

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**In re: Nuclear Cost Recovery Clause**

**DOCKET NO. 140009-EG**

**Date: July 2, 2014**

**THE SOUTHERN ALLIANCE FOR CLEAN ENERGY'S  
PREHEARING STATEMENT**

The Southern Alliance for Clean Energy ("SACE"), by and through its undersigned counsel, and pursuant to Order No. PSC-14-0082-PCO-EI, filed February 4, 2014, hereby files its Prehearing Statement.

1. Appearances

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2. Witnesses

SACE is not sponsoring any witnesses.

3. Statement of Basic Position

SACE supports the development of low cost, low risk energy resources primarily through increased energy efficiency implementation and meaningful renewable energy development. The proposed new Florida Power and Light ("FPL") nuclear reactor project, Turkey Point ("TP") units 6 & 7, is neither low cost, nor low risk. There is great uncertainty and risk surrounding the

completion of the proposed project with all the financial risk being borne by ratepayers. FPL is six years into the project and will not commit to a price for the two proposed TP reactors and will not commit to an in-service date, or that the reactors will be built at all. As the uncertainty and risk continue to increase, as it has every year, the non-binding cost estimate range increases and projected in-service dates become nothing more than placeholders for the next projected in-service date delay and price increase announcement. In fact, FPL is already planning for another delay of the in-service date of the reactors.<sup>1</sup>

SACE maintains that the FPL proposed new TP nuclear reactors remain infeasible and that the power company has not met the requirement of Rule 25-6.0423(5)(c)5, F.A.C., requiring that a utility seeking cost recovery must submit for Commission review and approval a detailed analysis demonstrating the long-term feasibility of completing the proposed new nuclear project. FPL has failed to complete and properly analyze a realistic feasibility analysis and has not met its burden of proving that the project is economically feasible. The Company's resource planning process, which forms the foundation for its economic feasibility analysis, does not place demand-side resources, such as energy efficiency, on a "level playing field" with supply-side resources in its analysis - thereby skewing the results of the analysis towards the interests of FPL shareholders and towards approval of the TP project.

This bias is reflected by the fact that FPL meets a mere two tenths of one percent (0.2%) of electricity demand annually with utility-sponsored energy efficiency programs<sup>2</sup>, which helps customers reduce energy use, and is a resource which the Company concedes can meet peak

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<sup>1</sup> Docket No. 130198-EI – Petition for prudence determination regarding new pipeline system by Florida Power & Light Company, *Staff Recommendation*, October 11, 2013, p.7 (“In its petition, FPL prepared two generation resource plans to analyze the effects of a potential delay in the construction of the new Turkey Point nuclear units 6 and 7 on natural gas requirements. The first (or base) case is consistent with FPL’s 2013 TYSP and assumes Turkey Point units 6 and 7 enter service in 2022 and 2023, respectively. The second case, called nuclear delay, assumes these two units come into service four years later, in 2026 and 2027.”)

<sup>2</sup> Docket No. 130009-EI, *Hearing Transcript* Volume 4 at 759, 784, August 5, 2013.

demand, and therefore can contribute to cost-effectively deferring or displacing the need for the project. Yet, this resource is not permitted to compete head-to-head, under the FPL planning process and feasibility analysis, with the TP reactors as a resource to meet projected demand.

Moreover, from a qualitative feasibility perspective, the net cumulative fuel savings benefits of the project, extolled by FPL as the prime benefit for customers, will not be realized by customers until 25 years to 36 years from today – assuming the project is built at all, according to testimony in last year’s docket. This practically means that a 70-year old FPL customer today may not realize a cumulative net fuel savings benefit, if at all, from the project until the customer is 106 years old.<sup>3</sup> In this year’s docket, FPL has added an additional reliability requirement in the form of a generation only reserve margin (GRM) which further skews FPL’s resource planning process towards supply-side resource options in meeting demand.

As a result, cost recovery for FPL for costs related to these proposed new nuclear reactors should not be granted, nor should the Commission find that projected 2015 costs are reasonable.

SACE supported the cancellation of the Duke Energy Florida (“DEF”) Levy Nuclear Project (“LNP”) in the 130009 docket. SACE’s position continues to be that costs related to the wind down of both the LNP cancellation and the Crystal River Unit 3 (“CR3”) retirement be closely scrutinized to ensure that the recovery of costs protects the interests of DEF customers.

#### 4. SACE’s Position on the Issues

##### **Duke Energy Florida, Inc. (DEF) Levy Project**

**ISSUE 1:** Should the Commission find that during the years 2012 and 2013, DEF’s project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Levy Units 1 & 2 project?

**POSITION:** No position.

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<sup>3</sup> *Id.* at 789- 792, August 5, 2013.

**ISSUE 2:** Has DEF reasonably accounted for COL pursuit costs pursuant to paragraph 12(b) of the 2013 revised and restated stipulation and settlement agreement?  
**POSITION:** No position.

**ISSUE 2A:** What jurisdictional amounts should the Commission approve as DEF's final 2012 and 2013 prudently incurred cost for the Levy Units 1 & 2 project?

**POSITION:** No position.

**ISSUE 3:** Should the Commission approve DEF's Levy Project exit and wind down costs and other sunk costs as specifically proposed for recovery or review in this docket?

**POSITION:** No position.

**ISSUE 4:** What action, if any, should the Commission take in the 2014 hearing cycle with respect to the \$54,127,100 in Long Lead Equipment milestone payments, previously recovered from customers through the NCRC, which were in payment for Turbine Generators and Reactor Vessel Internals that were never manufactured?

**POSITION:** No position.

**ISSUE 5:** What restrictions, if any, should the Commission place at this time on DEF's attempts to dispose of Long Lead Equipment?

**POSITION:** No position.

#### **DEF CR3 Uprate Project**

**ISSUE 6:** Should the Commission find that during the years 2012 and 2013, DEF's project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Crystal River Unit 3 Uprate project?

**POSITION:** No position.

**ISSUE 7:** What jurisdictional amounts should the Commission approve as DEF's final 2012 and 2013 prudently incurred cost for the Crystal River Unit 3 Uprate project?

**POSITION:** No position.

**ISSUE 8:** Should the Commission approve DEF's Crystal River Unit 3 Uprate Project exit and wind down costs and other sunk costs as specifically proposed for recovery or review in this docket?

**POSITION:** No position.

#### **DEF Ultimate Issue**

**ISSUE 9:** What is the total jurisdictional amount to be included in establishing DEF's 2015 Capacity Cost Recovery Clause Factor?

**POSITION:** This is a fallout amount from the substantive issues

#### **Florida Power & Light Company (FPL) Turkey Point (TP) 6 & 7 Project**

**ISSUE 10:** Should the Commission approve what FPL has submitted as its 2014 annual detailed analysis of the long-term feasibility of completing the Turkey Point Units 6 & 7 project, as provided for in Rule 25-6.0423, F.A.C?

**POSITION:** No. FPL has failed to complete and properly analyze a realistic feasibility analysis which includes the impact of demand side management and renewable energy in meeting demand and doesn't properly place those resources on a "level playing field" in its analysis with supply side resources. The Commission should deny cost recovery for costs related to TP 6 & 7 and find projected 2015 costs related to TP 6 & 7 as not reasonable.

**ISSUE 10A:** What is the current total estimated all-inclusive cost (including AFUDC and sunk costs) of the proposed Turkey Point Units 6 & 7 nuclear project and is that estimated cost reasonable?

**POSITION:** The current estimated costs are too low, and the ultimate cost of the proposed Turkey Point Units 6 & 7 will likely exceed current estimates.

**ISSUE 10B:** What is the current estimated planned commercial operation date of the planned Turkey Point Units 6 & 7 nuclear facility and is that estimated commercial operation date reasonable?

**POSITION:** The current estimated planned commercial operation dates of the planned Turkey Point Units 6 & 7, 2022 and 2023 respectively, are not realistic; in-fact, the Company has contingency plans for the delay of the units. The actual commercial operation dates of these reactors will occur further in time than these projected dates, if at all.

**ISSUE 11:** Should the Commission find that FPL's 2013 project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Turkey Point Units 6 & 7 project?

**POSITION:** No position.

**ISSUE 12:** What jurisdictional amounts should the Commission approve as FPL's final 2013 prudently incurred costs and final true-up amounts for the Turkey Point Units 6 & 7 project?

**POSITION:** None. SACE argued in 2013 that FPL did not complete and properly analyze a realistic feasibility analysis. As such, requested cost recovery flowing from that feasibility analysis, are not prudently incurred and should be denied.

**ISSUE 13:** What jurisdictional amounts should the Commission approve as reasonably estimated 2014 costs and estimated true-up amounts for FPL's Turkey Point Units 6 & 7 project?

**POSITION:** None. SACE argued in 2013 that FPL did not complete and properly analyze a realistic feasibility analysis. As such, requested cost recovery flowing from that feasibility analysis are not prudently incurred, nor are such costs reasonable, and should be denied.

**ISSUE 14:** What jurisdictional amounts should the Commission approve as reasonably projected 2015 costs for FPL's Turkey Point Units 6 & 7 project?

**POSITION:** None. FPL did not complete and properly analyze a realistic feasibility analysis. The technical feasibility analysis is heavily skewed towards an outcome favoring the TP 6 & 7 reactors. Moreover, the reactors are not qualitatively feasible as they impose enormous costs on customers, many who may never realize a cumulative net fuel savings benefit from proposed reactors.

### **FPL Extended Power Uprate (EPU) Project**

**ISSUE 15:** Should the Commission find that FPL's 2013 project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Extended Power Uprate project?

**POSITION:**

It is SACE's understanding that FPL's 2013 project management, contracting, accounting and cost oversight controls relate to the Turkey Point Extended Power Uprate ("EPU") only. Based on this understanding, SACE takes no position on this issue. SACE notes, however, that the reasonableness of previously approved project management, contracting, accounting and cost oversight controls for the St. Lucie Unit 2 EPU have been called into question by the recent revelation that in 2007, prior to the U.S. Nuclear Regulatory Commission's ("NRC") or PSC's approval of the St. Lucie Unit 2 EPU, FPL made substantial changes to the design of the Unit 2 replacement steam generators ("RSGs") without formally applying for a license amendment from the NRC. The NRC technical staff approved the changes to the steam generators without notifying the public or offering the opportunity for a public hearing. In March 2014, SACE filed a request for a hearing before the NRC on the NRC staff's *de facto* approval of FPL's design changes to the steam generators. SACE's hearing request is pending before the NRC Commissioners.

SACE believes that FPL misled the public, including the FL PSC, by failing to publicly reveal or formally seek a license amendment from the NRC for its extensive modifications to St. Lucie Unit 2's RSGs. SACE also believes that the design changes to the RSGs are responsible for significant steam generator degradation that has occurred during every fuel cycle since the RSGs were installed. The St. Lucie Unit 2 steam generators have now deteriorated substantially more than the Unit 1 steam generators (whose design was not changed when they were replaced), and substantially more than any other operating reactor in the U.S. Due to this significant degree of deterioration, the RSGs may need to be replaced prematurely imposing unnecessary costs on customers.

**ISSUE 16:** What jurisdictional amounts should the Commission approve as FPL's final 2013 prudently incurred costs and final true-up amounts for the Extended Power Uprate project?

**POSITION:** No position.

#### **FPL Ultimate Issue**

**ISSUE 17:** What is the total jurisdictional amount to be included in establishing FPL's 2015 Capacity Cost Recovery Clause factor?

**POSITION:** This is a fallout amount from the substantive issues.

#### 5. Stipulated Issues

There are no stipulated issues at this time.

6. Pending Motions

SACE has no pending motions at this time.

7. Pending Confidentiality Claims or Requests

SACE has no pending confidentiality claims or requests.

8. Objections to Witness Qualifications as an Expert

SACE has no objections to any witness's qualifications as an expert.

9. Compliance with Order No. PSC-14-0082-PCO-EI

SACE has complied with all requirements of the Order Establishing Procedure entered in this docket.

Dated: July 2, 2014

Respectfully Submitted,

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served by US mail and / or electronic mail this 2<sup>nd</sup> day of July, 2014, to the following:

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