

PROGRESS ENERGY FLORIDA
In re: Nuclear Cost Recovery Clause
Docket 100009-EI
Twenty-Second Request for Confidential Classification

EXHIBIT B

COM _____
APA _____
ECR 4 _____
GCL _____
RAD _____
SSC _____
ADM _____
OPC _____
CLK _____

DOCUMENT NUMBER-DATE

6845 AUG 18 2009

FPSC-REGISTRATION CLERK

Question #93

Please identify the gross additional (i.e. greater than budgeted or forecast) costs incurred in the CR3 EPU project as result of the findings reported in the document at 10PM-DR1CR3-002041-002089. Identify the method for determining such additional costs.**

REDACTED

Response:

Subject to PEF's general objections filed on July 30, 2010, and without waiving same, PEF utilized a panel of industry experts to review and critique the preliminary draft of its LAR to ensure that it contained sufficient detail to allow the NRC to independently conclude that the CR3 EPU was acceptable. One of the conclusions of that expert panel was that PEF had not progressed far enough on its engineering work to make sufficient information available to prepare an EPU LAR capable of meeting evolving NRC acceptance review expectations. PEF subsequently accelerated engineering activities which required earlier resource expenditures (which added costs in 2009 and 2010). Furthermore, PEF expanded management oversight of the LAR consistent with the recommendations of the expert panel and the internal adverse condition report (which resulted from the panel's conclusions). These activities (and associated expenditures) produced an improved draft LAR to a quality considered acceptable for NRC review and approval (as evidenced by subsequent expert panel reviews). The additional engineering work would have otherwise occurred later in the project and thus will not significantly impact the final costs.

The expert panel also noted that the original draft submitted by the vendor PEF contracted with to produce the draft – AREVA – was not of good quality. Consequently, AREVA was required to correct its poor quality work for no additional cost from what it was paid for the first draft under the initial Contract.

AREVA was tasked with re-writing sections of the LAR to comply with the new LAR template (developed to better meet the evolving NRC expectations). As the work progressed, PEF accrued or paid AREVA an approximated [REDACTED] in 2009 and [REDACTED] in 2010 under Change Order 23 to the AREVA Contract. AREVA was entitled to additional compensation for the additional work scope.

AREVA was further tasked with accelerating and/or additional engineering work that was identified as a result of the re-write of the LAR to meet evolving NRC expectations for LAR submittals. As the work progressed, PEF accrued or paid AREVA an additional [REDACTED] in 2009 under Change Order 25 to the AREVA Contract. AREVA was entitled to this compensation for the additional work scope.

PEF did incur some additional (other than the AREVA Change Orders noted above) costs to meet the evolving NRC expectations and thus implementing the corrective actions proposed by

REDACTED

the internal adverse condition report. These additional costs were also necessary to produce a quality LAR submittal. These costs included costs for additional PEF staff and supplemental manpower (██████ in 2009 and ██████ in 2010), and other contracts services (██████ in 2009 and ██████ in 2010). It included costs to develop the "Guidance for CR3 Extended Power Uprate License Report (LR) Review and Affirmation;" develop a revised LAR section template; develop a more detailed EPU Project Schedule (Levels 1, 2 and 3); incorporate additional expert panel reviews into the EPU LAR review schedule) and associated resource commitments; and update training for the EPU Team on LAR content and level of detail. It is anticipated that these expenditures will lead to reduced costs (internal, supplemental contract and NRC fees) during the NRC reviews in 2011

As identified in the March 2010 NFR filings the overall 2009 cost of the LAR portion of the project increased from approximately \$16.2M to \$20M (by approximately \$3.8M). A portion of that variance (██████) was due to the activities discussed above. The balance was due to other variances associated with work supporting the LAR with additional, more detailed information, but was not directly in response to the expert panel or the corrective actions associated with the adverse condition report.

PEF therefore addressed the expert panel and internal adverse condition report recommendations at little or no additional overall cost. While expenses increased in 2009 and may increase in 2010 this work was ultimately necessary to complete the LAR and was work PEF would likely if not certainly have had to perform to gain NRC approval of the EPU LAR.

** Please note the correct Bates number reference is Bates number 10PMA-DR1CR3-14-002048 through 002089.

PROGRESS ENERGY FLORIDA
In re: Nuclear Cost Recovery Clause
Docket 100009-EI
Twenty-Second Request for Confidential Classification

BATES NUMBERS
10NC-OPCPOD5-80-000001
through
10NC-OPCPOD5-80-000640

ARE REDACTED IN THEIR ENTIRETY