By cost category, major cost variances between PEF's projected and actual 2009 preconstruction LNP Transmission costs are as follows:

Line Engineering: Capital expenditures for Line Engineering activities were $3.5 million or $2.6 million lower than projected. As explained in the testimony of Kenneth Karp, this variance is primarily attributable to a change in project scope due to the May 2009 shift in the Levy Project schedule.

Substation Engineering: Capital expenditures for Substation Engineering activities were $2.6 million or $2.5 million lower than projected. As explained in the testimony of Kenneth Karp, this variance is primarily attributable to a change in the project scope due to the May 2009 shift in the Levy Project schedule.

Q. How did actual Construction Transmission capital expenditures for January 2009 through December 2009 compare with PEF's estimated/actual projections for 2009?

A. Schedule T-6B.3, Line 26 shows that total Transmission project costs were $3.3 million or $21.2 million lower than projected. By cost category, major cost variances between PEF's projected and actual 2009 construction LNP transmission costs are as follows:

Real Estate Acquisition: Capital expenditures for Real Estate Acquisition were $1.8 million or $21.2 million lower than projected. As explained in the testimony of Kenneth Karp, this variance is primarily attributable to a change in the land acquisition plan due to the May 2009 shift in the Levy Project schedule.

Q. What was the source of the separation factors used in Schedule T-6?

A. Order PSC-05-0945-S-EI established appropriate jurisdictional separation factors as part of PEF's last base rate case. In Order PSC-07-0922-FOF-EI, these jurisdictional separation factors were approved as reasonable for costs incurred in 2009.

IV. O&M COSTS INCURRED IN 2009 FOR LEVY NUCLEAR PLANT

Q. How did actual O&M expenditures for January 2009 through December 2009 compare with PEF's estimated/actual projections for 2009?

A. Schedule T-4A, Line 15 shows that total O&M costs were $4.5 million or $1.0 million lower than projected. By cost category, major cost variances between PEF's projected and actual 2009 LNP O&M costs are as follows:

Legal: O&M expenditures for Legal were $0.8 million or $1.2 million lower than projected. As explained in the testimony of Sue Hardison, this variance was primarily attributable to lower than expected outside legal counsel services.

Generation: O&M expenditures for Generation were $1.7 million or $0.7 million higher than projected. This variance is primarily due to internal costs related to the formation of the Operational Readiness Group and retainer fees for firms evaluating project financing options that were not previously included.

V. CAPITAL COSTS INCURRED IN 2009 FOR CR3 UPRATE PLANT

Q. What are the total Construction costs incurred for the CR3 Uprate Project for the period January 2009 through December 2009?

A. Schedule T-6.3, Line 10 shows that total Construction capital expenditures gross of joint owner billing and excluding carrying costs were $118.1 million.

Q. How did actual capital expenditures for January 2009 through December 2009 compare to PEF's estimated/actual projection for 2009?

A. Schedule T-6B.3, Line 10 shows that total project costs were $0.6 million higher than projected. By cost category, major cost variances between PEF's projected and actual 2009 Construction costs are as follows:

License Application: Capital expenditures for License Application activities were $20.0 million or $3.7 million higher than projected. As explained in the testimony of Jon Franke, this variance is primarily attributable to higher than originally anticipated costs for preparation of the License Amendment Request.

Project Management & Power Block Engineering: Capital expenditures for Project Management activities were $21.2 million or $18.5 million lower than projected while capital expenditures for Power Block Engineering activities were $71.2 million, or $18.7 million higher than projected. As explained in the testimony of Jon Franke, these variances offset one another and are primarily attributable to using a new method to assign costs to these two categories in actuals compared to the general assumptions used for categorizing costs in the Estimated/Actual filing.

Permitting: Capital expenditures for Permitting activities were $0.9 million or $0.7 million higher than projected. As explained in the testimony of Jon Franke, this variance is primarily attributable to unanticipated environmental permits to support the project.

On-Site Construction Facilities: Capital expenditures for On-Site Construction Facilities were $1.2 million or $3.0 million lower than projected. As explained in the testimony of Jon Franke, this variance is primarily attributable to a revision in the way costs are assigned to this category in actuals compared to the Estimated/Actual filing.

Non-Power Block Engineering: Capital expenditures for Non-Power Block Engineering activities were $3.6 million or $1.0 million lower than projected. As explained in the testimony of Jon Franke, this variance is primarily attributable to scope and schedule changes.

Q. Has PEF billed the CR3 joint owners for their portion of the costs relative to the CR3 Uprate and identified them in this filing?

A. Yes. Construction expenditures shown on Schedule T-6.3, Line 12 are gross of Joint Owner Billings but construction expenditures have been adjusted as reflected on Schedule T-6.3, Line 15 to reflect billings to Joint Owners related to CR3 Uprate expenditures. Due to this, no carrying cost associated with the Joint Owner portion of the Uprate are included on Schedule T-2.3. Total Joint Owner billings were $9.2 million for 2009.

Q. What was the source of the separation factors used in Schedule T-6?

A. Order PSC-05-0945-S-EI established appropriate jurisdictional separation factors as part of PEF's last base rate case. In Order PSC-07-0922-FOF-EI, these jurisdictional separation factors were approved as reasonable for costs to be recovered in 2009.

VI. PROJECT MANAGEMENT AND COST CONTROL OVERSIGHT

Q. Please describe all accounting and costs oversight controls PEF has implemented for the LNP and CR3 Uprate Project.

A. The project accounting and cost oversight controls that ensure the proper accounting treatment for LNP and CR3 Uprate Project costs have not changed from 2008. These controls were found to be reasonable and prudent in Docket 090009-EI.

PROJECT ACCOUNTING CONTROLS

Project Set-Up

The first part of project set up is the Major Projects - Integrated Project Plan ("IPP") Approval and Authorization. Per corporate policy, all projects equal to or exceeding $50 million require completion of an IPP which must be approved by a Project Review Group, the Senior Management Committee, and the Board of Directors.

The next part of PEF's project accounting controls involves project set up, specifically approval and authorization of projects. Projects are determined to be capital based upon the Company's Capitalization Policy and are documented in PowerPlant or in documents prepared in accordance with the Company's Project Governance Policy. The justifications and other supporting documentation are reviewed and approved by the Financial Services Manager, or delegate, based on input received from the Financial Services or Project Management Analyst to ensure that the project is properly classified as Capital, eligibility for AFUDC is correct and that disposals/retirements are identified. Supporting documentation is maintained within Financial Services or with the Project Management Analyst. Financial Services personnel, and selected other personnel (including project management analysts), access this documentation to set-up new projects in Oracle or make changes to existing project estimates in PowerPlant. The Oracle and PowerPlant system administrators review the transfer and termination information provided by Human Resources each pay period and take appropriate action regarding access as outlined in the Critical Application Access Review Process Policy.

An analyst in Property Accounting must review and approve each project set up before it can receive charges. All future status changes are made directly in PowerPlant by a Property Accounting analyst based on information received by the Financial Services Analyst or the Project Management Analyst.

Finally, to ensure that all new projects have been reviewed each month, Financial Services Management reviews a report of all projects set up during the month prior to month-end close for any project that was not approved by them in the system at set up.

Project Monitoring

The next part of the Company's project controls is project monitoring. First, there are monthly reviews of project charges by responsible operations managers and Financial Services Management for the organization. Specifically, these managers review various monthly cost and variance analysis reports for the capital budget. Variances from total budget or projections are reviewed, discrepancies are identified and corrections made as needed. Journal entries to projects are prepared by an employee with the assigned security and are approved in accordance with the Journal Entry Policy. Accruals are made in accordance with Progress Energy policy.

The Company uses Cost Management Reports produced from accounting systems to complete these monthly reviews. Financial Services may produce various levels of reports driven by various levels of management, but all reporting is tied back to the Cost Management Reports which are tied back to Legal Entity Financial Statements.

Finally, the Property Accounting unit performs a monthly review of sample project transactions to ensure charges are properly classified as capital. Financial Services is responsible for answering questions and making necessary corrections as they arise to ensure compliance.

Q. Are there any other accounting and costs oversight controls that pertain to the LNP and the CR3 Uprate Project?

A. Yes, the Company has also implemented disbursement services and regulatory accounting controls.

DISBURSEMENT SERVICES CONTROLS

A requisition is created in the Passport Contracts module for the purchase of services. The requisition is reviewed by the appropriate Contract Specialist in Corporate Services, or field personnel in the various Business Units, to ensure sufficient data has been provided to process the contract requisition. The Contract Specialist prepares the appropriate contract document from pre-approved contract templates in accordance with the requirements stated on the contract requisition.

The contract requisition then goes through the bidding or finalization process. Once the contract is ready to be executed, it is approved online by the appropriate levels of the approval matrix pursuant to the Approval Level Policy and a contract is created.

Contract invoices are received by the project managers of the various business units. The invoices are validated by the project manager and Payment Authorizations approving payment of the contract invoices are entered and approved in the Contracts module of the Passport system.

REGULATORY ACCOUNTING CONTROLS

The journal entries for deferral calculations, along with the summary sheets and the related support, are reviewed in detail and approved by the Manager of Regulatory & Property Accounting, per the Progress Energy Journal Entry policy. The detail review and approval by the Manager of Regulatory & Property Accounting ensure that deferred pass through clause transactions are identified, accurate, processed and accounted for in the appropriate accounting period. In addition, transactions are reviewed to ensure that they qualify for recovery through the Nuclear Cost Recovery Rule and are properly categorized as O&M, Site selection, Preconstruction, or Construction expenditures.

Analysis is performed monthly to compare actuals to projected (budgeted) expenses and revenues for reasonableness. If any errors are identified, they are corrected in the following month.

For balance sheet accounts established with Regulatory & Property Accounting as the responsible party, a Regulatory Accounting member will reconcile the account on a monthly or quarterly basis. This reconciliation will be reviewed by the Lead Business Financial Analyst or Manager of Regulatory Accounting to ensure that the balance in the account is properly stated and supported and that the reconciliations are performed regularly and exceptions are resolved on a timely basis.

The review and approval will ensure that regulatory assets or liabilities are recorded in the financial statements at the appropriate amounts and in the appropriate accounting period.

Q. Describe the review process that the Company uses to verify that the accounting and costs oversight controls you identified are effective.

A. Our assessment of the effectiveness of our controls is based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). This framework involves both internal and external audits of our accounting and cost oversight controls.

With respect to internal audits, all tests of controls were conducted by the Audit Services Department, and conclusions on the results were reviewed and approved by both the Steering Committee and Compliance Team chairpersons. Based on these internal audits, Progress Energy's management has determined that Progress Energy maintained effective internal control over financial reporting and identified no material weaknesses within the required Sarbanes Oxley controls during 2009.

With respect to external audits, Deloitte and Touche, Progress Energy's external auditors, determined that the Company maintained effective internal control over financial reporting during 2009. Refer to Item 9A of 2009 Progress Energy Form 10-K Annual Report.

Q. Does this conclude your testimony?

A. Yes, it does.

MS. HUHTA: Progress's next witness is Mr. Foster.

CHAIRMAN ARGENZIANO: Good morning.

THE WITNESS: Good morning.

MS. HUHTA: May I proceed?

CHAIRMAN ARGENZIANO: Yes, please.

MR. HUHTA: Thank you.

THOMAS G. FOSTER

was called as a witness on behalf of Progress Energy Florida and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MS. HUHTA:

Q. Mr. Foster, will you please introduce yourself to the Commission and provide your address.

A. My name is Thomas Geoffrey Foster. My business address is 299 First Avenue North, St. Petersburg, Florida.

Q. And you have already been sworn in as a witness; correct?

A. Yes.

Q. Who do you work for and what is your position?

A. I work for Progress Energy Services Company as the Supervisor of Regulatory Planning.

CHAIRMAN ARGENZIANO: Excuse me. Someone, can you turn off your cell phone? Thank you.

THE WITNESS: Do you need me to repeat, or --

CHAIRMAN ARGENZIANO: If you would, please.

THE WITNESS: Okay. I work for Progress Energy Service Company as the Supervisor of Regulatory Planning.

BY MS. HUHTA:

Q. And, Mr. Foster, have you filed prefiled direct testimony and exhibits in this proceeding?

A. Yes.

Q. And do you have a copy of that March or April 30th, 2010, testimony and exhibits with you?

A. Yes.

Q. And do you have any changes to make to your prefiled testimony and exhibits today?

A. No.

Q. And if I asked you the same questions in your prefiled testimony today, would you give the same answers that are in your prefiled testimony?

A. Yes.

MS. HUHTA: We request, Madam Chair, that the prefiled testimony of Mr. Foster be moved into evidence as if it was read in the record today.

Thank you.

IN RE: NUCLEAR COST RECOVERY

BY PROGRESS ENERGY FLORIDA

FPSC DOCKET NO. 100009-EI

DIRECT TESTIMONY OF THOMAS G. FOSTER IN SUPPORT OF ESTIMATED/ACTUAL, PROJECTION AND TRUE-UP TO ORIGINAL COSTS

I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Thomas G. Foster. My business address is 299 First Avenue North, St. Petersburg, FL 33701.

Q. By whom are you employed and in what capacity?

A. I am employed by Progress Energy Service Company, LLC as Supervisor of Regulatory Planning Florida.

Q. What are your responsibilities in that position?

A. I am responsible for regulatory planning and cost recovery for Progress Energy Florida, Inc. ("PEF"). These responsibilities include: regulatory financial reports; and analysis of state, federal and local regulations and their impact on PEF. In this capacity, I am also responsible for the Levy County Nuclear Project ("LNP") and Crystal River Unit 3 ("CR3") Uprate Project Cost Recovery Actual/Estimated, Projection and True-up to Original filings, made as part of this docket, in accordance with Rule 25-6.0423, Florida Administrative Code (F.A.C.).

Q. Please describe your educational background and professional experience.

A. I joined Progress Energy on October 31, 2005 as a Senior Financial analyst in the Regulatory group. In that capacity I supported the preparation of testimony and exhibits associated with various Dockets. In late 2008, I was promoted to Supervisor Regulatory Planning. Prior to working at Progress I was the Supervisor in the Fixed Asset group at Eckerd Drug. In this role I was responsible for ensuring proper accounting for all fixed assets as well as various other accounting responsibilities. I have 6 years of experience related to the operation and maintenance of power plants obtained while serving in the United States Navy as a Nuclear operator. I received a Bachelors of Science degree in Nuclear Engineering Technology from Thomas Edison State College. I received a Masters of Business Administration with a focus on finance from the University of South Florida and I am a Certified Public Accountant in the State of Florida.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present, for Commission review and approval, Progress Energy Florida's Estimated/Actual costs associated with the LNP and CR3 Uprate activities for the period January 2010 through December 2010, projected costs for the period January 2011 through December 2011, and the total estimated revenue requirements for 2011 for purposes of setting 2011 rates in the Capacity Cost Recovery Clause ("CCRC").

Q. Are you sponsoring any exhibits in support of your testimony?

A. Yes. I am sponsoring sections of the following exhibits, which were prepared under my supervision:

- Exhibit No. ___ (TGF-1), consisting of Schedules AE-1 through AE-7B of the Nuclear Filing Requirements ("NFRs"), which reflect PEF's retail revenue requirements for the LNP from January 2010 through December 2010. I am sponsoring Schedules AE-1 through AE-6, and Appendices A through E. Ms. Hardison and Mr. Karp will be co-sponsoring portions of Schedules AE-4, AE-4A, and AE-6 and sponsoring Schedules AE-6A through AE-7B.
- Exhibit No. ___ (TGF-2), consisting of Schedules P-1 through P-8 of the NFRs, which reflect PEF's retail revenue requirements for the LNP from January 2011 through December 2011. I am sponsoring Schedules P-1 through P-6, P-8, and Appendices A through D. Ms. Hardison and Mr. Karp will be co-sponsoring portions of Schedule P-4, P-6 and sponsoring Schedules P-6A through P-7B.
- Exhibit No. ___ (TGF-3), consisting of Schedules TOR-1 through TOR-7, which reflect the total project estimated costs for the LNP. I am sponsoring Schedules TOR-1 through TOR-3 and co-sponsoring portions of TOR-4 and 6. Ms. Hardison and Mr. Karp will be co-sponsoring Schedules TOR-4, 6 and 6A. Mr. Elnitsky will be co-sponsoring portions of TOR-6 and sponsoring TOR-7.

- Exhibit No. ___ (TGF-4), consisting of Schedules AE-1 through AE-7B of the NFRs, which reflect PEF's retail revenue requirements for the CR3 Uprate Project from January 2010 through December 2010. I am sponsoring Schedules AE-1 through AE-6, and Appendices A through E. Mr. Franke will be co-sponsoring Schedules AE-4, AE-4A and AE–6.3 and sponsoring Schedules AE-6A.3 through AE-7B as well as Appendix B.
- Exhibit No. ___ (TGF-5), consisting of Schedules P-1 through P-8 of the NFRs, which reflect PEF's retail revenue requirements for the CR3 Uprate Project from January 2011 through December 2011. I am sponsoring Schedules P-1 through P-6.3, P-8, and Appendices A through E. Mr. Franke will be co-sponsoring Schedules P-4 and P-6.3 and sponsoring Schedules P-6A.3 through P-7B as well as Appendix D and E.
- Exhibit No. __ (TGF-6), consisting of Schedules TOR-1 through TOR-7, which reflect the total project estimated costs for the CR3 Uprate Project. I am sponsoring Schedules TOR-1 through TOR-4 and Mr. Franke will be co-sponsoring Schedule TOR-6 and sponsoring Schedules TOR-6A and TOR-7.

These exhibits are true and accurate.

Q. What are Schedules AE-1 through AE-7B?

A. Schedules AE-1 through AE-7B are:

- Schedule AE-1 reflects the actual/estimated of total retail revenue requirements for the period.

- Schedule AE-2.1 reflects the calculation of the actual/estimated site selection costs for the period.
- Schedule AE-2.2 reflects the calculation of the actual/estimated preconstruction costs for the period.
- Schedule AE-2.3 reflects the calculation of the actual/estimated carrying costs on construction expenditures for the period.
- Schedule AE-3A reflects a calculation of actual/estimated deferred tax carrying costs for the period.
- Schedule AE-3B reflects the calculation of the actual/estimated construction period interest for the period.
- Schedule AE-4 reflects CCRC recoverable Operations and Maintenance ("O&M") expenditures for the period.
- Schedule AE-4A reflects CCRC recoverable O&M expenditure variance explanations for the period.
- Schedule AE-5 reflects other recoverable O&M expenditures for the period.
- Schedule AE-6 reflects actual/estimated monthly expenditures for site selection, preconstruction and construction costs for the period.
- Schedule AE-6A reflects descriptions of the major tasks.
- Schedule AE-6B reflects annual variance explanations.
- Schedule AE-7 reflects contracts executed in excess of $1.0 million.
- Schedule AE-7A reflects details pertaining to the contracts executed in excess of $1.0 million.

- Schedule AE-7B reflects contracts executed in excess of $250,000, yet less than $1.0 million.

Q. What are the Levy AE-Appendices A through E?

A. The Levy AE Appendices are:

- Appendix A reflects the reconciliation of the beginning balances on Schedules AE-2.2 thru AE-4.
- Appendix B reflects the 2010 reconciliation of the beginning deferred tax asset ("DTA") balance by cost category.
- Appendix C reflects the Schedule AE-2.2 support.
- Appendix D reflects the reconciliation of the 2009 Over/(Under) recovery by cost category.
- Appendix E reflects the new jurisdictional separation factors.

Q. What are the CR3 Uprate Appendices associated with Schedules AE-1 through AE-6?

A. The CR3 Uprate Appendices associated with Schedules AE-1 through AE-6 are:

- Appendix A reflects the reconciliation of the beginning balances on Schedules AE-2.3 thru AE-4.
- Appendix B reflects the reconciliation of the beginning construction work in progress ("CWIP") balance for those assets placed into rate base that are not yet in service as detailed on AE-2.3.
- Appendix C reflects the reconciliation of beginning CPI balances.

- Appendix D reflects the new jurisdictional separation factors.
- Appendix E reflects the revenue requirement calculation for those assets placed into service during 2010.

Q. What are Schedules P-1 through P-8?

A. Schedules P-1 through P-8 are:

- Schedule P-1 reflects the projection of total retail revenue requirements for the period as well as true-ups for prior periods.
- Schedule P-2.1 and 2.2 reflects the calculation of the projected site selection and preconstruction costs for the period.
- Schedule P-2.3 reflects the calculation of the projected carrying costs on construction expenditures for the period.
- Schedule P-3A reflects a calculation of the projected deferred tax carrying costs for the period.
- Schedule P-3B reflects the calculation of the projected construction period interest for the period.
- Schedule P-4 reflects CCRC recoverable O&M expenditures for the period.
- Schedule P-5 reflects other recoverable O&M expenditures for the period.
- Schedule P-6 reflects projected monthly expenditures for site selection, preconstruction and construction costs for the period.
- Schedule P-6A reflects descriptions of the major tasks.
- Schedule P-7 reflects contracts executed in excess of $1.0 million.

- Schedule P-7A reflects details pertaining to the contracts executed in excess of $1.0 million.
- Schedule P-7B reflects contracts executed in excess of $250,000, yet less than $1.0 million.
- Schedule P-8 reflects the estimated rate impact.

Q. What are the Levy Appendices associated with Schedules P-1 through P-8?

A. The Levy Appendices associated with Schedules P-1 through P-8 are:

- Appendix A reflects the reconciliation of the beginning balance of Schedule P-2.2 through P-4.
- Appendix B reflects the new jurisdictional separation factors.
- Appendix C reflects the supporting schedules to P-3A.
- Appendix D reflects the rate management plan amortization schedule.

Q. What are the CR3 Uprate Appendices associated with Schedules P-1 through P-8?

A. The CR3 Uprate Appendices associated with Schedules P-1 through P-8 are:

- Appendix A reflects the reconciliation of the beginning balances.
- Appendix B reflects the reconciliation of the beginning CWIP balances.
- Appendix C reflects the new jurisdictional separation factors.
- Appendix D reflects the revenue requirement for the in-service asset, License Amendment, to support the maximum power level that the Crystal River Nuclear Plant may operate upon completion of the Extended Power Uprate.

- Appendix E reflects the revenue requirement for the in-service asset, EPU POD Recirculation Line & Forced Draft Cooling Tower.

Q. What are Schedules TOR-1 through TOR-7?

A. Schedules TOR-1 through TOR-7 are:

- Schedule TOR-1 reflects the jurisdictional amounts used to calculate the final true up, projection, deferrals and recovery of deferrals.
- Schedule TOR-2 reflects a summary of the actual to date and projected costs for the duration of the project compared to what was originally filed.
- Schedule TOR-3 reflects the calculation of the actual to date and projected total NCRC retail revenue requirement for the duration of the project.
- Schedule TOR-4 reflects CCRC recoverable actual to date and projected O&M expenditures for the duration of the project.
- Schedule TOR-6 reflects actual to date and projected annual expenditures for site selection, preconstruction and construction costs for the duration of the project.
- Schedule TOR-6A reflects descriptions of the major tasks.
- Schedule TOR-7 reflects a summary of project cost.

III. COST RECOVERY FOR THE LEVY COUNTY NUCLEAR PROJECT

A. ACTUAL/ESTIMATED LNP COSTS

Q. What are the total projected revenue requirements for the Levy Nuclear Project for the calendar year ended December 2010?

A. The total projected revenue requirements for the LNP are $172.3 million for the calendar year ended December 2010, as reflected on Schedule AE-1, page 2 of 2, Line 6. This amount includes $161.6 million in Preconstruction costs, $7.0 million for the carrying costs on the construction balance and $3.7 million in recoverable O&M costs. These amounts were calculated in accordance with the provisions of Rule 25-6.0423, F.A.C.

Q. What is the carrying cost rate used in Schedules AE-2.1 through AE-2.3?

A. The carrying cost rate used on Schedule AE-2 is 8.848%. On a pre-tax basis, the rate is 13.13%. This rate represents the approved rate as of June 12, 2007, and is the appropriate rate to use consistent with Rule 25-6.0423(5)(b), F.A.C. The rate was approved by Order No. PSC-05-0945-S-EI in Docket No. 050078-EI. The annual rate was adjusted to a monthly rate consistent with the AFUDC rule, Rule 25-6.0141, Item (3), F.A.C.

Q. What is included in the Preconstruction Plant & Carrying Cost for the Period on Schedule AE-2.2, Line 10?

A. The annual total of $152.0 million reflected on Schedule AE-2.2, Line 10, page 2 of 2 represents the total Preconstruction Costs for 2010. This amount includes expenditures totaling $118.0 million along with the carrying cost on the average net unamortized plant eligible for return. The Total Return Requirements of $34.0 million presented on Line 9 represents the carrying costs on the average Preconstruction balance.

Q. What is included in the Actual Estimated Carrying Costs for the Period on Schedule AE-2.3, Line 10?

A. The Total Return Requirements of $7.0 million on Schedule AE-2.3 at Line 10 represents carrying costs on the average construction balance. The schedule starts with the 2010 beginning CWIP balance and adds the monthly construction expenditures and computes a return on the average monthly balance. The equity component of the return is grossed up for taxes to cover the income taxes that will need to be paid upon recovery in rates.

Q. What is included in Total Return Requirements on Schedule AE-3A.2, Line 12?

A. The twelve month total of $9.6 million on Schedule AE-3A.2, Line 12, page 2 of 2 represents the carrying charge on the deferred tax asset balance. The deferred tax asset arises from the difference between the book and tax basis for the project. This difference is due primarily to the recovery of preconstruction and site selection costs on a dollar for dollar basis.

Q. What is included in the Recoverable O&M Expenditures on Schedule AE-4?

A. The expenses included on this schedule represent the O&M costs that the Company expects to incur in 2010 related to the LNP that PEF is seeking recovery of through the NCRC.

REDACTED

Q. What is included in the Recoverable O&M Variance Explanations on Schedule AE-4A?

A. The schedule provides explanations for the change in O&M costs from what the Company projected to incur in 2010 and actual estimated costs related to the LNP that PEF is seeking recovery of through the NCRC.

Q. What is Schedule AE-6 and what does it represent?

A. Schedule AE-6 reflects actual/estimated monthly expenditures for site selection, preconstruction, and construction costs by major task for 2010. This schedule includes both the Generation and Transmission costs. These costs have been adjusted to a cash basis for purposes of calculation of the carrying costs. We have also applied the appropriate jurisdictional separation factor to arrive at the total jurisdictional costs. These costs are further described in the testimony of witnesses Ms. Hardison and Mr. Karp.

Q. What are the total actual-estimated Preconstruction and Construction costs for 2010?

A. The total actual-estimated jurisdictional preconstruction costs for 2010 are $117.9 million. This consists of [redacted] in Generation costs and [redacted] for Transmission. The total projected jurisdictional construction costs for 2010 are $26.0 million. These costs consist of [redacted] in Generation costs and [redacted] in Transmission costs. The costs have been adjusted to a cash basis for purposes of calculating the carrying charge and the appropriate jurisdictional separation has been applied. A breakdown of these costs by major task is provided on Schedule AE-6.

Q. What was the source of the separation factors used in Schedule AE-6?

A. The jurisdictional separation factors are calculated based on the January 2010 sales forecast, using the Retail Jurisdictional Cost of Service methodology that was approved in the Final Order No. PSC-10-0131-FOF-EI in PEF's base rate proceeding in Docket No. 090079-EI.

Q. What is the estimated true-up for 2010 expected to be?

A. The total true-up is expected to be $8.1 million as can be seen on Line 8 of Schedule AE-1.

B. LNP COST PROJECTIONS

Q. What are the projected total revenue requirements that PEF will recover in 2011?

A. PEF is requesting recovery of $147.7 million associated with LNP in 2011 as presented on Schedule P-1, Line 9, page 2 of 2. This amount includes (i) projected total revenue requirements of $75.3 million for calendar year 2011; (ii) recovery of the 2009 true-up of $4.2 million and the actual/estimated true-up from 2010 of $8.1 million; and (iii) the period collection of the Deferred Regulatory Asset of $60.0 million.

Q. What is included in the projected period Revenue Requirements for 2011?

A. The period revenue requirements of $75.3 million in 2011 as depicted on Schedule P-1, Line 5 includes Preconstruction Costs of $52.4 million, carrying costs on the Construction balance of $11.3 million, recoverable O&M expenditures of $3.8 million, and the carrying costs on the deferred tax asset of $7.8 million.

Q. What is included in the Total Costs to be Recovered on Schedule P-2.2 Line 10?

A. The $52.4 million dollars included on Line 10, page 2 of 2 includes the total projected Preconstruction costs and carrying costs on the average unamortized preconstruction balance for 2011. As these dollars were deferred from rates in 2009, there is a carrying charge calculated on the uncollected balance.

Q. What is included in the Total Return Requirements on Schedule P-2.3, Line 9?

A. The Total Return Requirements of $11.3 million depicted on this schedule represents carrying costs on the average construction balance. The schedule starts with the projected 2011 CWIP beginning balance and adds the monthly construction expenditures and computes the carrying charge on the average monthly balance. The equity component of the return is grossed up for taxes to cover the income taxes that will be paid upon recovery in rates.

Q. What is the carrying cost rate used in Schedule P-2.2 and 2.3?

REDACTED

A. The carrying cost rate used on Schedule P-2.2 and 2.3 is 8.848%. On a pre-tax basis, the rate is 13.13%. This rate represents the approved rate as of June 12, 2007, and is the appropriate rate to use consistent with Rule 25-6.0423(5)(b)1, F.A.C. The rate was approved by Order No. PSC-05-0945-S-EI in Docket No. 050078-EI. The annual rate was adjusted to a monthly rate consistent with AFUDC rule, Rule 25-6.0141, Item (3), F.A.C.

Q. What is included in Total Return Requirements on Schedule P-3A.2, Line 11?

A. The twelve month total of $7.8 million on Line 11, page 2 of 2 represents the carrying charge on the DTA balance. The deferred tax asset arises from the difference between the book and tax basis for the project. This difference is due to the recovery of the preconstruction costs. For tax purposes, preconstruction costs are recovered as tax depreciation when the plant goes into service and for book purposes they are recovered pursuant to the provisions of the Rule 25.6-0423, F.A.C., which creates a timing difference and gives rise to a deferred tax asset.

Q. What are the total projected Preconstruction and Construction costs for 2011?

A. The total projected jurisdictional preconstruction costs for 2011 are $25.1 million. This consists of [redacted] in Generation costs and [redacted] for Transmission. The total projected jurisdictional construction costs for 2011 are $23.4 million. These costs consist of [redacted] in Generation costs and [redacted] in Transmission costs. The costs have been adjusted to a cash basis for purposes of calculating the carrying charge and the appropriate jurisdictional separation has been applied. A breakdown of these costs by major task is provided on Schedule P-6.

Q. What was the source of the separation factors used in Schedule P-6?

A. The jurisdictional separation factors are calculated based on the January 2010 sales forecast, using the Retail Jurisdictional Cost of Service methodology that was approved in the Final Order No. PSC-10-0131-FOF-EI in PEF's base rate proceeding in Docket No. 090079-EI.

Q. What is the estimated rate impact to the residential ratepayer expected to be in 2011?

A. As can be seen in Schedule P-8, based on 2011 billing determinants, the expected rate impact to the residential ratepayer is $4.99 per 1000 kwh beginning in January 2011 for the LNP.

C. LNP TRUE-UP TO ORIGINAL

Q. What do the TOR schedules reflect?

A. The TOR schedules reflect the total estimated costs of the LNP until the project is placed into service. Further details on the total project estimates are provided in Mr. Elnitsky's testimony. Schedule TOR-3 includes the estimated total revenue requirements through completion of the project. Total revenue requirements of $8.2 billion on Schedule TOR-3, Line 6, are primarily comprised of the preconstruction costs, carrying charges on the construction balance, CCRC recoverable O&M, and revenue requirements associated with assets going in service in the year they go in-service recovered through the clause. This includes actual expenditures incurred through February 2010 and projections through 2023.

D. LNP RATE MANAGEMENT PLAN

Q. In Order No. PSC-09-0783-FOF-EI in Docket No. 090009, the Commission required PEF to update its rate management plan that the Commission approved in that Docket. What is PEF proposing in this Docket in relation to this plan?

A. In Order No. PSC-09-0783-FOF-EI, in Docket No. 090009, the Commission approved PEF's proposed rate management plan and required PEF to file rate management plan testimony and schedules with its annual NCRC schedules to address any reconsideration of changes in the deferred amount and recovery schedule. Appendix D of Exhibit TGF-2 shows PEF's proposed 2010 amortization of the $273 million deferral approved last year. It also shows projected future year amortization. Projected amortization amounts shown after 2011 may change in future years based on circumstances at that time. Schedule P-2.2 incorporates this amortization in calculating the balance eligible to earn a carrying cost. Schedule P-1 also includes the amortization of the deferred balance in the total revenue requirements.

Q. Is the amortization of the regulatory asset in 2011 consistent with the provisions of the Commission Order in the Docket No. 090009-EI?

A. Yes, in Docket 090009-EI the Commission approved the establishment of a regulatory asset of $273 million and also provided for the amortization of $37 million to be collected in rates in 2010, leaving a remaining unamortized balance of $236 million to be collected in future periods. PEF is proposing to amortize approximately one fourth of this balance in 2011, which is consistent with PEF's original proposed recovery period of 5 years in Docket 090009-EI. This amortization coupled with lower projected revenue requirements for 2011 is projected to result in a decrease in the residential rate for the LNP project of approximately 26%. This is consistent with the Company's goal of balancing the near-term impact on customers with the financing requirements of the project, as discussed more fully in the testimony of Mr. Elnitsky.

IV. COST RECOVERY FOR THE CRYSTAL RIVER 3 UPRATE PROJECT

A. ACTUAL/ESTIMATED CR3 UPRATE PROJECT COSTS

Q. What are the actual/estimated revenue requirements for the CR3 uprate project for the 2010 calendar year?

A. The estimated total revenue requirements for the CR3 Uprate project are $7.9 million for 2010 as reflected on Schedule AE-1, page 2 of 2, Line 6. This amount includes $7.3 million in carrying costs on the project construction balance, $1.1 million for CCRC recoverable O&M expenses, a return on the deferred asset of $0.3 million, and as described more fully below, a $0.8 million credit for revenue requirements associated with assets going into service. These amounts were calculated in accordance with the provisions of Rule 25-6.0423, F.A.C.

Q. What does the Other Adjustment on Line 5 of Schedule AE-1 represent?

A. Line 5 of Schedule AE-1 represents the adjustment of the phase 2 CR3 Uprate project assets transferred to base rates, but not yet placed in service. Consistent with Rule 25-6.0423(7)(c) and Order No. PSC-09-0837-PAA-EI, the amount approved for inclusion in base rates will be removed from clause recovery except for the difference between actual and projected project costs.

Q. What does the credit within the Other Adjustment on Line 5 of Schedule AE-1 represent?

A. The credit from January through June on Line 5 of Schedule AE-1 consists of the depreciation and property tax expense calculated on the phase 2 CR3 Uprate project assets transferred to base rates, but not yet placed in service.

Q. What does the activity from July through December within the Other Adjustment on Line 5 of Schedule AE-1 represent?

A. Starting in July 2010, this Line represents the revenue requirements associated with the phase 2 CR3 Uprate project assets being placed into service. As of January 1, 2010 the $80.0 million (jurisdictional) balance is excluded from the clause as shown on Line 3 of schedule AE-2.3. By removing the assets, the balance on which carrying costs are calculated are reduced. Consistent with Rule 25-6.0423(7)(c) and Order No. PSC-09-0837-PAA-EI, any difference between the actual project costs to date and the approved amount to move to base rates will remain in the NCRC until such time as the projects are closed out and base rates are adjusted to reflect any difference between the actual and projected costs.

Q. What is the carrying cost rate used in Schedule AE-2.3?

A. The carrying cost rate used on Schedule AE-2.3 is 8.848%. On a pre-tax basis, the rate is 13.13%. This rate represents the approved rate as of June 12, 2007, and is the appropriate rate to use consistent with Rule 25-6.0423(5)(b)1, F.A.C. The rate was approved by Order No. PSC-05-0945-S-EI in Docket No. 050078-EI. The annual rate was adjusted to a monthly rate consistent with the AFUDC rule, Rule 25-6.0141, Item (3), F.A.C.

Q. What is included in the Total Return Requirements on Schedule AE-2.3, Line 10?

A. The $7.3 million in Total Return Requirements in Schedule AE-2.3 represents the carrying costs on the average construction project balance. The $118.8 million reflected on Line 2 reflects the transfer of the Balance of Plant project to Plant-in-Service. The adjustments on Line 3 represent the amounts of Balance of Plant that will go in service throughout 2010. The amount on Line 5 reflects the actual amount of construction carrying costs that were over- recovered at the end of 2009; this amount includes a portion of 2008 carrying costs that were over- recovered in 2009. Line 6 represents the estimated amount of carrying costs that PEF expected to be unrecovered at the end of 2009.

Q. Can you explain the calculation of the return requirements on the Deferred Tax Asset on Schedule AE-3A, line 12?

A. Yes. We have included a return on the DTA that arises from differences between the tax basis and book basis of the project. The difference between the tax basis and book basis of the project is attributable to the difference between the interest that will be capitalized for tax purposes and the interest that will be capitalized for book purposes. We have included the carrying charge on the average deferred tax balance in the revenue requirements on this schedule.

Q. What is included in the Recoverable O&M Expenditures on Schedule AE-4?

A. The expenses included on this schedule represent the O&M costs that the Company expects to incur in 2010 related to the CR3 Uprate project that the Company is seeking recovery of through the NCRC.

Q. What is Schedule AE-6 and what does it represent?

A. Schedule AE-6 reflects actual/estimated monthly expenditures for preconstruction and construction costs for 2010. The amount included on Line 12 represents actual/estimated generation capital costs gross of joint owner billings and exclusive of AFUDC. The adjustment on Line 14 labeled "Non Cash Accruals" has been made to adjust these costs to a cash basis for purposes of calculation of the carrying costs. The adjustment on Line 15 labeled "Joint Owner" represents the joint owner portion of these costs and the adjustment on Line 16 labeled "Other" represents the cost of removal portion of these costs. We have applied the appropriate jurisdictional separation factor to the "Net Generation Costs" on Line 17 to arrive at the monthly jurisdictional cash expenditures represented in Line 19.

Q. What was the source of the separation factors used in Schedule AE-6?

A. The jurisdictional separation factors are calculated based on the January 2010 sales forecast, using the Retail Jurisdictional Cost of Service methodology that was approved in the Final Order No. PSC-10-0131-FOF-EI in PEF's base rate proceeding, in Docket No. 090079-EI.

Q. What are the actual/estimated costs incurred for period January 2010 through December 2010?

A. Total capital expenditures for 2010 excluding carrying costs are projected to be $66.3 million, as shown on Schedule AE-6, Line 12. More information about the types of costs included in each of these major tasks is included on Schedule AE-6A and addressed in Mr. Franke's testimony.

B. CR3 UPRATE PROJECT COST PROJECTION

Q. What are the total projected revenue requirements for the CR3 Uprate project for the calendar year 2011?

A. PEF is requesting approval of total projected revenue requirements of $13.9 million for the calendar year ending December 2011 as reflected on Schedule P-1, Line 6. The total revenue requirements to be collected in 2011 is $16.0 million and includes the $13.9 million referenced above as well as the 2009 true-up and 2010 estimated actual true-up of $2.1 million.

Q. What is included in the revenue requirements for 2011?

A. The revenue requirements for the 2011 period of $13.9 million reflected on line 6 of Schedule P-1 includes $9.5 million for carrying charges on the cumulative construction balance, $0.4 million in CCRC recoverable O&M expenses, $0.5 million for the carrying charges on the deferred tax asset, and $3.4 million related to the revenue requirements on the assets placed into service during 2011. These amounts were calculated in accordance with the provisions of Rule 25-6.0423, F.A.C.

Q. What is included in the Total Return Requirements on Schedule P-2.3, Line 9?

A. The $9.5 million in Total Return Requirements on Schedule P-2.3 represents the carrying costs on the average construction project balance.

Q. What is the carrying cost rate used in Schedule P-2.3?

A. The carrying cost rate used on Schedule P-2.3 is 8.848%. On a pre-tax basis, the rate is 13.13%. This rate represents the approved rate as of June 12, 2007, and is the appropriate rate to use consistent with Rule 25-6.0423(5)(b)1, F.A.C. The rate was approved by Order No. PSC-05-0945-S-EI in Docket No. 050078-EI. The annual rate was adjusted to a monthly rate consistent with the AFUDC rule, FPSC Rule 25-6.0141, Item (3), F.A.C.

Q. Can you explain the calculation of the return requirements on the Deferred Tax Asset on Schedule P3-A, Line 11?

A. Yes. We have included a return on the deferred tax asset that arises from differences between the tax basis and book basis of the project. The difference between the tax basis and book basis of the project is attributable to the difference between the interest that will be capitalized for tax purposes and the interest that will be capitalized for book purposes. We have included the carrying charge on the average deferred tax balance in the revenue requirements on this schedule.

Q. What is included in the Recoverable O&M Expenditures on Schedule P-4?

A. The expenses included on this schedule represent the O&M costs that the Company expects to incur in 2011 related to the CR3 Uprate project that the Company is seeking recovery of through the NCRC.

Q. What are the projected capital costs that will be incurred for the period January 2011 through December 2011?

A. Total capital expenditures excluding carrying costs are projected to be $67.8 million, as shown on Schedule P-6, Line 12. This amount includes expenditures of $0.5 million for License Application, $4.7 million for Project Management, $45.4 million for Power Block Engineering and Procurement, and $16.9 million for Non-Power Block Engineering and Procurement as part of generation construction costs. These costs have been adjusted to a cash basis for purposes of calculating the carrying charges (Line 14). These costs have also been adjusted to remove the joint owner portion (Line 15) and the appropriate jurisdictional separation factor has been applied. More information on the types of costs included in these major tasks is provided on Schedule P-6A as well as the testimony of Mr. Franke.

Q. What was the source of the separation factors used in Schedule P-6?

A. The jurisdictional separation factors are calculated based on the January 2010 sales forecast, using the Retail Jurisdictional Cost of Service methodology that was approved in the Final Order No. PSC-10-0131-FOF-EI in PEF's base rate proceeding in Docket No. 090079-EI.

Q. What is the estimated rate impact to the residential ratepayer expected to be in 2011?

A. As can be seen in Schedule P-8, the expected rate impact to the residential ratepayer is \$0.54 per 1000 KWhs for the CR3 Uprate project.

C. CR3 UPRATE PROJECT TRUE-UP TO ORIGINAL

Q. What do the TOR schedules reflect?

A. The TOR schedules reflect the total estimated costs of the CR3 Uprate project until the project is placed into service. Further details on the total project estimates are provided in Mr. Franke's testimony. Schedule TOR-3 includes the estimated total retail NCRC revenue requirements through completion of the project. Total revenue requirements of \$48.7 million on Schedule TOR-3, Line 4, are primarily comprised of the carrying charges on the construction balance, CCRC recoverable

O&M, and revenue requirements associated with assets going in service in the year they go in-service recovered through the clause. This includes actual expenditures incurred through February 2010 and projections through 2012.

Q. Does this conclude your testimony?

A. Yes, it does.

BY MS. HUHTA:

Q. Mr. Foster, do you have a summary of your prefiled testimony?

A. Yes.

Q. And will you please provide that summary to the Commission?

A. Yes.

Good morning. My name is Thomas Geoffrey Foster. My direct testimony presents PEF's estimated actual costs for the Levy nuclear project and Crystal River 3 uprate for the periods of January 2010 through December 2010. I also present projected costs for these projects for the period January 2011 through December 2011, as well as the total estimated revenue requirements for these projects for the purpose of setting the 2011 rates in the capacity cost recovery clause. I'm available to answer any questions related to my testimony. Thank you.

MS. HUHTA: We would tender Mr. Foster for cross.

MR. YOUNG: Madam Chairman, just two clarifications, one on the Garrett testimony -- exhibits. Just to clarify, you did move those into evidence.

CHAIRMAN ARGENZIANO: They were moved, yes.

They were moved into evidence.

And Mr. Rehwinkel.

MR. REHWINKEL: Yes. Madam Chairman, Charles Rehwinkel with the Office of Public Counsel.

Before I undertake to cross-examine Mr. Foster, I would like to note for the record that, that as part of the agreement to not cross-examine Mr. Garrett, we asked that the company make Mr. Foster available to answer certain questions that we would have asked of Mr. Garrett. So I may have some questions that are outside of his direct testimony per agreement with the company. So if you'll bear with me, I'd appreciate it.

CROSS EXAMINATION

BY MR. REHWINKEL:

Q. Good -- still morning. Good morning, Mr. Foster.

A. Good morning.

Q. First of all, is it your testimony that the information that you have testified to today is, is up-to-date and accurate to the best of your knowledge?

A. It's up -- it's a projection. So since the projection, there have been actuals that come in, but I don't know of anything that would materially change.

Q. Okay. Thank you.

MR. REHWINKEL: Madam Chairman, I would like to start off and pass out two exhibits for cross-examination purposes. One is not confidential and the other is.

The first exhibit is the company's response to Public Counsel's third set of interrogatories, Interrogatory Number 47, and the second is PEF's response to staff Interrogatory Number 29. That has been identified as Exhibit 76 of the staff's stipulated exhibit list. What I am not sure about is whether the staff's document is confidential or not or if it's the redacted version.

MR. YOUNG: It's the redacted version.

MR. REHWINKEL: Okay. So what I've asked to be identified is the confidential version of 76, of interrogatory -- the company's response to Interrogatory 29. So I guess what I need first is a number.

CHAIRMAN ARGENZIANO: And you said the number was --

MR. REHWINKEL: For the exhibit.

MR. YOUNG: It will be 188.

CHAIRMAN ARGENZIANO: 188. Thank you.

(Exhibit 188 marked for identification.)

MR. YOUNG: Starting at 188 on page 21.

MR. REHWINKEL: So the non -- the

Interrogatory 47 would be 188, and Interrogatory 29, staff's 29, would be 189?

CHAIRMAN ARGENZIANO: 189.

(Exhibit 189 marked for identification.)

MR. YOUNG: Point of clarification, Madam Chairman. Does Mr. Rehwinkel want a new identification number, exhibit identification number for the red confidential exhibit? Because it is a part of staff Exhibit Number 76, although it's the redacted version.

MR. REHWINKEL: Because it is the, because it is the unredacted version, I think we would need a new number.

CHAIRMAN ARGENZIANO: New number.

MR. REHWINKEL: And it is possible, if we don't inquire about any information that is confidential, then I would not move this document into evidence, which would be my preference if we can avoid it.

BY MR. REHWINKEL:

Q. Okay. After the logistics, Mr. Foster, do you have the two documents, Exhibit 188 and 189, in front of you?

A. Yes, I have the two documents.

Q. Now, Exhibit 188, are you familiar with this document?

A. Let me just make sure, because they -- forgive me. I'm not as good at listening to exhibit numbers. But are you referring to the staff or, I'm sorry, Citizens' Interrogatory Number 47?

Q. Yes, sir.

A. Yes, sir, I am.

Q. Okay. This is an interrogatory response that was prepared by you or under your direction?

A. That is correct, sir.

Q. Okay. My question to you is Exhibit 188 shows -- well, let me ask your interpretation of what this shows from the standpoint of a customer's bill in year 2021.

A. Year 2021. It estimates that the NCRC impact will be approximately 25.69, that there will be a base rate component of about 28.70, and that when compared to a gas, an all gas type scenario, there will be estimated fuel savings of about 7.45 in that, that year.

Q. You say 7.45. You mean $7.45?

A. Yes, sir. Sorry.

Q. Okay. That's okay. Now, the -- and so the estimated rate impact of Levy capital additions line, $54.39, that's the, that is just the base rate and the NCRC impacts added together?

A. That's correct, sir.

Q. Okay. And then for the years 2022 and 2023, well, for, for 2022, that would be a full year of Levy Unit 1 and a partial year of Levy Unit 2?

A. Yes, sir.

Q. Okay. And then for the year 2023, a full year, actually most of the units in service, most of the full impact of the units in service would be $68.65?

A. I think, I think the ongoing impact in base rates is the 67.71.

Q. Okay.

A. And then there was in that year shown a 94-cent NCRC rate impact. And you'll have to forgive me. There's a lot of numbers in here and I'm trying to remember exactly why that was, but off the top of my head I'm --

Q. Okay. So the year 2024 has no NCRC impact, and is the clean base rate impact, if you will, of the two units?

A. That is an estimate of the clean additive base rate impacts. And I say that because in this, as I recall, there was not an assumption of perfect ratemaking or anything where if something went in back in 15, it's been depreciated and all that good stuff. It's kind of a, just an additive, so.

Q. Okay. So your fuel savings impact of $26.85, can you tell me what the basis for that is? And I'm looking in the year 2024.

A. Yes, sir. Well, my understanding, and I didn't conduct these analyses, Mr. Lyash may be a better witness on some of how they compare those things, but my understanding is you do a run against the two scenarios, you've got one with Levy and one without where you have to have additional gas. And it estimates, using a lot of assumptions, what the fuel costs will be out in future years.

Q. And do you have Exhibit 189 with you, the confidential?

A. And that's 29?

Q. Number 29, yes.

A. Interrogatory Number 29? Yes, sir, I do.

Q. Yes. Now, for -- what is the difference in your opinion -- are you familiar with Exhibit 189?

A. Yes, sir, I am.

Q. Okay. Did you assist in the preparation of this response to the staff interrogatory?

A. Yes, sir, I did.

Q. What is the difference in your opinion between the results that are shown between Exhibit 188 and Exhibit 189 with respect to the results?

A. And, again, as it gets into -- because some of these are based off of runs that were used in feasibility and whatnot. And as it gets to that, I defer to Mr. Lyash. He's really our witness on that.

But my understanding of, if you're thinking about deltas in rate impacts, Interrogatory, let me make sure I get this right, Number 29, is more of a full view of what you expect the system to be doing in those years.

And whereas Interrogatory Number 47 was just a simple, hey, give us the base rate impacts of having Levy, it was not necessarily specifically a comparison of two scenarios. Whereas, I believe 40, I'm sorry, 29, was specifically asked to be a comparison of two scenarios and so included things like projected future environmental costs.

And I'm certainly not the expert on how you derive future environmental costs, but we have a process, and I'm sure Mr. Lyash would be happy to go into detail on that, if needed.

Q. Okay. So if I looked on page -- well, if you'd look at Exhibit 189, which is staff's 29, at the very bottom right-hand corner of the page there's some numbering that says FPSC ROG 8-29-4. Do you see that?

A. Yes, sir, I do.

Q. And is this the page you'd go to to see kind of the bottom line results of the analysis that was requested by the staff?

A. Yeah. This is kind of a good summary of the impacts of the two scenarios over time, I would say.

Q. Okay. And for the years '21 and '22, you see for, in the last column, column five, $29 and $25.12 for the 2021 and 2022 respectively; is that correct?

A. Yes, sir.

Q. Okay. And those would be what you would compare, those two year results on Exhibit 188, to get the difference between what you consider the full ratemaking impact versus just the incremental impact of Levy Units 1 and 2 in base rates?

A. I'd say it's a good proxy. I mean, I'll tell you, in the 189 -- I'm getting it, I've almost got them figured out here -- there's small differences. Again, I told you on question 47 we did not assume perfect ratemaking, but for the purposes of this we did. We went ahead and depreciated it. And, you know, when you're going out many years, you kind of have to make that assumption. So, but generally comparable, you know, maybe some little differences for things like that. Does that make sense?

Q. Yes. And when you said this, you meant 189, or --

A. I apologize. 189 assumes perfect ratemaking. Yes, sir.

Q. Okay. When you say perfect ratemaking, you mean running the, the revenue requirements associated with the Levy plant in, into a calculation that also includes other system offsets like plant retirements or plant additions?

A. There's some of that. What I really mean with perfect ratemaking is on Exhibit 188, again, let's say, you know, in 2015 you had a base rate impact of 314. Well, in 2022, it's just left in there as 314. We just kind of added up the years. Versus in reality, I sure hope sales have gone up by the time you get to, out to 2022, or I would expect if we get back to some kind of a normal economic situation, you'll have had some depreciation on those assets so their basis will be lower. But we just didn't try to make assumptions for when different rate cases might occur. In these types of analysis, you do that kind of for everything, so --

Q. Meaning, meaning 189?

A. 189. I apologize. I'll get the hang of it, I promise. But you kind of have to because you're going out 50 years, and it will just -- it wouldn't be, it just wouldn't make sense otherwise, so.

Q. Now do you know if this, this type of analysis, meaning what you did for, to respond to staff 29 in Exhibit 189, was performed in the need determination? Do you have any knowledge about that?

A. I don't remember. I don't remember specifically on that. It's been a couple of years.

Q. Okay.

A. I know, I know -- what I know is these outputs are links to the same type of analysis done on the feasibility, so I'm just not sure if they converted it to this specific table.

Q. Okay.

A. Does that make sense?

Q. Yes. And so I would ask you, do you know whether the analysis that was presented to the Commission was more akin to what is in 188 versus what is in 189 with respect to ratepayer billing?

A. Just a second. I believe it was more akin to 188 than 189, yes, sir.

Q. Okay.

A. But if there's a specific document you want me to look at and refresh, I'm happy to do that.

Q. Yes.

MR. REHWINKEL: Madam Chairman, I'd like to ask for an exhibit to be marked for identification. And this is, it has a red cover on it and it says it's confidential but it is not. These are excerpts from the 2008 need determination.

CHAIRMAN ARGENZIANO: Okay. So that is not confidential, and it would be marked as --

MR. REHWINKEL: Yeah. So everybody who has a copy of it can put "non" above the word "confidential" and ignore the red. And so could I get a number for this?

CHAIRMAN ARGENZIANO: 190.

MR. REHWINKEL: 1-9-0?

CHAIRMAN ARGENZIANO: Thank you.

(Exhibit 190 marked for identification.)

MR. REHWINKEL: And I apologize, Madam Chairman. I did not number this exhibit and I should have. I thought that I had taken care of that, but I did not. The short title of this would be Excerpts from PEF 2008 Need Determination for this exhibit. And what I would like to direct Mr. Foster to once the exhibits have been handed out is the very beginning of the exhibit is testimony filed on March 11, 2008, by Javier Portuondo on behalf of Progress Energy.

BY MR. REHWINKEL:

Q. Are you familiar with this testimony, Mr. Foster?

A. I'm somewhat familiar.

Q. Okay.

A. I mean, I wouldn't -- it's not my testimony, but I'm somewhat familiar with it, yes, sir.

Q. Okay. And it is 12 pages of testimony followed by a blank page and then an Exhibit JP-1, and then followed by JP-2 and 3.

A. I'm there.

Q. Would you, would you have participated in the preparation of these exhibits?

A. I did participate in this, yes, sir.

Q. Okay. So on JP-1 we see, for Levy Units 1, 2, and Transmission, for various years residential rate impacts in the, in three boxes. Do you see that?

A. Yeah. And I think I maybe can answer your question now.

Q. Yes.

A. If you want me to go ahead. So if you're to look at 188, it's consistent with looking at the addition of Levy 1, 2, and Transmission.

Q. Okay.

A. And as you can see, there's not an adjustment. Say, you know, the 2015 assumption around Transmission, there's not an adjustment to say, oh, in 2016 it would have been depreciated, a lower basis, and therefore a lower return.

So, so to answer your question, these are on a consistent basis. Yes, sir.

Q. Okay. So if I looked at -- if I went past Exhibits JP-1, 2 and 3, there is an interrogatory, actually it is a late-filed deposition exhibit for Mr. Portuondo for that docket, and then the late-filed deposition exhibit, late-filed deposition Exhibit Number 5, we see the three numbers that you see on JP-1 and spread on 2015, 2016 and 2017; is that right?

A. That is accurate.

Q. Okay. So this presentation on JP -- well, on Mr. Portuondo's late-filed Exhibit 5 that was in the 2008 need determination would be an apples to apples comparison to the number in 188. Is that fair?

A. Let me just think about it for a second.

Q. Sure.

A. I, let me, I guess, clarify. It's on a consistent basis as what we presented in 188. However, I would note that, that there are two sections to late-filed Exhibit Number 5. The top section is the capacity cost recovery clause, or NCRC really, rate impacts. And that gets, that's a total estimated residential rate impact. And then the bottom part is base rate impacts, and it's talking about specific annual increases versus the total impact.

So, I guess, to get to the 67.71, I just want to make sure it's clear, you have to add up the 7, 26 and 18. Does that make sense, sir?

Q. Yes. Yes. Okay.

A. A little bit of a presentation difference, but at its heart they're the same representation.

Q. But these are roughly equivalent or comparable numbers, if you add those three on JP-5 --

A. To the 67.71 on Exhibit 188?

Q. Yes.

A. I would agree with that, yes, sir.

Q. Okay. Now let me ask you to go back into Mr. Portuondo's testimony, on page 8 of that testimony.

A. Give me a second, please.

Q. Actually pages 7 and 8.

A. I'm on 7.

Q. Okay. There is a question there. It says, "What is your current estimate of the impact on an average retail customer bill while the plants are under construction?"

And then the answer on page 8 says, "The estimated impact on an average retail customer bill is expected to range from $6.43 in 2009 to $24.75 in 2015 per 1,000 kWh." Do you see that?

A. I do see that, yes, sir.

Q. Okay. And are those numbers shown on the late-filed deposition Exhibit 5 that's included in Exhibit 190?

A. Yes, sir, they are. Oh, I'm sorry. Forgive me. I got -- I think I misheard you. Could you restate your question?

Q. Yeah. My question is are the $6.43 that are in Mr. Portuondo's testimony that we just looked at on pages 7 and 8, are they shown on the late-filed Exhibit 5 that is included in 190?

A. Okay. Okay. Got you. Oh, okay. Okay. Got you. Sorry. And, again, I'm still getting used to it. I was thinking that this 47 was the late-filed.

Q. We'll get to 47. I'm not talking about that right now.

A. But, no. Yes. Yes, they are, sir.

Q. Okay. And what this shows in 2015, the $24.75 is, is the, the NCRC impact, the year before the projected, the then projected 2016 in-service date of Unit 1. Is that fair?

A. Yes, that's fair.

Q. Okay. Now let's turn to 189, which is the response to staff's 29. Do you have that?

A. 189. Yes, I do, sir.

Q. Yeah. Okay. Now this shows on page, on the page 29-4, the one, the page that has the results --

A. Yes, sir, I'm there.

Q. -- for the years 2019 and 2020, those are the two years before the projected in-service date of 2021 under the revised scenario for the Levy project; is that correct?

A. Yes, sir.

Q. Okay. So for 2020, which is the year before the unit goes into service, you see $38.48.

A. For which year? I'm sorry.

Q. For 2020.

A. Yes, I do, sir.

Q. Okay. Now that's -- what is the difference between that 38.48 as the year before the in-service date in 2020, 2020 versus the 24.75 that is the year before the then in-service date under the original Levy nuclear plant schedule? Do you understand my question?

A. I think I understand your question. Yes, sir.

Q. Okay.

A. And I'll tell you, fundamentally what's the difference? The project costs or the investment in the project is higher in 2020 than it would have been in our estimates in the need in 2015. As far as what goes into that, that's something you should speak to Mr. Lyash about, but, that's, you know, at its heart.

Q. Okay. Thank you.

MR. REHWINKEL: I'm going to tackle an easy issue before I get into a more difficult one. I would like to, Madam Chairman, pass out another exhibit for cross-examination purposes.

THE WITNESS: Can I put these to the side or --

MR. REHWINKEL: Yes.

CHAIRMAN ARGENZIANO: Do we need a number?

MR. REHWINKEL: Yes, Madam Chairman.

CHAIRMAN ARGENZIANO: 191. And the title?

MR. REHWINKEL: This will be PEF Response to OPC Interrogatories 90 through 93. And this would be 191?

CHAIRMAN ARGENZIANO: That's correct.

(Exhibit 191 marked for identification.)

MR. REHWINKEL: Thank you.

CHAIRMAN ARGENZIANO: Mr. Rehwinkel, is this confidential or not?

MR. REHWINKEL: Yes, Madam Chairman. There is confidential information in it.

CHAIRMAN ARGENZIANO: Okay.

MS. HELTON: Madam Chairman, if I could just interrupt for one minute, because I want to make sure I understand, and I especially want to make sure that the new Commissioners understand. Typically when we have confidential information that's provided in a hearing, the confidential information is highlighted yellow. And when I look through here, I don't see anything that's highlighted yellow, which would trigger us to know what we can say on the record and what we have to kind of dance around on the record. So if Mr. Rehwinkel could speak to that, that would be greatly appreciated.

CHAIRMAN ARGENZIANO: Good point.

MR. REHWINKEL: Yes. Mr. Foster, the company could probably confirm this, but if -- it's the information on 93, anything that has a dollar amount should be assumed to be confidential. Actually there are dollar amounts that are not, but the safest thing to do would be to assume that the dollar amounts are confidential.

MS. HELTON: And just for clarification purposes then, it's only Interrogatory Number 93 and the dollar amounts mentioned there that have the potential to be confidential?

MR. REHWINKEL: Yes. The -- well, on 93, in the, on the page 6 of Interrogatory 93, in the second paragraph there's a 16.2 million, 20 million, and $3.8 million number to which, as I'm saying them, of course are not confidential. But all the other dollar numbers, all the other dollar numbers are confidential.

MS. HELTON: If the company is comfortable with that, I'm comfortable with that.

MS. HUHTA: That is a correct statement regarding this document. I believe that the copies were just not made in color and that's where the highlighting went.

MR. REHWINKEL: Yeah. I apologize.

BY MR. REHWINKEL:

Q. Mr. Foster, are you familiar with the response to Interrogatory 90 that is included in Exhibit 191?

A. I would say I'm aware of the response, however, and I may just, I may just help you out here, because I know, as it relates to this specific topic, Ms. Hardison is really kind of the expert on these dollars.

Q. Okay.

A. So I hope that doesn't shortcut you too much, but I didn't want to --

Q. I understand. I had a question for you that would be -- Mr. Garrett is shown as the respondent to this interrogatory.

A. Yes, sir.

Q. And my question on this one is the Public Counsel had propounded an interrogatory asking if any of the transmission costs that would persist or continue on if hypothetically the Levy nuclear project was not continued or if it was delayed, were they taken out of the request for NCRC recovery? Are you familiar --

A. As I said, I've read this discovery response and answer. But as far as -- I guess I'm not sure exactly --

Q. Well, my question is, is for 2009 and 2010 and projected 2011, are any costs included in the schedules that you sponsor that relate to transmission that is, that will occur even if the Levy project does not go forward?

A. My understanding is no, sir, so.

Q. Okay. And the, what is that understanding based on?

A. Just, and, you know, we have a process whereby -- I don't necessarily prepare all the budgets and stuff. I'm more of kind of the translator from the business units and their organizations who look at all these costs and, you know, go line item by line item, they look at their contracts. Again, I'm not the expert on that. And of course we have discussions about it.

But as far as do I do the detailed, you know, look at different contracts, do I go out and verify transmission projects? I don't do that, that's not my role with the company. I'm more of making sure we translate the dollars that they have looked at and made sure do that into what the statute and rule provide for as far as revenue requirements. Does that, does that make sense?

Q. Well, I guess my question is, is if -- who would be the person to ask that, the question I just asked you?

A. Absolutely. And that is -- I guess a shorter answer to your question is because our processes and our organization, the folks who are responsible for that have asserted that to me. And the person you should ask, or the most appropriate person here today would be Ms. Hardison.

Q. Okay. Fair enough.

A. Sorry I took so long getting there.

Q. That's okay. I would ask you then to turn to 93, which has been noted as confidential. And I would ask that you of course not relate any of the confidential information, if you can even answer questions about that. Are you familiar with the response in 93?

A. I'm generally familiar. And, again, I just want to make it clear, if you're getting into details about specific handling of maybe contracts and costs around that, I know Mr. Franke has those details and is prepared to address them.

Q. Okay. So you can't tell me on the stand here today whether any, whether you did any work to determine whether costs related to the AREVA contract or any rewriting of the LAR were included or excluded from cost recovery?

A. I guess I would say that our company included all the costs that we feel are reasonable and prudent. And so, again, when it comes to specific costs related to an individual contract, you'll have to talk to Mr. Franke. But my expectation and my belief is we included those costs because we believe and are prepared to defend them as reasonable and prudent.

Q. Okay. Did you review any of the schedules that Mr. Franke attached to his rebuttal testimony relating to the AREVA contracts?

A. I do not believe so.

Q. All right. So -- and would you be familiar in any way with those contracts as they relate to costs that the company is requesting for recovery in this docket?

A. Could you say that one more time? I just want to make sure I got it right.

Q. Yes. That's okay. Would you be familiar with those contracts as they relate to, those contracts meaning the AREVA contracts that are attached to Mr. Franke's rebuttal testimony, as they relate to costs that the company is requesting recovery for in this docket?

A. Again, I don't believe I reviewed those schedules, so I'm having a little trouble speaking to whether I'm familiar with them. I don't know if it makes sense to put that schedule in front of me just so I can see whether I've seen it before.

Q. Well, I wasn't asking so much with respect to a schedule, but with respect to costs that the company is seeking recovery for in, for 2009, 2010 and 2011, are there any --

A. Maybe I, maybe I -- okay, I think I got you. As it relates to, I believe, the AREVA contract, my understanding is we have not pulled any costs out of our projections, because we believe we prudently and reasonably incurred them. But, again, that's, I won't say my colleague, because he's got a couple of pay grades on me, but that would be Mr. Franke's AOR there.

Q. Okay. So is your testimony there was no adjustments made with respect to costs related to the LAR rewrite as it relates to cost recovery requests for the 2009, 2010 and 2011?

A. And let me make sure I answer that a little carefully. I can't say that in, for instance, in 2009 there may not have been accrual true-ups or similar things, but to my knowledge I think the heart of your question is did we pull money out that we spent on that contract? To my knowledge, no.

Q. And would you have any knowledge from an accounting or preparation of, of your testimony standpoint as to whether there was any company costs, payroll costs or any other company costs, meaning the Progress Energy company, corporation, that were adjusted to, for, for any of the rewrite costs related to the LAR?

A. Any company costs adjusted. Forgive me. I'm just making sure I understand. To my knowledge, there were not, no.

Q. Okay.

A. But, again, that's something probably best asked of Mr. Franke.

Q. Okay. I just wanted to make sure that, whether you had any knowledge about whether there were any adjustments made. And your statement, your testimony is that there were none; is that correct?

A. To my knowledge there were none.

MR. REHWINKEL: Okay. Madam Chairman, I would like to ask for another exhibit to be, to be passed out. And this is, this is PEF's response to staff data request Number 1.

COMMISSIONER SKOP: This could be Exhibit 192 marked for identification.

MR. REHWINKEL: I apologize, Mr. Chairman. I wasn't looking at the change.

(Exhibit 192 marked for identification.)

COMMISSIONER SKOP: That's fine.

Mr. Rehwinkel, on what's been marked for identification as Exhibit 192, is that information in its entirety confidential, or do we need to address that?

MR. REHWINKEL: Mr. Chairman, the information that is confidential to my knowledge is, is on page, Bates stamp page 0000, that's five zeroes and a 36, which appears to be the response to question 25.

COMMISSIONER SKOP: All right. Very well.

MS. KAUFMAN: Mr. Chairman?

COMMISSIONER SKOP: Yes, Ms. Kaufman.

MS. KAUFMAN: Could I just ask, is it just the numbers again or everything?

MR. REHWINKEL: I --

MS. HELTON: When you look at the response, it says "confidential" at the top. So an easy assumption is that the whole thing was meant to be confidential.

MR. REHWINKEL: I apologize. There is gray that you can't see very well that is the dollar amounts. In hindsight, I should have -- but it is all the dollar amounts that are, that are in the response part of that page.

COMMISSIONER SKOP: And that's what's been Bate stamp marked as 0000036?

MR. REHWINKEL: Yes, sir.

COMMISSIONER SKOP: Okay. All right. Thank you.

MR. REHWINKEL: It is the response to question 25.

MS. HELTON: Mr. Chairman, can we ask the company if they agree that it's just the numbers?

COMMISSIONER SKOP: Mr. -- I'm sorry. Ms. Huhta.

MS. HUHTA: Ms. Huhta. Yes. The numbers in response to question 25 as well as the percentage on the second to the last line on that page, and that's Bates, the last are 0000036.

COMMISSIONER SKOP: Thank you.

BY MR. REHWINKEL:

Q. Mr. Foster, are you familiar with this data response that was provided to the staff auditors?

A. I have seen this data response. Yes, sir.
Q. Okay. Are you familiar with the response to question number 18?
A. Give me a second, please.
Q. Which is on 27.
A. Okay. I'm there.
Q. Okay. Are you familiar with this response?
A. I'm familiar with the response.
Q. Okay. Is this a response that you would have prepared or would have been prepared under your direction?
A. This is not one that would have been prepared under my direction. No, sir.
Q. Okay. Are you familiar on the -- and your testimony in this docket deals with the, with the May 1st projection and estimates for 2010 and 2011; correct?
A. The -- we filed April 30th, but, yes, sir.
Q. Yes. You also provided testimony in 2009 related to the projections and estimates; is that right?
A. Yes, sir.
Q. There is a question by the staff about, that asks for, I guess, a reconciliation of the, to get from $426.6 million on the third line of that table to $479.1 million on the last line of that table. Do you

see that?

A. I do, sir. Yes.

Q. Okay. There's a column that says total adjustments, $52.5 million. Do you see that?

A. Yes, sir.

Q. Okay. Are you familiar with what comprises that $52.5 million?

A. I -- no, that wouldn't be something I'd testify to. That would be something that Mr. Franke would speak to.

Q. Okay. Do you know whether the $52.5 million was included in cost recovery for last year?

A. Oh, boy. Now you're testing my memory here, because -- when did this -- I'm trying to remember when that came about. I think it was late last year, so I wouldn't expect that it was.

Q. So --

A. Now that's, I'm just going off, you know, kind of a subject to check, but my recollection would be probably we didn't know about this.

Q. Okay. So would these dollars then, the $52.5 million, would they be included in this year's cost recovery request for, for recovery for true-up for 2009 and any impacts in 2010 and 2011?

A. Yes. We would have made our estimates off our most up-to-date numbers.

Q. Is the $52.5 million, is that an adjustment to the budget for the EPU project in 2009?

A. Let me think about how, how, how you said that. Because there's -- one of the things with these projects that makes it a little tough is the point at which we prepare our filings is often different than the point at which the budget is prepared for a given year, and so there's a lot of -- it can be hard to compare numbers on a one-to-one basis.

So I guess I believe this 52.5 was, there was an IPP where they itemized this, and this exact list I think you see in front of you was in there. And my recollection, it was late '09, so, that that came about. So my expectation is from the budget prepared for '09 to towards the end of '09, that this would be an adjustment made to that budget or a variance to that budget. Does that, does that help?

Q. So when you said IPP, you mean integrated project plan.

A. Yes, sir. Sorry.

Q. That's okay. And that is the company's official document where any changes, material changes to the budget for the project budget are approved; is that right?

A. I don't know that I'd say it that absolutely. It's one of, I think, the company's control processes.

Q. Okay.

A. But there's a lot of stuff that goes into monitoring your costs and, and keeping up to speed with where we are, where we expect to be. So I would agree that that's one, one process we use to monitor for cost changes and then make sure our management is apprised.

Q. Well, but --

A. Go ahead, sir.

Q. No. Go ahead. You can finish your answer.

A. No, no, no. I'm done.

Q. If I look on page 26 of this response and in the response the second full paragraph, the last, the next to the last line says, "The current cost estimate for the uprate is 479.1 million." Do you see that?

A. I do, sir. Yes.

Q. And that 479.1 million is what is on page 36. And so that would have been changed by the $52.5 million; is that right?

A. I'm sorry. You said page 36?

Q. I'm sorry. Page 27. I apologize.

A. Okay. So -- and then could you just say it one more time?

Q. Yes.

A. The 426.

Q. The 426 was the, was the budget -- would that have been the budget before AFUDC in 2009?

A. That's where you get into difficulty. I can't say for sure that it was. That would be my expectation. But without going back and looking at time lines, I'd have a hard time.

Q. Well, your budget is presented on what they call a direct view and a financial view; correct?

A. That's accurate, sir.

Q. And the direct view is those costs that the project managers control, i.e., the capital expenditures; is that right?

A. Yeah. I'd agree with that statement.

Q. And the financial view has the financing costs or the AFUDC component added into it; is that right?

A. Yes. There's a --

Q. Okay. So if a direct view of $426.6 million was increased by $52.5 million, you would get 47.9 million; correct?

A. Say it one more time.

Q. If a direct view of 426.6 million is increased by 52.5 million --

A. Yes.

Q. -- then the --

A. The 479?

Q. Yes.

A. I agree with that.

Q. And you can see there it says, "Adjusted EPU expenditures excluding AFUDC and JO." That's joint owners.

A. Correct. So we haven't removed the costs that we'll get reimbursed from them.

Q. Correct.

A. But -- and let me -- I'm not trying to be difficult. It's just when you refer to budget, it has a specific context in the company and it -- you know, there's different timings, and I just want to make sure I don't answer you inaccurately.

Q. Okay. So where I'm getting at is, is this document where you told the staff that the, the estimate for the EPU project increased in 2009 by $52.5 million; is that right? And you showed them how the line items got you there. Is that correct?

A. This shows that the cost estimate increased by $52.5 million and has an itemized list. I'd agree with that.

Q. Now in your testimony that you filed in this proceeding in 2010, do, is there any description or breakdown of this $52.5 million?

A. Well, I can say with regard to my testimony, I don't have anything in there.

Q. Okay.

A. You know, there's a lot of testimony following, so I can't necessarily speak to every other witness.

Q. Okay. Do you know if -- well, first of all, are you familiar with any issues related to the disposition of long-lead materials as it relates to cost recovery in this docket?

A. Disposition of long-lead materials. I, I know anecdotally that our group, our, the project group for Levy has been in some negotiations, but I don't know the specifics around that. Mr. Elnitsky is really probably the right guy to ask.

Q. All right. I can ask him about that. Yeah. I think I'll wait.

Mr. Foster, those are all the questions I have for you. Thank you.

A. Thank you.

CHAIRMAN ARGENZIANO: I think -- thank you. This may be a good time to take a ten-minute break and give our court reporter a chance to rest her fingers.

MS. HELTON: Madam Chairman, before we break, it's my understanding that Mr. Rehwinkel has quite a few confidential exhibits that he will be using through the course of the proceeding, and it's my understanding that the company has offered to help him highlight those parts that are actually confidential, which might expedite matters through the day.

MR. REHWINKEL: Yeah. I will -- what I was hoping to do, I provided my confidential exhibits to the company yesterday, and we've had discussions that we will sit down and not only look at what might be winnowed down with respect to what is actually confidential. And let me say this, is that Progress has been very good to work with with respect to getting us the documents and information we've requested.

There have been claims of confidentiality that as they've worked through the process with the Prehearing Officer and the parties, that they have narrowed their request. We do not look at it like they over requested. They facilitated the information to us. And so we have tried to work with them on that and we've also tried to make sure that we're able to put on our case without being overly burdened by, you know, getting lost in the confidential aspects of the case.

So we appreciate Ms. Helton bringing this to our attention, because it is a serious matter. We do not want the company to be subject to liability. This is an unusual case, I just need to state this for the record, because they're in active negotiations on major contract issues right now. And we appreciate that and we want to work with them on that.

So I, in an abundance of caution, have labeled these as confidential. We will work with them on that for the benefit of the Commission and the public.

CHAIRMAN ARGENZIANO: That would be great. Most helpful.

Commissioner Skop.

COMMISSIONER SKOP: Thank you, Madam Chair. And just to Mr. Rehwinkel's point, again, Progress voluntarily agreed to disclose previously redacted information, went above and beyond what was required to address the Commission staff's concerns and Public Counsel's.

And just generally speaking, the majority of the information that remains confidential are those items directly related to existing contracts, numbers, percentages that have competitive interests. So, again, it was very fortunate that Progress proactively took the steps to disclose that information, and that reflects positively on Progress. And, Mr. Glenn, I'd like to thank your company for the cooperation, because it facilitates the hearing process. Thank you.

MR. YOUNG: Madam Chairman, it's my understanding that the company is going to request that we collect Exhibit, what is identified as Exhibit Number 191 and 192, and we'll collect it and replace those exhibits with the highlighted copies, with highlighted copies.

CHAIRMAN ARGENZIANO: Members, if you'd gather 191 and 192. Correct?

MR. YOUNG: Yes, ma'am.

CHAIRMAN ARGENZIANO: Okay. Commissioner Skop.

COMMISSIONER SKOP: Just one additional point. In most instances where there were differences of opinion, it has been resolved in favor of transparency, with the exception of those contractual issues. So, again, that should make things go a lot smoother.

CHAIRMAN ARGENZIANO: Okay. Let's come back at five of, give everybody a break.

(Recess taken.)

Okay. And I think, Mr. Rehwinkel, you were done with the witness?

MR. REHWINKEL: Yes. Yes, Madam Chairman.

CHAIRMAN ARGENZIANO: Okay. Then we'll just move on.

MR. BREW: Thank you, Madam Chairman.

CROSS EXAMINATION

BY MR. BREW:

Q. Good morning, Mr. Foster.

A. Good morning.

Q. Well, this will be tedious but not long. Can I refer you to your Exhibit TGF-2, schedule P-1, that's on page 4 of 44?

A. Give me a second, please.

Q. Sure.

A. TGF-2.

Q. Schedule P-1.

A. P-1. Got you.

Q. Page 4.

A. Yes, sir, I'm there.

Q. Okay. If I look at the bottom line number on page 9, the 147 million, that's the company's requested revenue requirements for 2011; is that right?

A. For the Levy project, that's accurate.

Q. For the Levy project, yes. And above that on line 7, the 60 million amount?

A. Yes, sir.

Q. That is, that is the amount that was, one of the amounts for the rate management plan for the amounts approved for recovery last year; is that right?

A. Yes, sir. That was part of the deferral approved for recovery in future periods last year.

Q. Okay. So 60 million of the 147 is for the costs approved last year?

A. I might say it slightly differently, but I think in spirit we're saying the same thing.

Q. Okay.

A. It's part of the deferral from last year that we're collecting in accordance with the plan that we filed and was approved last year as part of these proceedings.

Q. Okay. Close enough. Can I ask you to go to TGF-3, schedule TOR-3?

A. Yes. Give me a second, please.

Q. Yeah. And I'm on page 5 and 6 of 17.

A. Okay. I'm there, sir.

Q. Okay. Now am I correct that these pages show the projected spending amounts for Levy Units 1 and 2 for, from 2006 through the duration of the project, meaning their in-service dates?

A. Let me just think about that for a second because there's a couple of different things represented in these schedules. Could you, could you state your question one more time to make sure I'm --

Q. Yeah. The easiest way would be line 6 is entitled Total Final Period Amount. Do you see that?

A. Yes, sir.

Q. Okay. And let's just make it simple. Let's look at projected 2014, the amount of 688 million.

A. Yes, sir.

Q. Okay. What does that represent?

A. That represents the expected period, and I'm just doing some math to make sure, the expected period revenue requirements for, for that year.

Q. For that year. Okay.

A. Yes, sir.

Q. Now if I could take you back to Exhibit Number 188.

A. I do still have that one.

Q. Don't let it go far.

A. Yes, sir.

Q. And I look at the estimated residential rates per 1,000 kilowatt hours for 2014, the $23.78. Do you see that?

A. Yes, sir.

Q. Is that 23.78 based on that $688 million?

A. I'm just recalling, making sure I recall properly. But, yes, sir, I believe it is.

Q. Okay. What else does the 23.78 include in addition to the $688 million?

A. I'm just looking to make sure. I've got to think about the recovery of the deferral and whether it was done in, by that year yet.

Q. You still have another 57 million in the deferral for 2014.

A. Okay. So then we would reflect recovering that. And I'm sorry, I just had walked through the years again. A lot of schedules here.

Q. Well, that's what I'm trying to get to is does the 23.78 include that remaining deferral of the 57 million?

A. That would not. I'm sorry. Thank you for asking so I can clarify. Again, if you look at line 6, it's specific to say total final period amount.

Q. Uh-huh.

A. And as you can see, if you look at 2011, it's less than what we've requested; right? It's 75 million, and that's a period amount. But to the extent there are any prior period amounts to be recovered, that would be in addition.

Now the only prior period we would expect in 2014 right now would be that deferral because, well, we don't know if we're going to have any other over or under recoveries, but --

Q. Right.

A. Does that answer your question, or --

Q. Well, we're getting there.

A. Okay.

Q. So on, on TGF-2, page 44, you show the amortization schedule for the rate management plan, and that shows for 2014, 57,271,000 to be amortized in 2014. Correct?

A. That's correct, sir.

Q. Okay. So we know that the, the 688 million projected amount, revenue requirement for that same year does not include the 57 million. My question is whether the $23.78 on Exhibit 188 for that year does.

A. So, and let me, let me be specific. I think earlier you asked a question -- first, yes, I believe it does. Earlier you asked a question, is that 23.78 based on the 688, and I would still say yes, it is. However, there are some other items in there. And it does, as I think we note there, note 3, it reflects the revenue requirements in the NCRC rate. I'll just read it so I don't paraphrase. "Rate presented above reflect the rate management plan as proposed in Docket 100009."

Q. Okay. So the 23.78 would then include that amount?

A. Yes, sir. And sorry if I wasn't clear earlier.

Q. Okay. Staying in TGF-3 but moving to schedule

TOR-2, which is page 4 of 17.

A. Yes, sir.

Q. And in column F, under the column Current Estimated In-Service Amount.

A. Yes, sir.

Q. You told, show on line 6 total final period amount of 22.056 billion. Do you see that?

A. I see that amount. Yes, sir.

Q. Okay. Does that include the fuel?

A. Let me think about that.

Q. Let me save some time. Note 2 says that the numbers are not inclusive of nuclear fuel. Do you see that?

A. That make it easier for me, yes. I'm sorry. I was just trying to remember if it did or not. And, no, they are not inclusive of the fuel.

Q. Okay. So if the fuel load is approximately $500 million, the all in, the costs, AFUDC, transmission and fuel is like $22.5 billion?

A. If you add in about a half a billion to this number, you get to about $22.5 billion. I'd note that the description in service may, may not be the best description as I sit here today and think about it. It was the description kind of agreed to for this schedule I think among the parties. But when you, when you typically think about in service, you think about what you set as what's the value of whatever asset goes in when you place something in service.

So this is kind of an accounting, you know, maybe a little bit geeky distinction. But, you know, I wouldn't expect it to be $22 billion that is kind of that in-service amount, because we would have collected the preconstruction costs and also along the way the carrying costs. So it's more a view of maybe capital costs incurred plus collections through NCRC up to that date. Does that make sense? A lot of gobbledygook, I know.

Q. Well, let's back up and make sure we're clear. On page 6 of 17, also of schedule TOR-3, under the column S, Projected Total.

A. Say again. S, Projected Total. I see that column.

Q. Right. And you have a final, total final period amount of $8.2 billion?

A. Yes, sir.

Q. Does that represent the amount that would be collected over that period through the NCRC?

A. That's an estimated amount for what we think will be collected under the statute and rule.

Q. Okay. And any remaining amounts would then be reflected in base rates?

A. Basically, yeah. That's pretty good, straightforward, yeah.

Q. All right. So, if, if the total in-service amount is 22.5 billion and you've collected to that point 8.2 billion, you'd have about 14 billion left to go into base rates?

A. Yeah. That sounds right, sir.

Q. Okay.

A. You know, not to the penny there, but --

Q. Let's talk a little bit about the Exhibit 188 again.

A. 188?

Q. Yes, please.

A. Yes, sir.

Q. And just to keep it simple, let's stick with year 2014 again. Well, when you're ready.

A. Oh, yes, sir. I'm there. I'm sorry.

Q. To get to the estimated residential rate calculation of $23.78, you took the estimated revenue requirement for that year and the 57 million of the remaining deferral and then applied it over the company's sales forecast for that period?

A. That would be, yeah, at its most basic. Yes, sir.

Q. And that would be the same sales forecast that Mr. Lyash shows on his Exhibit JL-3?

A. I'm not 100 percent sure if it's the exact same forecast. We do, we do a lot of sales forecasts over the year. I would expect the number to be very close, if not the same.

Q. Okay. I'm just trying -- thank you. I'm just trying to figure out if the sales forecast shown on that other exhibit is the same one that you used here or whether we need a different information base. So --

A. I believe the other exhibit you're mentioning --

Q. Yes.

A. -- I believe these are based, the division, if you will, is based off the same sales forecast.

Q. Okay. Thanks.

A. That's -- I'm sure that's something we could confirm if you need us to check that real quick.

And in fact I wish I had the other in front of me because I think note 4 here says what sales forecast we used. And I think we have a similar note, and I think they're the same sales forecast. I just, as you know, we produced a lot of documents in this docket, and --

MR. BREW: May I approach, Madam Chairman?

BY MR. BREW:

Q. Mr. Foster, I showed you Exhibit JL-3 to Mr. Lyash's exhibit, and one of the appendices shows the projected sales.

A. Just give me a second.

Q. Yes.

A. I'm looking to see if they have an assumption listed here for what, what sales forecast was used.

MR. BREW: Madam Chairman, this is on page 18 of 21 of Exhibit JL-3.

CHAIRMAN ARGENZIANO: 18 of 21?

MR. BREW: Yes.

THE WITNESS: Yeah, I'm sorry. In his exhibits I can't find a specific reference. I'd say that's something we could confirm pretty fast if there's -- you know, I don't know if a late-filed or something along those lines. I would expect them to be very close, if not the exact same.

BY MR. BREW:

Q. The column, again -- focusing on Exhibit 188.

A. Yes, sir.

Q. The column that's, or the line that's labeled Estimated Base Rate; do you see that?

A. Yes, sir.

Q. Could you explain for me the simplifying assumptions beyond note 1 in terms of what type of costs are included in that estimated cost recovery? Would it include a return on the investment?

A. It would. Yes, sir.

Q. Gross up for taxes?

A. Yes, sir.

Q. Depreciation?

A. Yes, sir.

Q. Property taxes?

A. Yes, sir. Basically if you think about what we've put in our request for the uprate and how those, that math is done, it would be basically that same type of math. And you're right, you have to make, for instance, an ROE assumption. And -- well, I'll just leave it at that.

Q. My question is, are the numbers that are reflected here, would they have reflected that basic calculation of an assumed return on investment and depreciation and taxes?

A. Oh, absolutely.

Q. Okay. And the base rate impacts for 2021 and 2022 reflect the projected in-service dates of those units; is that right?

A. Yes, sir.

Q. And so the split in the cost recovery between base rates and what's recovered through the NCRC would be tied to those in-service dates; is that right?

A. Let me think about that for a second. So -- and forgive me. I am just trying to make sure I think about this. I think that's one of those things that would depend. My, you know, typically as we go through we haven't really had this situation, but my, my expectation is when you set your NCRC revenue requirements, you set them for an annual period, and so it might be reflective of, and I know I'm probably going too detailed again, getting a little geeky on the accounting side.

But, for instance, you'd bank (phonetic) in half a year maybe of Unit 1 into your total revenue requirement in the NCRC, but it would tend to get spread out over an entire year's sales forecast. Do you follow me? And so it would be kind of a -- does that, does that make sense? Like, I wouldn't envision, and I think our assumption is that we don't go and have a step first half of the year while we've still got Unit 1 in CWIP, and then the second half we have a step down in NCRC and a step up in --

Q. Actually I'm trying to get to that more specifically. Let's take the year 2021. You've got estimated NCRC rate of $25.69. Do you see that?

A. I do see that. Yes.

Q. Okay. Now would that be reflected of the NCR costs through the entire year or would it assume an in-service date in the middle of 2021 for Unit 1?

A. So I'm going to answer this in a clear as mud fashion, but it assumes an in-service date of the middle of 2021.

Q. Uh-huh.

A. However, a simplifying assumption was made, I believe -- oh, actually, let me look at this, look at my notes I guess. Let me think about that.

I think what it has is it, I think it represents, and, again, this is something I could confirm. These are estimates out in 2021.

But I believe what we assume, to kind of simplify it there, was that when the bulk of Unit 1 goes in service in July, it kind of remains in the NCRC until the end of the year, and then in the end of the year picks up, or in the next year picks up.

Q. In the next year the NCRC goes down to $18.47, because that assumes that Unit 1 is in service, in base rates for the entire year?

A. Yes, sir. That --

Q. Okay. So the next line, the estimated rate impact of Levy capital additions is the sum of the NCRC and the base rate recovery?

A. For a given year.

Q. For any given year?

A. For, yeah. And, again, I would just say -- well, yes, that's what it illustrates. Yes.

Q. Okay. So 2021, that estimated impact is $54.39?

A. I agree. Yes.

Q. Okay. And so that would be about, a little over $600 a year for a customer using 1,000 kilowatt hours a month?

A. I'm doing the math in my head here. I think that's accurate. Yeah.

Q. Okay. Close enough. At least 50 times 12 would be 600 bucks; right?

A. Yeah.

Q. Okay. Let's go down to the bottom line where the estimated fuel savings. The -- taking that estimated fuel savings of $7.45 again for 2021; do you see that?

A. I do, sir.

Q. Now is that estimated fuel savings based on the, the mid reference fuel case that the company provided in Mr. Lyash's exhibits?

A. My understanding is it's the mid reference fuel case. Yes, sir.

Q. Okay. So to the extent that the mid reference fuel case is, is accurate, that's what you'd be projecting?

A. Yes, sir.

Q. Okay. Mr. Foster, are you familiar with or responsible for fuel price forecasting at all?

A. I am not responsible for fuel price forecasting.

MR. BREW: Okay. Thank you. That's all I have.

THE WITNESS: Thank you.

CHAIRMAN ARGENZIANO: Did you have any exhibits to be entered? There were none, were there?

MR. BREW: Pardon?

CHAIRMAN ARGENZIANO: Did you have any exhibits?

MR. BREW: I did not have any exhibits additionally to mark.

CHAIRMAN ARGENZIANO: Mr. Young, did you have --

MR. YOUNG: No, ma'am. You were right.

CHAIRMAN ARGENZIANO: Ms. Kaufman?

MS. KAUFMAN: Thank you, Madam Chairman.

CROSS EXAMINATION

BY MS. KAUFMAN:

Q. Mr. Foster.

A. Good morning.

Q. Good afternoon.

A. Oh, yeah.

CHAIRMAN ARGENZIANO: Before, before you begin, I'm just going to say, around 12:30 I think we're going to break for lunch for an hour, so we're going to try -- I don't want to split up your questioning, so if we have to come back, there's no problem, but around that time, even a quarter of if we have to go a little further. But that's my intention.

MS. KAUFMAN: Thank you, Madam Chair. That will probably be more than sufficient. Thank you.

CHAIRMAN ARGENZIANO: Okay. Great.

MR. YOUNG: Madam Chairman, what is being passed out is the -- staff alerted you of the --

CHAIRMAN ARGENZIANO: The highlighted already?

MR. YOUNG: The highlighted copies of Exhibits Number 191 and 192.

CHAIRMAN ARGENZIANO: Great. Thank you.

BY MS. KAUFMAN:

Q. Mr. Foster, we've got all our paper together. I'm Vicki Kaufman. I'm here on behalf of the Florida Industrial Power Users Group. And I want to -- I just have a few questions for you, and I want to turn to the ever-popular Exhibit 188. Do you still have that?

A. I'm there. Thank you.

Q. Okay. And the chart that appears at the bottom of Exhibit 188 is the company's best estimate as we sit here today of the rate impacts of the Levy project. Is that right?

A. Yes, with the accounting caveat that it does not assume any rate cases and that kind of stuff. So I would say that it could be lower if there's a rate case in between where you adjust what's already in service. Does that --

Q. But --

A. Does that answer your question?

Q. Yes. I just want to be clear that what we're supposed to take away from this exhibit is, on a high level, this is what customers and the Commissioners can expect, or it's the company's estimate of what they can expect as we sit here today in terms of the rate impact of this project.

A. This is -- okay. So, yes, this is an estimate of what, kind of just the natural fallout of our projected spend is over, you know, through the, through the project in service. So I would agree with that, yes. However, I would say that when you say rate impact and you don't compare it to anything else, that may be a little -- this is the nuclear associated with Levy rate impacts; however, does not, does not consider the fact that if you don't build, there may be other costs you incur. I think that when Mr. Rehwinkel was asking me his string of questions between, I don't know if it was 191 or what, but, and this 188 kind of talked a little bit about that.

Does that make sense? Does that answer your question?

Q. Well, I guess you might be making it a little more complicated than my question was, but all I'm just trying to establish is that staff asks you to calculate the ratepayer impact after 2012 of completing the project on a 100 percent ownership basis, using the option that Progress has proffered in this case. And what you have prepared in response is a chart on Exhibit 188.

A. Yes.

Q. Okay. Now the chart on 188, the impact shown there is based on dollars per 1,000 kW; correct?

A. Yes. That's what it says, 1,000 kWh.

Q. KWh. Thank you. So this may be obvious, but to the extent you have a residential customer that uses more than 1,000 kWh, the impact is going to be greater;

correct?

A. I would agree that that is how the math works, yes.

Q. And this is, this is per month; I think we've established that, correct, with Mr. Brew?

A. I think this is per 1,000 kWh.

Q. Okay. When Mr. Brew was talking to you about the $600 impact, that's an annual impact; correct?

A. Based on assumption, on an assumption that Mr. Brew presented, that would be a rough approximation of an annual impact.

Q. Okay. Were you here when I did my opening remarks to the Commission this morning?

A. I was.

Q. And so you would agree with me that for my clients, the industrial consumers, the rate impact would be much greater than shown on this chart; correct?

A. No, I would not.

Q. Well, they utilize more electricity, and so therefore wouldn't their NCRC be greater than, for example, in 2014, 23.78?

A. Per 1,000 kWh, I don't believe it would.

Q. But, again, we might be talking past each other. To the extent they use more than 1,000 kWh.

A. So I guess what I would say is this is a rate, a dollars per kW, a thousand kWh, and your usage will get multiplied by that rate, the kWhs will cancel out. And then if you use more than a thousand, yes. This is a -- so I wouldn't agree that your customers will pay more. They will pay what the rate is times their usage, just like everybody else.

Q. Exactly. But at the end of the day they'll see a higher charge than what you've reflected for the 1,000 kWh residential rate; right?

A. And I would -- and this is something I'm sure Mr. Lyash will speak to greatly. They will see a greater benefit in years when we have significant fuel savings, or -- so.

Q. Understood. But, again, my question is, they will pay more than, for example, in 2014 $23.78?

A. If --

Q. If they use more than 1,000 kWh.

A. That's the rate they will pay per 1,000 kWh. I don't know -- if you tell me how much they're going to use in 2014, I can probably calculate it for you.

Q. Well, let's just say if they use more, they're going to pay more than the 23.78; correct?

A. They're going to -- if they use more than 1,000 kWh, their bill will be higher than 23.78. But they will never pay -- well, this is an estimate, and I haven't made it specific to an industrial customer. But with that caveat, they will pay that rate, and that's exactly what they'll pay, just multiplied by their usage. I don't know how to make it --

Q. I think I understand.

A. Okay.

Q. Have we, have you done any analysis of the impact on any class other than a residential customer using 1,000 kWh?

A. I haven't specifically done any analysis on a different rate class, no.

Q. Okay. I want to take a look at Exhibit 189 and 190 that I think you discussed with Mr. Rehwinkel.

A. Can I get an updated copy of those? I know mine were grabbed.

Q. You don't have those any longer?

A. I have 191 and 192 back, but I didn't get 189 and 190, so.

MS. KAUFMAN: I would ask if staff --

CHAIRMAN ARGENZIANO: If we can get him a copy? Do we have a copy that we can --

MS. KAUFMAN: If I can approach, I'll just give him Mr. Davis's.

CHAIRMAN ARGENZIANO: Please do. That would be the easiest.

MR. YOUNG: I think also Progress should have a copy.

THE WITNESS: Thank you, Charles.

MS. KAUFMAN: Thank you, Mr. Rehwinkel.

BY MS. KAUFMAN:

Q. Okay. Mr. Foster, so you've got 189 and 190 in front of you; correct?

A. Yes, ma'am.

Q. Okay. If you would turn in 189 to the page Mr. Rehwinkel asked you about, which is 29-4.

A. 189 -- I think I, actually I think, I think this is 188. I think I still need 189. I'm sorry.

Q. Which one do you need? I'm sorry.

A. 189. I apologize. Thank you so much.

Q. Okay. So 189, page 29-4.

A. I'm there.

Q. Okay. And then on 190, it's kind of in the middle, 2176. Mr. Rehwinkel asked you about these schedules.

A. Where is it? What's the title or something?

Q. It's called Progress Energy Late-Filed Exhibit Number 5. I think it was Mr. Portuondo's exhibit.

A. All right. I'm there, ma'am.

Q. Okay. Now if I -- I just want to understand the relationship between these two exhibits that

Mr. Rehwinkel asked you about. And on Exhibit Number 189, okay, on 2020, I want you to look at the $38.48.

A. Yes.

Q. Are you there?

A. I see that.

Q. Okay. And did I understand that that is comparable to the $24.75 on page 2176 from your determination of need?

A. And which number? I'm sorry.

Q. The 24.75 on line 1.

A. Twenty-four -- I'm sorry. You're looking at Late-Filed Exhibit 5?

Q. Yes, sir.

A. I'm sorry. I'm not seeing --

CHAIRMAN ARGENZIANO: Under 2015.

THE WITNESS: Under 2015.

MS. KAUFMAN: Sorry. Yes. Thank you, Madam Chairman.

THE WITNESS: Oh, I see it. I apologize.

I would not -- no, I would not say that it is -- so I guess in theory the math behind numbers are very similar. One's a comparison between a scenario with nuclear and without where you have costs in such as other units, you have the cost of fuel completely factored in. Late-Filed Exhibit 5 was not that. That's specifically the NCRC. It says CCR, but kind of the same thing in this, in this establishment. So, no, I would say that those are not comparable. No, ma'am.

BY MS. KAUFMAN:

Q. Okay. If you look at Late-Filed Exhibit Number 5 and you see the $24.75 in 2015, I think that you testified earlier that that number reflects the charge before the in-service date of the first unit?

A. I think I reflected that that represents the charge in NCRC before the first unit is in service.

Q. Right. Okay. And on Exhibit 189, what does the 38.48 represent?

A. Well, it represents the difference in revenue requirements between a scenario with Levy versus one with an all gas type portfolio as presented in our feasibility analysis.

Q. Does the 38.48 include the NCRC and any base rate impact?

A. Yes.

Q. Okay. And the one on late-filed 5 is the NCRC only; correct?

A. Yeah. I just want to make it clear that these aren't comparable numbers.

Q. I understand your position.

A. Okay. I just want to make that clear. You're comparing them and it's not a comparable number to compare.

Q. I just want to try to understand the difference.

A. Go ahead. I'm sorry.

Q. That's okay. And so the 38.48, as I said, is the, the base rate and the NCRC number on --

A. It would be inclusive of those. I agree with that statement.

Q. Okay. And the Late-Filed Exhibit 5 is the NCRC only for --

A. I would disagree with that.

Q. Okay. Tell me why.

A. Because it has a base rate impact listed on it under 2015 of $7.64. But there are many other differences between these.

Q. Okay. I see what you're saying. So you're looking at the total at the bottom of Late-Filed Exhibit Number 5 for the 3660. You're adding in the base rate impact and the transmission. Okay. I see that.

Would you agree with me that since your estimates were presented to the Commission in the determination of need, that the rate impact that the Levy project will have on ratepayers has increased?

A. The rate impact. In -- well, that's an interesting question.

Q. I thought it was pretty easy. Sorry.

A. I would agree that costs and in service have increased, and there are definitely years where the rate impact is higher. So I would agree with that. I wouldn't necessarily agree that the rate impact is always higher in all cases, because then you have to look at more of a global analysis, like I think Mr. Lyash testified to around feasibility. And I just haven't done that.

But what I can tell you is I think if you look at Late-Filed Exhibit Number 5, it's got a 2011 estimated rate impact there, and it's $16.77. And that was, that was provided in our need case. And as we stand here before you, I believe what I can confirm, we're more at like a 499. So it depends specifically what time period you're asking about, and I'm sure there are years where you're absolutely right. And then as you consider the benefits down the line, I don't know how that all factors out.

But I would definitely agree, and I think we've been very frank and open about, yes, our estimate of the total project costs have gone up.

Q. And since your estimate of the total project costs have gone up, you would agree, would you not, that what you expect the ratepayers to pay for this project has gone up as well?

A. I don't know how the -- and, again, this is something that I would look to Mr. Lyash to speak to in more depth. So if you're just looking at the cost side of this project, I think you're being accurate, fairly characterizing it. There's also a benefit side. And these things are going to change, I mean, obviously. Fuel forecasts change, environmental forecasts will change. I'm not the expert on them, but I know enough to know they change just by what happens in fuel hearings every year.

So if you look exclusively at the cost side, I think I agree with you. But I think if you take a step back and take a global view, I can't answer that because I don't know what's happened on the benefits side.

Does that, does that answer your question?

Q. I understand. And I'm just maybe a little bit more simplistic than what you're trying to explain. I just want to confirm that the costs that your, that the company is asking the ratepayers to bear as a result of this project have increased since the project was first described to the Commission in the determination of need proceeding.

A. The cost to build the plant, I would agree our estimate is higher than it was when we presented it in the need, absolutely.

MS. KAUFMAN: Thank you, Commissioners.

And thank you, Mr. Foster.

THE WITNESS: And I'm sorry for splitting hairs there. I just want to make sure I was clear on that. And thank you.

CHAIRMAN ARGENZIANO: I don't think you need to apologize. I think you've done a good job.

THE WITNESS: Oh, thank you.

CHAIRMAN ARGENZIANO: You're just trying to be complete, I think. Thank you.

THE WITNESS: Thank you.

CHAIRMAN ARGENZIANO: You're recognized.

And there were no exhibits to be entered; am I correct?

MS. KAUFMAN: No, ma'am. Thank you.

CHAIRMAN ARGENZIANO: Okay.

CROSS EXAMINATION

BY MR. DAVIS:

Q. Just one question. Mr. Foster, my name is Gary Davis. I represent Southern Alliance for Clean Energy, and I just want to ask one question. If you go back to, as you say, the ever-popular Exhibit 188.

A. Which one was it? I'm sorry.

Q. 188, please.

A. Oh, okay. Sorry. I'm --

Q. And you've been focused by other questioners on different years. I want to focus on again this page number 1 and the year, and the table 2020.

A. I see it, yes, sir.

Q. You would agree that in 2020 you're not expecting to generate any electricity from the Levy nuclear plant; right?

A. I believe that's accurate, yes, sir.

Q. Okay. You're not looking at in-service dates until 2021, 2022; right?

A. That's my understanding. Yes, sir.

Q. So here in 2020, what is the total increase in the consumer residential rate per 1,000 kilowatt hours based on the recovery of costs in nuclear cost recovery hearings, assuming they're all granted for the consumer? Is that $43.42?

A. Could you just state that one more time? I'm sorry. There was a lot in there and I want to make sure I --

Q. Yeah. And I probably tripped over myself a couple of times. But let me ask it. Look at line 1 of this table, Estimated NCRC Rate.

A. Okay. I see it, sir.

Q. So the consumer would be paying essentially $43.42 for the NCRC charges for the Levy nuclear plant before one kilowatt hour of electricity is generated from it in 2020; right?

A. This represents the residential rate. So if you're just looking at a generic retail rate level, it would be a little bit different, but that's, you know, a pretty close proxy there. So the rate that we would just, based on the outfall of the projected cash flows and converting it to the recovery, as per the rule and statute, brought us to a number of 43.42. I think I'd agree with that.

Q. Okay. Now --

A. And that, yes, I don't expect any generation in 2020.

Q. Okay. Now, and going on down to the estimated rate impact of Levy capital additions, this would include what you've already added to the base rate by 2020, is that correct, the $5.87?

A. I agree. And let me just make sure I'm clear again, that this is, this schedule does not necessarily compare -- it's just a what are the costs.

Q. Well, you're anticipating questions that I didn't even ask, but --

A. I want to make sure it's clear what this represents since we're referring to this document.

Q. Okay.

A. I just want to make sure it doesn't represent a comparison to what costs would be in a different scenario where you're not building something and that's not in your generation resource plan.

Q. I understand. That's in Exhibit 189, I believe. But I'm not going to refer you to that.

A. Okay.

Q. Just looking at the bottom line estimated rate impact of Levy capital additions, which includes the base rate, that would be almost $50 per 1,000 kilowatt hours in 2020; correct?

A. I agree it's $49.29.

Q. And again, before one kilowatt hour of electricity is generated by Levy?

A. That's my understanding. Yes, sir.

Q. And if you were to happen to cancel the project in that year for some reason, that would be charged to the consumer or the residential consumer who would never see a kilowatt hour from Levy; correct?

A. I don't, I don't know that I'd speculate on what the rate would be if we canceled ten years from now.

Q. Actually it would probably be more because you'd get to recover some additional costs.

A. I'm not aware of that. If it's in the record somewhere in my testimony.

Q. Okay. Well, do you know that, that --

A. I don't know that. No, I don't, sir.

Q. All right. Well, that's fair enough. But, again, $49 with no electricity generated from Levy in 2020; correct?

A. I agree that's what it says, yes, sir. That's --

Q. Thank you. That's all I have. Thank you.

CHAIRMAN ARGENZIANO: Okay. Let's just, let's just break for lunch now and come back in an hour. And if staff could secure the confidential information before we leave. And we'll see you in an hour.

That would be 89, 91 and 92.

(Recess taken.)

(Transcript continues in sequence with Volume 2.)

STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, LINDA BOLES, RPR, CRR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 1st day of September, 2010.

Linda Boles

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