

March 1, 2013

Ann Cole, Director  
Office of the Commission Clerk  
PSC Recording & Filing  
2540 Shumard Oak Blvd  
Tallahassee, FL 32399

Re: In re: Nuclear Cost Recovery Clause  
Docket No. 130009

Dear Ms. Cole:

Enclosed for filing on behalf of Progress Energy Florida, Inc. are the following:

- DN 01087-13 1. Progress Energy Florida, Inc.'s Petition to Recover Costs of the Crystal River Unit 3 Uprate Project and the Levy Units 1 and 2 Nuclear Power Plants Project as Provided in Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C. (original and 7 copies);
- DN 01088-13 2. Redacted Direct Testimony of Christopher M. Fallon in Support of Actual Costs on behalf of Progress Energy Florida (original and 15 copies);
- DN 01089-13 3. Direct Testimony of Jon Franke on behalf of Progress Energy Florida, Inc. (original and 15 copies);
- DN 01090-13 4. Redacted Direct Testimony of Thomas G. Foster in Support of Actual Costs on behalf of Progress Energy Florida, Inc. (original and 15 copies)
- DN 01091-13 5. Progress Energy Florida's First Request for Confidential Classification Regarding Portions of the Testimonies and Exhibits Filed as Part of the Company's March 1, 2013 True-Up Filing (original and 7 copies); and
- DN 01093-13 6. Notice of Filing Affidavits in Support of Progress Energy Florida, Inc.'s First Request for Confidential Classification (original and 7 copies).

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Enclosures

Sincerely,



Blaise N. Gamba

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear Cost Recovery  
Clause

Docket No. 130009-EI  
Submitted for Filing: March 1, 2013

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

Pursuant to Section 366.93(3), Florida Statutes, and Rule 25-6.0423, Florida Administrative Code, Progress Energy Florida, Inc. ("PEF" or the "Company") respectfully petitions the Florida Public Service Commission ("FPSC" or the "Commission") to approve and find prudent the actual Crystal River Unit 3 ("CR3") Extended Power Uprate ("EPU") project ("CR3 Uprate") costs incurred in 2012, and approve and find prudent the actual Levy Nuclear Project ("LNP") costs incurred in 2012. PEF further petitions the Commission to approve and find prudent the: (1) 2012 CR3 Uprate project management, contracting, and oversight controls; (2) 2012 CR3 Uprate project accounting and cost oversight controls; (3) 2012 LNP project management, contracting, and oversight controls; and (4) 2012 LNP project accounting and cost oversight controls. Finally, PEF petitions the Commission to approve the true-up of revenue requirements as presented in the contemporaneously filed testimony and exhibits and Nuclear Filing Requirements ("NFRs") for both the CR3 Uprate and LNP. These revenue requirements include preconstruction costs inclusive of carrying costs on the unrecovered balance, carrying costs on the construction cost balance, carrying costs on the deferred tax balance, and Capacity Cost Recovery Clause ("CCRC") recoverable Operations and Maintenance ("O&M") costs.

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PEF's petition is supported by the testimony and exhibits of Mr. Christopher M. Fallon, Mr. Jon Franke, and Mr. Thomas G. Foster, along with the NFR True-up/T schedules filed herewith and incorporated by reference.

## **BACKGROUND**

### **CR3 Uprate Project**

The Commission granted PEF's petition for a determination of need for the expansion of the CR3 nuclear power plant through the CR3 Uprate project on February 7, 2007 in Order No. PSC-07-0119-FOF-EI. On February 5, 2013, the Company announced that the Duke Energy, Corporation ("Duke Energy") Board of Directors ("Board") decided to retire and decommission the CR3 nuclear power plant. As a result of this decision, the CR3 Uprate project was cancelled. The prudence of the decision to retire rather than repair CR3 will be addressed in Phase 2 of Docket No. 100437-EI. PEF will address cancellation of the CR3 Uprate project as a result of the Board's decision to retire CR3, and the actual and estimated, and projected costs necessary to cancel and wind-down the CR3 Uprate project in its May 1, 2013 filing in this Docket.

With respect to this Petition, PEF is addressing the costs incurred for the CR3 Uprate project in 2012 in preparation for Phase 3, the EPU phase of the project, prior to the decision to retire CR3. These costs were incurred consistent with the Company's project management plan in 2011 and 2012 to minimize CR3 Uprate project costs while preserving the option to complete the EPU phase during the extended CR3 outage. Consistent with this plan, the Company primarily incurred EPU costs in 2012 for (1) EPU long lead equipment ("LLE") milestone payments contractually committed to prior to 2012; and (2) licensing and engineering costs associated with responding to Requests for Additional Information

("RAIs") for the Nuclear Regulatory Commission's ("NRC") review of the Company's EPU License Amendment Request ("LAR") submitted to the NRC in 2011, along with project management costs associated with this work. Throughout 2012, PEF continued to take appropriate steps to minimize CR3 Uprate project spend in 2012 to ensure that only those costs necessary for completion of the CR3 Uprate project in the current, extended CR3 outage were incurred in 2012, consistent with the project management plan reviewed by the Commission in the nuclear cost recovery clause docket last year.

As a result, PEF incurred construction costs during 2012 for its CR3 Uprate project and seeks to recover its carrying costs on these construction expenditures, pursuant to Section 366.93, Fla. Stat., and Rule 25-6.0423, F.A.C., in this proceeding. The testimony and exhibits of Mr. Franke and Mr. Foster provide further details relating to the prudence of these costs incurred for the CR3 Uprate project in 2012. Mr. Franke also provides testimony regarding the prudence of PEF's 2012 CR3 Uprate project management, contracting, and oversight controls policies and procedures. Mr. Foster provides testimony regarding the prudence of the 2012 CR3 Uprate project accounting and cost oversight controls.

PEF requests that the Commission find that PEF's costs for the CR3 Uprate have been prudently incurred, and allow recovery, through the CCRC, of the carrying costs associated with the construction costs, carrying cost on the deferred tax balance, and CCRC recoverable O&M expenditures as provided in Section 366.93, Fla. Stat., and consistent with the nuclear cost recovery rule, Rule 25-6.0423, F.A.C.

### **Levy Nuclear Project Units 1 & 2**

On August 12, 2008, the Commission issued Order No. PSC-08-0518-FOF-EI, granting PEF's petition for a determination of need for the construction of Levy Nuclear Units

1 and 2 and related facilities, including transmission facilities. The LNP will consist of two Westinghouse AP1000 nuclear-fueled generating units. In the 2010 NCRC proceeding, the Commission determined that PEF's decision to amend the Engineering, Procurement, and Construction ("EPC") contract for the LNP to focus work on obtaining the LNP Combined Operating License ("COL") and defer most other LNP work until the COL for the LNP is obtained was reasonable.

In 2012, the Company continued to implement its decision to proceed with the LNP on a slower pace. The 2012 LNP costs were incurred in connection with licensing application activities to support the Levy Combined Operating License Application ("COLA") to the NRC, including preparation and delivery of a COLA update in July of 2012; a site visit by the Atomic Safety and Licensing Board ("ASLB") in January of 2012; participation in the ASLB evidentiary hearings held in October and November of 2012; engineering activities in support of the COLA; and activities under PEF's LNP EPC contract with Westinghouse and Shaw, Stone and Webster (the "Consortium"). In 2012, some costs were also incurred for Levy Transmission strategic land acquisitions.

The testimony and exhibits of Mr. Fallon and Mr. Foster provide further details relating to the prudence of these costs incurred for the LNP in 2012. Mr. Fallon also provides testimony regarding the prudence of PEF's 2012 LNP project management, contracting, and oversight controls policies and procedures. Mr. Foster provides testimony regarding the prudence of the 2012 LNP accounting and cost oversight controls.

PEF requests that the Commission find that PEF's costs for the LNP incurred in 2012 have been prudently incurred, and allow recovery, through the CCRC, of the preconstruction costs inclusive of the carrying cost on the unrecovered balance, carrying costs on construction

costs, carrying cost on the deferred tax balance, and CCRC recoverable O&M expenditures as provided in Section 366.93, Fla. Stat. and consistent with the nuclear cost recovery rule, Rule 25-6.0423, F.A.C.

**I. PRELIMINARY INFORMATION.**

1. The Petitioner's name and address are:

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

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

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

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

4. PEF serves approximately 1.6 million retail customers in Florida. Its service area comprises approximately 20,000 square miles in 35 of the state's 67 counties, encompassing the densely populated areas of Pinellas and western Pasco Counties and the greater Orlando area in Orange, Osceola, and Seminole Counties. PEF supplies electricity at retail to approximately 350 communities and at wholesale to Florida municipalities, utilities, and power agencies in the State of Florida.

5. In 2006, the Florida Legislature enacted Section 366.93, Florida Statutes, to encourage utility investment in nuclear electric generation through alternative cost recovery mechanisms established by the Commission. The Legislature required the design of cost recovery mechanisms that promoted utility investment in nuclear power plants and allowed for the recovery in rates of all prudently incurred costs. Pursuant to this Legislative

directive, the Commission adopted Rule 25-6.0423, F.A.C., in Order No. PSC-07-0240-FOF-EI, to establish the cost recovery mechanisms required by Section 366.93. PEF seeks cost recovery pursuant to Section 366.93, Fla. Stat. and Rule 25-6.0423, F.A.C. for the CR3 Uprate project and the LNP.

**III. PEF REQUESTS COST RECOVERY FOR THE CR3 UPRATE PROJECT AS PROVIDED IN SECTION 366.93, FLA. STAT., AND THE NUCLEAR COST RECOVERY RULE, RULE 25-6.0423, F.A.C.**

6. PEF requests that, pursuant to the nuclear cost recovery rule, the Commission: (1) determine the costs PEF incurred during 2012 for the CR3 Uprate project were reasonable and prudent; (2) approve, pursuant to Rule 25-6.0423(5)(c), F.A.C., PEF's final true-up of the carrying costs on its actual construction expenditures, carrying cost on deferred tax balance, and CCRC recoverable O&M for the CR3 Uprate for 2012; (3) approve and find prudent the 2012 CR3 Uprate project management, contracting, and oversight controls; and (4) approve and find prudent the 2012 CR3 Uprate accounting and cost oversight controls. Detailed descriptions of the construction expenditures, the contracts executed, the carrying costs, the over/under-recoveries, and the other information required by Rule 25-6.0423(8), F.A.C., are provided in PEF's pre-filed testimony, exhibits, and NFR schedules, which are incorporated herein by reference.

7. In 2012, PEF incurred license application, project management, permitting, on-site construction, and power block and non-power block engineering costs for the final phase of the CR3 Uprate, the EPU phase. These costs are discussed in greater detail in the testimony and exhibits of Mr. Franke and Mr. Foster, filed contemporaneously with this Petition. This testimony demonstrates that these costs were necessary for the CR3 Uprate



project and that they were prudently incurred. PEF is therefore requesting a prudence determination on these 2012 costs.

8. During 2012, PEF also incurred O&M costs associated with the CR3 Uprate for activities related to legal, corporate planning, accounting, project assurance, and nuclear generation. These costs are discussed in greater detail in the testimony and exhibits of Mr. Franke and Mr. Foster. This testimony demonstrates that these costs were necessary for the CR3 Uprate project and that they were prudently incurred. PEF is therefore requesting a prudence determination on these 2012 costs.

9. Pursuant to Rule 25-6.0423, F.A.C., PEF is therefore entitled to recover through the CCRC the revenue requirements associated with these prudently incurred costs. For the time period January 2012 through December 2012, PEF is requesting a total of \$18,396,090 in revenue requirements, adjusted for the contributions to construction expenditures made by the joint owners of CR3. These costs are made up of \$20,403,400 in carrying costs on construction cost balance, \$432,585 in CCRC recoverable O&M, and \$802,415 in deferred tax asset carrying costs and (\$3,242,310) in other adjustments associated with the CR3 Uprate project. These amounts were calculated in accordance with Rule 25-6.0423, F.A.C., they are consistent with the methodology approved in Docket No. 090009-EI, and they are set forth in greater detail in the testimony and exhibits of Mr. Franke and Mr. Foster.

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

10. PEF requests that, pursuant to the nuclear cost recovery rule, Rule 25-6.0423, F.A.C., the Commission: (1) determine the preconstruction and construction costs,

carrying cost on deferred tax balance, and CCRC recoverable O&M PEF incurred during 2012 for the LNP were prudently incurred; (2) approve pursuant to Rule 25-6.0423, F.A.C. the final true-up of revenue requirements for 2012; (3) approve and find prudent the 2012 LNP project management, contracting, and oversight controls; and (4) approve and find prudent the 2012 LNP accounting and cost oversight controls. Detailed descriptions of the expenditures, the contracts executed, the carrying costs, the over/under-recoveries, and the other information required by Rule 25-6.0423(8), F.A.C. are provided in PEF's pre-filed testimony, exhibits, and NFR schedules, which are incorporated herein by reference.

11. The 2012 LNP costs were incurred for licensing; engineering, design and procurement; project management; real estate acquisition; and power block engineering. These costs are explained in greater detail in the testimony and exhibits of Mr. Fallon filed in this Docket in support of the Company's 2012 LNP costs. This testimony demonstrates that these costs were prudently incurred as necessary for the LNP. PEF is therefore requesting a prudence determination on these costs.

12. During 2012, PEF also incurred O&M costs associated with the LNP related to internal project management labor and expenses, and legal costs, among other items. These costs are explained in greater detail in the testimony and exhibits of Mr. Fallon and Mr. Foster. This testimony demonstrates that these costs were prudently incurred as necessary for the LNP. PEF is therefore requesting a prudence determination on these costs.

13. Pursuant to Rule 25-6.0423, F.A.C., PEF requests that the Commission approve the final true-up of revenue requirements for 2012 as presented in the contemporaneously filed testimony and exhibits. For 2012, PEF has calculated total

revenue requirements of \$65,956,393. This consists of \$0 in site selection costs (inclusive of carrying costs on any unrecovered balance), \$29,219,464 in preconstruction costs (inclusive of carrying costs on any unrecovered balance), \$16,269,349 in carrying costs on construction cost balance, \$988,205 in CCRC recoverable O&M, and \$19,479,375 in deferred tax asset carrying costs. These amounts were calculated in accordance with Rule 25-6.0423, F.A.C., they are consistent with the methodology approved in Docket No. 090009-EI, and they are set forth in greater detail in the testimony and exhibits of Mr. Fallon and Mr. Foster.

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

14. PEF is not aware at this time that there will be any disputed issues of material fact in this proceeding. Through its testimony and exhibits, PEF expects to demonstrate the prudence of the costs it has incurred for 2012 for both the CR3 Uprate project and the LNP, and to show why recovery of the capacity costs through the CCRC, as provided in Section 366.93, Fla. Stat., and Rule 25-6.0423, F.A.C., is appropriate and warranted.

#### **VI. CONCLUSION.**

15. PEF seeks an affirmative determination that PEF can recover the revenue requirements associated with the CR3 Uprate project for 2012 as presented in its contemporaneously filed testimony and exhibits. PEF seeks a determination that the costs incurred in 2012 associated with the CR3 Uprate project were prudently incurred. PEF also seeks a determination that its 2012 CR3 Uprate project management, contracting, and oversight controls and project accounting and cost oversight controls were prudent. With regard to the LNP, PEF seeks an affirmative determination that PEF can recover the

revenue requirements associated with the LNP for 2012 presented in its contemporaneously filed testimony and exhibits. PEF seeks a determination that the costs incurred in 2012 associated with the LNP were prudently incurred. PEF also seeks a determination that its 2012 LNP project management, contracting, and oversight controls and project accounting and cost oversight controls were prudent. Approval of PEF's petition for cost recovery as provided for in the statute and rule is warranted for both the CR3 Uprate project and the LNP.

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

(1) determine that the costs PEF incurred during 2012 for the CR3 Uprate project were reasonable and prudent;

(2) determine that PEF's 2012 CR3 Uprate project management, contracting, and oversight controls and project accounting and cost oversight controls were reasonable and prudent;

(3) approve, pursuant to Rule 25-6.0423(5)(c), F.A.C., PEF's final true-up of the actual expenditures and revenue requirements for the CR3 Uprate project for 2012, and allow recovery, through the CCRC, of the carrying costs associated with the construction costs, carrying cost on the deferred tax balance, and CCRC recoverable O&M expenditures;

(4) determine that the costs PEF incurred during 2012 for the LNP were reasonable and prudent;


(5) determine that PEF's 2012 LNP project management, contracting, and oversight controls and project accounting and cost oversight controls were reasonable and

prudent; and

(6) approve, pursuant to Rule 25-6.0423(5)(c), F.A.C. PEF's final true-up of the actual expenditures and revenue requirements for the LNP for 2012, and allow recovery, through the CCRC, of the preconstruction costs inclusive of carrying costs on any unrecovered balance, carrying costs on construction costs, carrying cost on the deferred tax balance, and CCRC recoverable O&M expenditures.

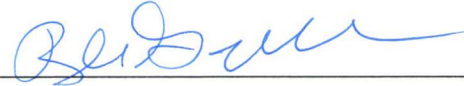
Respectfully submitted this 1<sup>st</sup> day of March, 2013.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY a true and correct copy of the foregoing has been furnished to counsel and parties of record as indicated below via electronic and U.S. Mail this 1<sup>st</sup> day of March, 2013.



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