

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear Cost Recovery
Clause

Docket No. 140009-EI
Submitted for Filing: March 3, 2014

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

Pursuant to Section 366.93, Florida Statutes, and Rule 25-6.0423, Florida Administrative Code (F.A.C.), Duke Energy Florida, Inc. (“DEF” 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 costs incurred in 2012 and 2013, and approve and find prudent the actual Levy Nuclear Project (“LNP”) costs incurred in 2012 and 2013. DEF further petitions the Commission to approve and find prudent the: 2012 and 2013 EPU project management, contracting, accounting, and cost oversight controls; and the 2012 and 2013 LNP project management, contracting, accounting, and cost oversight controls. Finally, DEF petitions the Commission to approve the true-up of revenue requirements as presented in the contemporaneously filed testimony and exhibits and schedules for both the EPU and LNP. These revenue requirements include preconstruction costs inclusive of carrying costs on the unrecovered balance, carrying costs on the construction cost balance, exit costs, and Capacity Cost Recovery Clause (“CCRC”) recoverable Operation and Maintenance (“O&M”) costs.

DEF’s petition is supported by the testimony and exhibits of Mr. Christopher M. Fallon, Mr. Michael R. Delowery, and Mr. Thomas G. Foster filed herewith and incorporated by reference. The testimony and exhibits of Mr. Delowery and Mr. Foster provide details relating to

the prudence of the EPU project costs incurred in 2012 and 2013. The testimony and exhibits of Mr. Fallon and Mr. Foster provide details relating to the prudence of the LNP costs incurred in 2012 and 2013. Mr. Delowery also provides testimony regarding the prudence of DEF's 2012 and 2013 EPU project management, contracting, and oversight controls policies and procedures. Mr. Fallon provides testimony regarding the prudence of DEF's 2012 and 2013 LNP project management, contracting, and oversight controls policies and procedures. Mr. Foster provides testimony regarding the prudence of the 2012 and 2013 EPU and LNP project accounting and cost oversight controls. DEF requests that the Commission find that DEF's costs for the EPU and LNP have been prudently incurred, and allow recovery, through the CCRC as applicable, of the preconstruction costs inclusive of carrying cost on the unrecovered balance, the carrying costs on the unrecovered CWIP balance, including prior period (over/under) balances, and CCRC recoverable O&M costs, in accordance with Section 366.93, Fla. Stat. and Rule 25-6.0423, F.A.C.

I. PRELIMINARY INFORMATION.

1. The Petitioner's name and address are:

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

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II. PRIMARILY AFFECTED UTILITY.

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

4. DEF 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. DEF supplies electricity at retail to approximately

350 communities and at wholesale to Florida municipalities, utilities, and power agencies in the State of Florida.

5. DEF seeks cost recovery pursuant to Section 366.93, Fla. Stat. and Rule 25-6.0423, F.A.C. for the EPU project and the LNP. In particular, with respect to the decisions in 2013 to retire CR3 and cancel the EPU project and to not complete the LNP, DEF seeks continued recovery in 2013 of its prudent EPU and LNP preconstruction, construction, and exit costs, pursuant to Section 366.93(6) and Rule 25-6.0423(7).

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

6. On February 5, 2013, Duke Energy announced its decision to retire and decommission the CR3 nuclear power plant. As a result of this decision, the CR3 EPU project was cancelled. DEF immediately notified the Nuclear Regulatory Commission (“NRC”) of the CR3 retirement decision and withdrew the Company’s EPU License Amendment Request (“LAR”) application. DEF immediately suspended all EPU contractor and purchase order work activities. DEF demobilized the EPU project team. DEF developed and implemented an EPU Project Closeout Plan. Pursuant to this plan, DEF determined the cost effective and beneficial disposition decision for each EPU contract and purchase order pending at the time the CR3 retirement decision was made. The EPU Closeout Plan outlined the initial process for the EPU wind-down and then the transition of the EPU project assets to the CR3 Decommissioning Transition Organization (“DTO”) and to the newly created Investment Recovery Project (“IRP”). The IRP was formed to assist with the disposition of all CR3 assets, including EPU-related assets, upon the decision to retire and decommission CR3.

7. Mr. Delowery's direct testimony explains (1) the EPU project wind-down progress; (2) the status of disposition for EPU-related contracts, equipment, and materials; (3) the process for disposition of EPU-related assets; and (4) the prudence of DEF's 2013 project management, contracting, accounting, and cost oversight policies and procedures for the EPU project wind-down and investment recovery efforts. In accordance with the cancellation of the EPU project Mr. Delowery's direct testimony supports the Company's request for cost recovery pursuant to Section 366.93(6), Fla. Stat. and Rule 25-6.0423(7), F.A.C. for the prudent costs incurred in 2013 for the EPU project.

8. In addition, the prudence determinations of DEF's 2012 EPU costs and its 2012 EPU project management, contracting, and oversight controls, were deferred from the 2013 Nuclear Cost Recovery Clause ("NCRC") docket to this 2014 NCRC docket when the Commission granted DEF's Motion to Defer and Alternative Petition for a Temporary Variance or Waiver of Rule 25-6.0423(5)(c)2, F.A.C. ("Motion to Defer") in Order No. PSC-13-0493-FOF-EI in the 2013 NCRC docket. Accordingly, DEF's testimony supports DEF's request for cost recovery and a determination by the Commission of the prudence of EPU project 2012 costs and 2012 project management, contracting, accounting, and cost oversight policies and procedures.

9. In 2012 and 2013, DEF incurred license application and permitting, project management, on-site construction, and power block and non-power block engineering costs for the EPU project. These costs are discussed in greater detail in the testimony and exhibits of Mr. Delowery and Mr. Foster, filed contemporaneously with this Petition. This testimony demonstrates that these costs were necessary for the EPU project and that they were prudently incurred. DEF is therefore requesting a prudence determination on these 2012 and 2013 costs.

10. During 2012 and 2013, DEF also incurred O&M costs associated with the EPU 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. Delowery and Mr. Foster. This testimony demonstrates that these costs were necessary for the EPU project and that they were prudently incurred. DEF is therefore requesting a prudence determination on these 2012 and 2013 costs.

11. Pursuant to Rule 25-6.0423, F.A.C., DEF is therefore entitled to recover through the CCRC the revenue requirements associated with these prudently incurred costs. For the time period January 2013 through December 2013, DEF is requesting a total of \$27,034,057 in revenue requirements, adjusted for the contributions to construction expenditures made by the joint owners of CR3. These costs are made up of \$26,804,602 in carrying costs on the remaining unrecovered CWIP balance including prior period (over/under) balances, and \$229,445 in CCRC recoverable O&M. These amounts were calculated in accordance with Rule 25-6.0423, F.A.C., and they are set forth in greater detail in the testimony and exhibits of Mr. Delowery and Mr. Foster.

12. DEF requests that, pursuant to the nuclear cost recovery rule, the Commission: (1) determine the costs DEF incurred during 2012 and 2013 for the EPU project were reasonable and prudent; (2) approve DEF's final true-up of the carrying costs on its actual construction expenditures, and CCRC recoverable O&M for the EPU for 2012 and 2013; (3) approve and find prudent the 2012 and 2013 EPU project management, contracting, and oversight controls; and (4) approve and find prudent the 2012 and 2013 EPU accounting and cost oversight controls.

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

13. The Company elected not to complete construction of the LNP pursuant to Section 366.93(6), Florida Statutes, and Rule 25-6.0423(7), F.A.C., as amended, with its execution of the Revised and Restated Stipulation and Settlement Agreement (“2013 Settlement Agreement”) in late July 2013. Subsequent to execution of and until Commission approval of the 2013 Settlement Agreement, DEF commenced development of the process to start winding down the LNP in an orderly fashion. This process was fully put in place after the Commission voted to approve the 2013 Settlement Agreement on October 17, 2013.

14. DEF prudently incurred necessary licensing and engineering costs in 2012 and 2013 to advance the licensing and permitting processes to obtain the Combined Operating License (“COL”) and required environmental permits for the LNP. DEF further incurred costs in 2012 and 2013 pursuant to its contractual commitments under the LNP Engineering, Procurement, and Construction (“EPC”) Agreement with Westinghouse Corporation (“WEC”) and Stone & Webster, Inc. (collectively, the “Consortium”). DEF also incurred strategic transmission corridor real estate acquisition costs and project management costs. DEF appropriately minimized these costs when DEF decided not to complete construction of the LNP with the 2013 Settlement Agreement. Unnecessary project activities were eliminated and a LLE disposition plan was developed and implemented.

15. DEF incurred only those contractually committed or necessary costs for the LNP in 2013 after DEF’s decision not to complete construction of the LNP. DEF also incurred O&M costs associated with the LNP related to accounting, corporate planning, legal, and nuclear

generation in 2013. These costs are explained in greater detail in the testimony and exhibits of Mr. Fallon and Mr. Foster filed in this Docket in support of the Company's 2013 LNP costs.

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

17. As discussed above, the prudence determinations of DEF's 2012 LNP costs and 2012 LNP project management, contracting, and oversight controls, were deferred from the 2013 NCRC docket to the 2014 NCRC docket when the Commission granted DEF's Motion to Defer in the 2013 NCRC docket. Accordingly, DEF's direct testimony also supports DEF's request for cost recovery and a prudence determination by the Commission for (1) the Company's LNP generation and transmission costs incurred from January 2012 through December 2012, and (2) DEF's 2012 LNP project management, contracting, and cost controls, pursuant to Rule 25-6.0423, F.A.C., and Order No. PSC-13-0598-FOF-EI.

18. Pursuant to Rule 25-6.0423, F.A.C., DEF requests that the Commission approve the final true-up of revenue requirements for 2013 as presented in the contemporaneously filed testimony and exhibits. For 2013, DEF has calculated total revenue requirements of \$31,145,238. This consists of \$18,296,779 in preconstruction costs (inclusive of carrying costs on any unrecovered balance), \$12,404,306 in carrying costs on the construction cost balance, and \$444,153 in CCRC recoverable O&M. These amounts were calculated in accordance with Rule 25-6.0423, F.A.C., and they are set forth in greater detail in the testimony and exhibits of Mr. Fallon and Mr. Foster.

19. DEF requests that, pursuant to the nuclear cost recovery rule, Rule 25-6.0423(7), F.A.C., and the 2013 Settlement Agreement, the Commission: (1) determine the preconstruction and construction costs and CCRC recoverable O&M DEF incurred during 2012 and 2013 for the LNP were prudently incurred; (2) approve the final true-up of revenue requirements for 2012 and 2013; (3) approve and find prudent the 2012 and 2013 LNP project management, contracting, and oversight controls; and (4) approve and find prudent the 2012 and 2013 LNP accounting and cost oversight controls.

V. DISPUTED ISSUES OF MATERIAL FACT.

20. DEF is not aware at this time that there will be any disputed issues of material fact in this proceeding. Through its testimony and exhibits, DEF expects to demonstrate the prudence of the costs it has incurred for 2012 and 2013 for both the EPU project and the LNP, and to show why recovery of the capacity costs through the CCRC, as provided in Section 366.93, Fla. Stat., and Rule 25-6.0423, F.A.C., is appropriate and warranted.

VI. CONCLUSION.

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

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

(1) determine that the costs DEF incurred during 2012 and 2013 for the EPU project were reasonable and prudent;

(2) determine that DEF's 2012 and 2013 EPU project management, contracting, and oversight controls and project accounting and cost oversight controls were reasonable and

prudent;

(3) approve DEF's final true-up of the actual expenditures and revenue requirements for the EPU project for 2012 and 2013, and allow recovery, through the CCRC, of the carrying costs on the remaining unrecovered CWIP balance, and CCRC recoverable O&M expenditures;

(4) determine that the costs DEF incurred during 2012 and 2013 for the LNP were reasonable and prudent;

(5) determine that DEF's 2012 and 2013 LNP project management, contracting, and oversight controls and project accounting and cost oversight controls were reasonable and prudent; and

(6) approve DEF's final true-up of the actual expenditures and revenue requirements for the LNP for 2012 and 2013, and allow recovery, through the CCRC, of the preconstruction costs inclusive of carrying costs balance, carrying costs on and amortization associated with the remaining unrecovered balance, and CCRC recoverable O&M expenditures.

Respectfully submitted this 3rd day of March, 2014.

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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 mail this 3RD day of March, 2014.

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