

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear cost recovery clause.

DOCKET NO. 140009-EI
ORDER NO. PSC-14-0384-PHO-EI
ISSUED: July 24, 2014

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code (F.A.C.), a Prehearing Conference was held on July 9, 2014, in Tallahassee, Florida, before Commissioner Julie I. Brown, as Prehearing Officer.

APPEARANCES:

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On behalf of Florida Power & Light Company (FPL)

J.R. KELLY, CHARLES J. REHWINKEL, JOSEPH A. MCGLOTHLIN and ERIK L. SAYLER, ESQUIRES, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison Street, Room 812, Tallahassee, Florida 32399-1400

On behalf of the Citizens of the State of Florida (OPC)

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On behalf of the Florida Industrial Power Users Group (FIPUG)

JAMES W. BREW, ESQUIRE, Brickfield, Burchette, Ritts & Stone, P.C., 1025 Thomas Jefferson St., NW, Eighth Floor, West Tower, Washington, DC 20007

On behalf of White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs (PCS PHOSPHATE)

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On behalf of the Southern Alliance for Clean Energy (SACE)

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On behalf of the Florida Retail Federation (FRF)

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Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-
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On behalf of the Florida Public Service Commission (Staff)

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PREHEARING ORDER

I. CASE BACKGROUND

In 2006, the Florida Legislature adopted legislation encouraging the development of nuclear energy in the state. Section 366.93, Florida Statutes (F.S.), directed the Florida Public Service Commission (Commission) to adopt rules providing for alternate cost recovery mechanisms that will encourage investor-owned electric utilities to invest in nuclear power plants. The Commission adopted Rule 25-6.0423, Florida Administrative Code (F.A.C.), which provides for a clause recovery proceeding annually to consider investor-owned utilities' requests for cost recovery for nuclear plants.

Both DEF and FPL petitioned the Commission for recovery of costs through the Nuclear Cost Recovery Clause (NCRC) on March 3, 2014. This is the seventh year of this roll-over docket, which is set for hearing on August 4-8, 2014. OPC, FIPUG, PCS Phosphate, SACE, and FRF have retained party status in this docket. On June 30, 2014, Staff filed its Prehearing Statement. On July 2, 2014, Prehearing Statements were filed by FPL, DEF, OPC, FRF, PCS Phosphate, and SACE. On July 3, 2014 FIPUG filed its Prehearing Statement which was subsequently amended the same day.

II. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, F.A.C., this Prehearing Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

III. JURISDICTION

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapter 366, F.S. This hearing will be governed by said Chapter and Chapters 25-6, 25-22, and 28-106, F.A.C., as well as any other applicable provisions of law.

IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

Information for which proprietary confidential business information status is requested pursuant to Section 366.093, F.S., and Rule 25-22.006, F.A.C., shall be treated by the Commission as confidential. The information shall be exempt from Section 119.07(1), F.S., pending a formal ruling on such request by the Commission or pending return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been made a part of the evidentiary record in this proceeding, it shall be returned to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of this proceeding, it shall be returned to the person providing the information within the time period set forth in Section 366.093, F.S. The Commission may determine that continued possession of the information is necessary for the Commission to conduct its business.

While it is the policy of this Commission for all Commission hearings to be open to the public at all times, the Commission also recognizes its obligation pursuant to Section 366.093, F.S., to protect proprietary confidential business information from disclosure outside the proceeding. Therefore, any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, F.S., at the hearing shall adhere to the following:

- (1) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary Staff, and the Court Reporter, in red envelopes clearly marked with the nature of the contents and with the confidential information highlighted. Any party wishing to examine the confidential information that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the confidential information.
- (2) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise confidentiality. Therefore, confidential information should be presented by written exhibit when reasonably possible.

At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the court reporter shall be retained in the Office of Commission Clerk's confidential files. If such material is admitted into the evidentiary record at hearing and is not otherwise subject to a request for confidential classification filed with the Commission, the source of the information must file a request for confidential classification of the information within 21 days of the conclusion of the hearing, as set forth in Rule 25-22.006(8)(b), F.A.C., if continued confidentiality of the information is to be maintained.

V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties and Staff has been prefiled and will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to timely and appropriate objections. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand, which shall be limited to three minutes.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer. After all parties and staff have had the opportunity to cross-examine the witness, the exhibits may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

The parties shall avoid duplicative or repetitious cross-examination. Further, friendly cross-examination will not be allowed. Cross-examination shall be limited to witnesses whose testimony is adverse to the party desiring to cross-examine. Any party conducting what appears to be a friendly cross-examination of a witness should be prepared to indicate why that witness's direct testimony is adverse to its interests.

VI. ORDER OF WITNESSES

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
<u>Direct</u>		
Thomas G. Foster	DEF	1, 2, 2A, 3, 6, 7, 8, 9
Michael R. Delowery	DEF	6, 7, 8, 9
Christopher M. Fallon	DEF	1, 2, 2A, 3, 4, 5, 9
Ronald A. Mavrides	Staff	1, 2A, 7
Jeffery A. Small	Staff	1, 2A, 7
William Coston & Lynn Fisher	Staff	1, 6
William Coston & Jerry Hallenstein	Staff	1, 6

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Steven D. Scroggs	FPL	10, 10A, 10B, 11, 12, 13, 14
Nils Diaz	FPL	12
Terry O. Jones	FPL	15, 16, 17
Albert M. Ferrer	FPL	15, 16
John J. Reed	FPL	11, 12, 15, 16
Jennifer Grant-Keene	FPL	11, 12, 13, 14, 15, 16, 17
Steven R. Sim	FPL	10
Bety Maitre	Staff	15, 16
Gabriela Leon	Staff	11, 12
David Rich & Jerry Hallenstein	Staff	11, 15

VII. BASIC POSITIONS

DEF: **Levy Nuclear Project**

With the execution of the 2013 Settlement Agreement and approval by the Commission in 2013, DEF elected not to complete construction of Levy Nuclear Units 1 and 2 pursuant to Section 366.93(6), Florida Statutes, and Rule 25-6.0423(7), F.A.C. DEF is implementing a wind-down plan for LLE and has dispositioned all LLE that was in active fabrication. DEF is soliciting internal and external interest in the acquisition of the remaining LLE. To this end, DEF is conducting a bid event for the remaining Levy LLE.

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 EPC Agreement with the Consortium and DEF incurred 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.

DEF also terminated the EPC Agreement with the Consortium in January, 2014, pursuant to the terms of the EPC Agreement. DEF continues to work with WEC in an attempt to close-out the contract, but to date negotiations are stalled, and both DEF and WEC have initiated litigation against the other for claims under the EPC Agreement. DEF has, however, successfully negotiated a close-out of work with the other Consortium member – S&W.

DEF plans to continue its Combined Operating License Application (“COLA”) work in order to obtain the Levy COL from the Nuclear Regulatory Commission (“NRC”), as long as it is reasonable to do so, and DEF currently anticipates COL receipt in August of 2015 based on the current NRC schedule.

As presented in its financial schedules, DEF projects to incur costs in the categories of (1) project wind-down and (2) LLE disposition. DEF does not include in this filing potential, future wind-down or LLE disposition costs or credits that DEF cannot reasonably quantify at this time. Pursuant to the 2013 Settlement Agreement, DEF is also not including costs related to the Company’s pursuit of the Levy COLA, environmental permitting, wetlands mitigation, conditions of certification, and other costs related to the COL that DEF incurs in 2014 and beyond, in its request for cost recovery. DEF will continue to incur COL costs for Levy in 2014 and 2015, but under the 2013 Settlement Agreement, DEF will not seek to recover these costs from customers through the NCRC.

DEF expects to conclude its LLE disposition efforts in 2014 and, consequently, DEF is only projecting minimal wind-down costs beyond 2014. This projection does not take into account any costs that DEF simply is not able to reasonably quantify at this time. For example, DEF does not include in this filing any estimated costs or credits related to LLE salvage or scrap value because DEF cannot reasonably estimate these costs or credits at this time. Any proceeds from the sale or salvage of Levy assets, however, will be credited against the remaining unrecovered balance.

As more fully developed in DEF’s pre-filed testimony and exhibits, DEF requests that the Commission determine that (1) the Levy project’s actual 2012 and 2013 costs were prudently incurred; and (2) the Levy project’s 2012 and 2013 project management, contracting, accounting, and cost oversight controls were prudent.

EPU Project

As a result of the decision to retire CR3, the EPU project was not needed and was accordingly cancelled. In 2013 and 2014, DEF has been working to disposition EPU assets and materials in accordance with CR3 Administrative Procedure, AI-9010, Conduct of CR3 Investment Recovery, and the Investment Recovery Project, Project Execution Plan. The Investment Recovery Project (“IRP”) team

is prudently marketing EPU-related assets internally and externally and making disposition decisions in accordance with its policies and procedures.

The IRP has and will continue to conduct bid events for all appropriate EPU-related assets in 2013 and 2014 and DEF currently anticipates that all EPU-related assets will be dispositioned by the end of 2014, with minimal wind-down activities extending beyond 2014. Value received from sales or salvage of EPU-related equipment will be credited against the remaining unrecovered investment.

As Mr. Delowery describes in his direct testimony, EPU project wind-down costs were incurred in 2013 and 2014 and will continue to be incurred in 2015. DEF does not include in this filing any estimated costs or credits related to salvage or scrap value because DEF cannot reasonably estimate these costs or credits at this time. Any proceeds from the sale or salvage of EPU-related assets, however, will be applied to reduce the remaining unrecovered investment.

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 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. 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. This testimony demonstrates that these costs were necessary for the EPU project and that they were prudently incurred.

As more fully developed in DEF's pre-filed testimony and exhibits, DEF requests that the Commission determine that (1) the EPU project's actual 2012 and 2013 costs were prudently incurred; (2) the EPU project's 2012 and 2013 project management, contracting, accounting, and cost oversight controls were prudent; and (3) the EPU project's actual/estimated 2014 and projected 2015 costs are reasonable.

Pursuant to Section 366.93(6) and Rule 25-6.0423(7), F.A.C. and the 2013 Settlement Agreement, DEF requests that the Commission approve for recovery during the period January through December 2015 the amount consistent with the rates approved in the 2013 Settlement Agreement for the LNP and the amount requested in DEF's filing for the EPU. For all these reasons, DEF respectfully requests that the Commission grant cost recovery for DEF's Levy and EPU projects.

FPL: Section 403.519(4), Florida Statutes, Section 366.93, Florida Statutes, and Rule 25-6.0423, Florida Administrative Code (“the Rule”) establish the legal and regulatory framework for the recovery of costs in the development of nuclear generation in Florida.¹ Section 403.519(4), Florida Statutes, applies to the determination of need for a nuclear-fueled power plant. This section emphasizes the Florida Legislature’s desire to improve fuel diversity, reduce dependence on fuel oil and natural gas, reduce air emission compliance costs, and contribute to the long-term stability and reliability of the electric grid in Florida; establishes the prudence standard that shall be applied in nuclear cost recovery proceedings; and makes clear that a utility is entitled to recover all prudently incurred costs. Specifically, the statute states that after a determination of need is granted, “the right of a utility to recover any costs incurred prior to commercial operation, including but not limited to costs associated with the siting, design, licensing, or construction of the plant...shall not be subject to challenge” unless a preponderance of the evidence supports a finding that “certain costs” were imprudently incurred. The statute further makes clear that (i) proceeding with the construction of the nuclear power plant following an order by the Commission approving the need for it “shall not constitute or be evidence of imprudence” and (ii) “imprudence shall not include any cost increases due to events beyond the utility’s control.” *See* § 403.519(4)(e), Fla. Stat.

Section 366.93, Florida Statutes, requires the Commission to establish by rule a cost recovery framework that promotes utility investment in nuclear power plants and allows for the recovery of all prudently incurred preconstruction costs and the carrying costs on construction cost balances. It also entitles utilities to increase their base rates upon commercial operation of the nuclear power plant, requires annual reporting of budgeted and actual costs, and provides for cost recovery should the project be cancelled. *See* §366.93(4), (5), and (6), Fla. Stat., respectively. In response to this legislative direction, the Commission promulgated Rule 25-6.0423, Florida Administrative Code (“the Rule”). The stated purpose of the Rule is to establish an alternative cost recovery mechanism that promotes utility investment in nuclear power plants and allow for recovery of all prudently incurred costs. It also provides for the recovery of reasonable actual/estimated costs for the current year and reasonable projected costs for the following year.

FPL has two nuclear projects that qualify for cost recovery under the Nuclear Cost Recovery (“NCR”) process described above – the Extended Power Uprate project (“EPU” or “Uprate Project”) at its St. Lucie and Turkey Point plants, which was completed in 2013, and the development of two new nuclear units, Turkey Point 6 & 7. Each project was granted an affirmative determination of need by the Commission pursuant to Section 403.519(4), Florida Statutes, and

¹All references to Florida Statutes are to the 2013 Florida Statutes.

FPL is therefore entitled to recover all its prudent and reasonable costs. *See* Order No. PSC-08-0021-FOF-EI, issued January 7, 2008 (making an affirmative determination of need for FPL's EPU project) and Order No. PSC-08-0237-FOF-EI, issued April 11, 2008 (making an affirmative determination of need for Turkey Point 6 & 7).

As required by the Rule, and as demonstrated in the testimony, exhibits, and Nuclear Filing Requirements ("NFRs") filed in this docket, FPL's expenditures in 2013 on each of these projects were prudently incurred. Additionally, FPL's actual/estimated 2014 expenditures and projected 2015 expenditures for the Turkey Point 6 & 7 project are reasonable. The FPSC Office of Auditing Performance and Analysis's 2014 report on FPL's project management internal controls concludes that FPL's project internal controls, risk evaluation, and management oversight for both projects are adequate. Accordingly, the Commission should approve FPL's request to recover \$14,287,862 through the Capacity Cost Recovery Clause ("CCRC") during the period January – December 2015. This equates to a typical residential customer monthly bill impact of approximately \$0.15 per 1,000 kilowatt-hours (kWh), and is approximately 65% lower (or \$0.30 less) per month than FPL's current, 2014 NPPCR amount. FPL has also demonstrated that its feasibility analysis for the Turkey Point 6 & 7 project should be approved.

OPC: **DUKE**

The focus of the 2014 NCRC hearing related to Duke Energy of Florida, Inc. (DEF or Duke), relates primarily to the wind-down and equipment disposal/salvage efforts of the Company related to both failed nuclear projects – Crystal River Unit No. 3 (CR3) and the Levy Nuclear Plant Project (LNP). The OPC's primary effort in this docket is to have the Commission explicitly and expressly order Duke to record a credit in the 2014 cost accounting in the amount of \$54,127,100 which was previously paid by Duke's customers for LNP equipment that was never manufactured.

At this time, the CR3 asset disposal (Investment Recovery) efforts are still in the formative stages (insofar as the testimony and discovery cycle are concerned) and not really ripe for Commission determination. The OPC submits that prudence determination by the Commission on any of DEF's *activities* related to disposal of the CR3 EPU-related assets is not warranted at this time. The OPC, however, does not take a position with respect to the specific costs submitted for recovery in 2013 related to disposal of CR3 assets that have been recovered through the NCRC. Likewise, OPC does not take issue with Duke's request for recovery of the amortization of the unrecovered EPU balance (\$262.1 million at year end 2013) in the amount of \$63.2 million (including minor project exit and wind down costs.) The Commission has previously approved recovery of the vast majority of

these costs or costs associated with previously approved EPU activities. The OPC has no basis to dispute these amounts.

The OPC does object to any advance prudence determination on the course of action upon which Duke has embarked in order to dispose of CR3 assets. Since that process is underway, the only reasonable course of action is to withhold any advanced prudence determination and to evaluate DEF's actions once they are concluded. The OPC's position is somewhat precautionary inasmuch as Duke has not overtly asked for such an advance determination on the prudence of their activities. Even so, the OPC submits that any recovery of asset disposition or wind-down costs does not carry with it the necessary implication that, overall, the investment recovery activities or efforts were necessarily reasonable or prudent. Any determination as to the prudence of the overall Duke asset disposal plan must be measured in terms of the overall disposition effort as executed by Duke, in light of all the circumstances encountered as Duke makes its decisions. At this time, only one major asset – the Point of Discharge (POD) cooling tower (which is only partially related to the EPU project) – has been sold. The secondary market sale of major utility generation components is a complicated matter that involves matters of warranty and insurance and engineering judgment, among others, and thus does not lend itself to prior prudence determination.

With respect to the LNP asset disposal attempts, the OPC's position is similar to the one taken regarding the CR3 asset disposition attempts. The OPC, however, does not take a position with respect to the specific costs submitted for recovery in 2013 related to disposal of LNP assets (LLE or Long Lead Equipment) that have been recovered through the NCRC. The LNP asset disposal process has been severely complicated by the litigation (suit and counter-suit) and ongoing commercial disputes between Duke and Westinghouse Electric Company (WEC), in combination with Duke's desire to continue to pursue the license for the LNP. As with the CR3 initiative, the LNP asset disposal attempts have not reached a point of maturity that makes that process ripe for a prudence determination. Further complicating the matter is that much of the documentation bearing on this issue is subject to a claim of confidentiality. This severely jeopardizes the public's ability to fully understand the context surrounding Duke's asset disposal attempts. In turn, this secrecy complicates the Commission's ability to explain its rationale for whatever determination it might ultimately make as to the prudence of the DEF LNP asset disposal attempts. Given these circumstances, the OPC submits that Duke's actions in disposing of the LLE should be evaluated when the relevant facts are in. In 2014, the major factors impacting the LLE disposal will not have occurred in time to consider in the hearing process. Thus, the only reasonable course of action is to withhold any advance prudence determination and evaluate DEF's actions once they are concluded.

The OPC has raised two specific issues. The most significant one is related to \$54,127,100 in payments for LLE that Duke has asked WEC to return since WEC never initiated manufacture of the LLE and given that the LNP Engineering, Procurement and Construction (EPC) contract has been terminated as of January 28, 2014. Duke has also sued WEC in federal court seeking a return of the \$54 million. The customers have paid these amounts.

There are several factors supporting the Commission's action to ensure these moneys are recaptured for the benefit of the customers. First, the customers have already paid for these LLE items (Turbine Generators and Reactor Vessel Internals), as a part of an LNP project that has visited approximately \$1.5 billion in costs on them and which was abandoned before a single shovel of dirt was turned. Second, the Commission has jurisdiction over the payment because the Commission already found the \$54 million payment prudent (assumedly, because it was intended to result in the actual manufacture of these LLE) and because Duke has already collected the money from its customers. Third, Duke made a claim to WEC for the return of the payment and Duke followed up that claim by suing WEC in Federal Court for the payment's return. These factors support immediate accounting of the demanded repayment in the NCRC to the benefit of customers. These factors further distinguish the \$54 million refund demand from any other type of WEC-related, "blue sky" claim that might be asserted in a courtroom or in this docket. Given the Commission's mandate to protect customers and in the wake of the spectacular double failure of DEF's two Florida nuclear projects, the exercise of positive action by the Commission is compelled. Duke's \$54,127,100 refund demand is something that the company cannot disavow – given its claims and verified pleading in Federal court – and the full amount should be credited to the customers.

By stark contrast, any claim in Federal court by WEC – an entity not under the jurisdiction of the Florida Public Service Commission – for payment under the EPC would not even remotely meet the standard for recovery in the NCRC. Duke has steadfastly denied the validity of the WEC contract claim(s). Since executing the ill-advised and instantaneously doomed EPC on December 31, 2008, Duke has never presented dollar amounts associated with WEC's claim to the Commission for cost recovery. More to the point, Duke has never presented to the Commission the activities underlying the WEC-claim dollars for its consideration in decisionmaking or for a prudence determination. In fact, Duke provided voluminous, enthusiastic, repetitive and unequivocal testimony (Lyash and Elnitsky) to the Commission in 2010 that affirmatively represented that there were no such costs (such as those comprising WEC's pending Federal court allegations) that would be part of the LNP/EPC termination cost obligations. This testimony was given at the crucial juncture when cancellation was the presumptive, default position in this same testimony Duke presented in that hearing cycle; however, the Commission relied upon Duke's representations to authorize continued recovery of LNP costs through the receipt of the COL.

There is nothing about the allegations of a non-jurisdictional third party which provide a basis for the dollars underlying WEC's allegations to be considered in this docket. Duke can hardly assert with a straight face before the Commission that the WEC claims that the Company vigorously denies and contests in Federal court would meet a standard of reasonableness and prudence for cost recovery. Conversely, a refund claim for a \$54 million payment which Duke induced the Commission to impose on customers in 2009 and now vigorously asks the Federal court to order repaid, must be treated as a credit in 2014 as if it is being returned to the customers. This treatment is warranted because the Commission has already evaluated and considered these costs for prudence and recovery. Duke now is essentially recanting the basis for the original recovery. Thus, reversal in the form of a credit should be automatic.

Specifically, the OPC asks the Commission to direct Duke to record, effective January 28, 2014, a credit in the amount of \$54,127,100 in the ongoing LNP cost accounting as reflected in Schedule TGF-4. This step would ensure the customers that, given Duke's assertions and verified claims in Federal court, this refund is expected and should not be compromised in litigation with WEC. Given the levelized recovery of LNP costs in 2014 and 2015, the impact of this credit may not immediately be translated to lower customer bills in 2014-2015. Nevertheless, the recognition in the parallel cost accounting schedules will provide a powerful reassurance to customers that both Duke and the Commission are committed to recover at least this \$54 million for the customers in the aftermath of the ill-fated abandoned LNP project. It is possible that the credit could impact 2015 billings, but at this time it is not known with certainty if that is the case.

The other issue raised by the OPC relates to whether the Commission should establish any conditions related to the attempts by Duke to sell, salvage or otherwise dispose of LNP LLE. This issue will be developed at hearing based on information that is now subject to claims of confidentiality (primarily by WEC, but asserted in this docket by Duke).

FPL

In this hearing cycle, as in the past, FPL appears to have appropriately limited its expenditures on planned nuclear units Turkey Point 6&7 to those activities necessary to process its Combined Operating License Application (COLA). For that reason, OPC will not oppose the Turkey Point 6&7-related amounts for which FPL seeks recovery in this proceeding.

However, based on FPL's own cost projections, the message of FPL's 2014 feasibility study is that the economic feasibility of Turkey Point 6&7 is dubious at the present time. As Dr. Sim acknowledges in his Exhibit SRS-1, of the seven

comparisons between Turkey Point 6&7 and FPL's alternative performed with a 40-year horizon, only two scenarios show the nuclear units as being cost-effective for customers. The results of FPL's studies improve when it employs a 60-year horizon, but this exercise requires FPL to project even farther into the future and, therefore, involves greater uncertainty regarding the future costs of fuel, materials, and labor; regulatory developments; customer demand; and other unknowns. Even when the 60-year analyses are taken into account, on an overall basis only half of the scenarios FPL studied are predicted to be cost-effective to customers.

In testimony and exhibits, FPL isolates the fuel savings portions from the comparisons of alternatives, uses "nominal" cumulative fuel savings values (that are not expressed in net present value), and presents them separately, as though fuel benefits are independent of the massive capital costs that must be incurred to achieve them. However, focusing on an individual component of the project's cost/benefit equation does not displace the importance of *overall* cost-effectiveness or change the outcome of FPL's studies.

The equivocal nature of FPL's 2014 feasibility study, the project's poorer showing relative to a year ago, and announcements of delays and projected cost increases elsewhere in the nuclear industry hardly instill confidence in FPL's enormously expensive nuclear undertaking. Fortunately, in addition to the annual updates required by Commission rule, the Legislature's 2013 amendment to the nuclear advance cost recovery statute now requires a utility to demonstrate economic feasibility anew when it seeks authority to incur post-COL preconstruction expenditures, and again when it seeks authority to begin construction. If it accepts FPL's less-than-compelling 2014 feasibility study for Turkey Point 6&7, the Commission should emphasize to FPL and its customers that it will use the additional milestones specified by the statute to protect customers in the event that future analyses based on better information fail to demonstrate that the project is economic.

FIPUG:

FIPUG supports the development of cost effective, reasonable and prudent energy sources to serve Florida consumers. Utilities seeking to provide nuclear power have the burden to demonstrate that the nuclear projects that are the subject of this hearing are feasible and the most reasonable and cost-effective way to serve ratepayer needs. The Commission must bear in mind that, at the end of the day, it is the consumers who bear the cost burden of nuclear projects.

DUKE

Duke with respect to Duke Energy of Florida ("Duke"), FIPUG supports efforts to have the customers receive a credit of \$54,127,100 for equipment that never materialized, but for which customers were "charged" by Duke. Specifically,

Duke sought, and the Commission approved the sum of \$54,127,100 as being appropriately included in the customers' rates.

As to Duke's Levy Nuclear Project, so long as PEF's filing is consistent with the parties' settlement, FIPUG supports the company's position on these issues.

FPL

FIPUG continues to question whether the FPL Turkey Point Nuclear Project will be constructed for the monies suggested by FPL and whether the new nuclear units will achieve commercial operation within the timeframe forecast by FPL. How much the project is projected to cost and when it is expected to serve customers, and whether those projections are reasonable, are two important factual issues. FIPUG takes the position that the costs will be more than projected and the nuclear project will be available to serve ratepayers later than forecast. FIPUG has properly raised these issues as disputed issues of fact in this proceeding, a proceeding governed in significant part by sections 120.57 and 120.569, Florida Statutes.

PCS

PHOSPHATE: In March 2012, the Commission issued Order No. PSC-12-0104-FOF-EI which approved a stipulation and settlement agreement among DEF, the Office of Public Counsel ("OPC") and other consumer party intervenors, including PCS Phosphate. In November 2013, in Order No. PSC-13-0598-FOF-EI, the Commission approved the Revised and Restated Stipulation and Settlement Agreement ("RRSSA") among Duke and the intervenor settling parties. As a consequence, the primary focus of the 2014 NCRC proceeding for Duke relates to the utility's efforts to wind down its involvement in the aborted Levy Nuclear Project ("LNP"), and comparable efforts to shut down its existing Crystal River Unit No. 3 nuclear station following Duke's determination that the containment building had been irreparably damaged in the course of Duke's attempt to replace the unit's steam generator.

Generally, PCS Phosphate does not contest recovery through the NCRC of CR3 EPU costs that the Commission has addressed in prior dockets, but maintains that a Commission prudence determination with respect to DEF's on-going CR3 asset disposal actions is premature and should be deferred to the 2015 proceeding. Since that process seems to be at a relatively early stage, the Commission will not possess facts sufficient to make such determinations this year.

With respect to LNP, the RRSSA specifies a fixed cost recovery factor that should apply to the 2015 factor for some or all of that year. The suits (and counter-suits) initiated earlier this year between Duke and Westinghouse Electric Company ("WEC"), however, have materially complicated Duke's efforts to extricate itself from the engineering, procurement and construction contract ("EPC") that it

signed with the WEC-Shaw Stone & Webster consortium for LNP at the end of 2008. The complications include:

- The disposition of long lead time equipment ordered and fabricated for Levy that DEF customers have already paid for through NCRC factor charges;
- In excess of \$54 million in payments that Duke claims it made to WEC for work that was never actually begun: and
- WEC's claim that it performed approximately \$500 million in engineering, licensing and AP1000 support activities that are properly billed to Duke.

At this date, Duke's asset disposition efforts are on-going, and a prudence determination should be deferred until a more complete picture is available. With respect to the Duke-WEC claims, it is reasonable to expect that final and binding rulings on those suits will take some time. In the meantime, the Commission in this docket should make clear that DEF's consumers are not mere insurers of any outcome, litigated or settled, that may eventually transpire. In particular, the Commission should adopt a rebuttable presumption that any disposition of LNP long lead time equipment to WEC should reflect the original cost of those items charged to Duke consumers. Similarly, the Commission should put Duke on notice that it would be presumptively imprudent to charge Duke customers for work billed by WEC that was not actually performed. PCS Phosphate reminds the Commission that the Commission has not previously reviewed or approved the Levy EPC agreement from which all of the above claims and counter-claims arise. Finally, as stated in the RRSSA, all going forward actions by Duke to pursue a construction and operation license ("COL") from the Nuclear Regulatory Commission for Levy are Duke's responsibility. The Commission should not countenance any effort by Duke to fund those activities through settlement of the EPC termination disputes.

SACE:

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.²

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 programs³, which helps customers reduce energy use, and is a resource which the Company concedes can meet peak 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.⁴ 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.

² 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.”)

³ Docket No. 130009-EI, *Hearing Transcript* Volume 4 at 759, 784, August 5, 2013.

⁴ *Id.* at 789- 792, August 5, 2013.

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.

FRF: Duke Energy Florida

The 2014 NCRC issues for Duke Energy Florida, Inc. (“DEF” or “Duke”) relate primarily to the Company’s wind-down and equipment disposal/salvage efforts related to its failed nuclear projects – the Crystal River Unit No. 3 Uprate Project (“CR3”) and the Levy Nuclear Project (“LNP”). The FRF agrees with the Public Counsel that the Commission should order Duke to record a credit in the 2014 cost accounting in the amount of \$54,127,100 which was previously paid by Duke’s customers for LNP equipment that has not been and will never be manufactured.

At this time, the CR3 asset disposal (or “Investment Recovery”) efforts are not ripe for Commission determination. Accordingly, the Commission should not at this time undertake to make any determinations whether Duke’s activities relating to disposal of CR3 Uprate assets were or are prudent. At this time, the FRF does not take a position with respect to the specific costs submitted for recovery in 2013 related to disposal of CR3 assets that have been recovered through the NCRC, nor regarding Duke’s request for recovery of the amortization of the unrecovered EPU balance (\$262.1 million at year end 2013) in the amount of \$63.2 million (including minor project exit and wind down costs.) The Commission has previously approved recovery of the vast majority of these costs.

The Levy Project asset disposal process has been complicated by the ongoing commercial disputes and litigation between Duke and Westinghouse Electric Company (WEC), in combination with Duke’s desire to continue to pursue the license for the LNP. As with the CR3 asset disposal activities, the Company’s LNP asset disposal activities are not ripe for a prudence determination. Accordingly, the Commission should withhold any advance prudence determination and evaluate DEF’s actions once they are concluded.

Florida Power & Light Company

In this hearing cycle, as in the past, FPL appears to have appropriately limited its expenditures on its planned Turkey Point 6&7 nuclear units to those activities necessary to process its Combined Operating License Application (COLA).

Accordingly, the FRF will not oppose the Turkey Point 6&7-related amounts for which FPL seeks recovery in this proceeding.

However, FPL's 2014 feasibility study indicates that the economic feasibility of Turkey Point 6&7 is dubious at the present time. As Dr. Sim acknowledges in his Exhibit SRS-1, of the seven comparisons between Turkey Point 6&7 and FPL's alternative performed with a 40-year horizon, only two scenarios show the nuclear units as being cost-effective for customers. The results of FPL's studies improve when it employs a 60-year horizon, but this exercise requires FPL to project even farther into the future, which necessarily involves greater uncertainty regarding the future costs of fuel, materials, and labor; regulatory developments; customer demand; and other unknowns. Even considering the 60-year analyses, on an overall basis, the Turkey Point project is cost-effective in only half of the scenarios FPL studied. These results indicate that the risks to FPL's customers of FPL's proceeding with Turkey Point 6&7 are great, with the probability of a positive return to future customers marginal at best. In these circumstances, the Commission must remain vigilant in future proceedings, including those required by the 2013 amendments to the NCRC statute, to protect customers against these risks.

FPL's focus, in its testimony and exhibits, on projected fuel cost savings must be balanced with at least equal emphasis on the tremendous capital costs associated with the Turkey Point project – capital costs that FPL will not even guarantee or put a cap on for the protection of customers. Focusing on an individual component of the project's cost/benefit equation does not displace the importance of overall cost-effectiveness or change the outcome of FPL's studies.

The equivocal nature of FPL's 2014 feasibility study, the project's poorer showing relative to a year ago, and announcements of delays and projected cost increases elsewhere in the nuclear industry cast doubt on FPL's enormously expensive nuclear undertaking. Fortunately, in addition to the annual updates required by Commission rule, the Legislature's 2013 amendment to the NCRC statute now requires a utility to demonstrate economic feasibility when it seeks authority to incur post-COL preconstruction expenditures, and again when it seeks authority to begin construction. If it accepts FPL's less-than-compelling 2014 feasibility study for Turkey Point 6&7, the Commission should emphasize to FPL – and should promise FPL's customers – that it will rigorously use these additional statutory milestone proceedings to protect customers.

STAFF:

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

VIII. ISSUES AND POSITIONS

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?**

POSITIONS

DEF: Yes, for the year 2012 and 2013, DEF's project management, contracting, accounting and cost oversight controls were reasonable and prudent for the LNP as discussed in Mr. Fallon's March 3, 2014 direct testimony and in Mr. Foster's March 3, 2014 direct testimony. The Company's 2012 and 2013 LNP management and cost oversight controls, policies, and procedures are substantially the same as the policies and procedures reviewed and previously determined to be prudent by the Commission. These project management and cost oversight controls include regular risk assessment, evaluation, cost oversight, and management. These policies and procedures reflect the collective experience and knowledge of the combined company and they have been vetted, enhanced, and revised to reflect industry leading best project management and cost oversight policies, practices, and procedures. The Company has reasonable and prudent project accounting controls, project monitoring procedures, disbursement services controls, and regulatory accounting controls. (Fallon, Foster).

OPC: No position.

FIPUG: No position.

**PCS
PHOSPHATE:** No position.

SACE: No position.

FRF: No position.

STAFF: No position pending evidence adduced at the hearing.

ISSUE 2: **Has DEF reasonably accounted for Combined Operating License (COL) pursuit costs pursuant to paragraph 12(b) of the 2013 revised and restated stipulation and settlement agreement?**

POSITIONS

DEF: Yes. DEF reasonably and prudently incurred COL-related costs in 2013 that were necessary for the Levy COLA and consistent with the 2013 Settlement Agreement. In 2014, DEF has taken steps to ensure that COL-related costs, as

defined in the 2013 Settlement Agreement, are not included in the NCRC proceeding. As discussed in the testimony of Mr. Fallon, DEF segregates project costs incurred by specific project code. Accordingly, for 2014, the team charges COL-related labor, NRC fees, vendor invoices and all other COL-related cost items to the applicable COL project codes. Thereafter, as discussed in the testimony of Mr. Foster, the Regulatory Accounting and Regulatory Strategy groups ensures that the COL-related project codes and associated costs incurred in 2014 and beyond are not included in the Company's NCRC Schedules, and thus not presented for nuclear cost recovery. COL-related costs will however continue to be tracked for accounting purposes consistent with the 2013 Settlement Agreement. (Fallon, Foster).

OPC: At this time, it appears that Duke has complied with the 2013 revised and restated stipulation and settlement agreement, insofar as the accounting for costs which it has directly attributed to or classified as COL pursuit and which were expended in 2013 and which the company has estimated for 2014. At this point in the 2014 hearing cycle, given the uncertainty relating to the ongoing dispute with WEC and pending discovery, the OPC will be unable to formulate a position on, but does not waive any rights with respect to, whether Duke's efforts to achieve the LNP COL might have other associated costs that have been or will be submitted for NCRC recovery, but which are appropriately attributable to Duke's shareholders.

FIPUG: Adopt position of OPC.

**PCS
PHOSPHATE:** No position.

SACE: No position.

FRF: Agree with OPC that it appears that Duke has complied with the 2013 Revised and Restated Stipulation and Settlement Agreement related to accounting for costs classified as COL pursuit costs expended in 2013 and estimated for 2014. The FRF further agrees with OPC that, given the uncertainty relating to Duke's ongoing dispute with WEC, the FRF cannot formulate a position on, but does not waive any rights with respect to, whether Duke's efforts to achieve the LNP COL may have associated costs that have been or will be submitted for NCRC recovery, but which are appropriately attributable to Duke's shareholders pursuant to the RRSSA.

STAFF: No position pending evidence adduced at the hearing.

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?

POSITIONS

DEF: Based on DEF's March 1, 2013 filing final 2012:

Capital Costs (Jurisdictional) \$25,335,581
O&M Costs (Jurisdictional) \$988,205
Carrying Costs \$48,424,466

The under-recovery of \$3,644,953, should be included in setting the allowed 2014 NCRC recovery.

The 2012 variance is the sum of under-projection preconstruction costs of \$3,707,795 plus an under-projection of O&M expenses of \$60,747 plus an over-projection of carrying costs of \$123,588. (Foster, Fallon).

Based on DEF's March 1, 2014 filing final 2013:

Wind-Down / Exit Costs (Jurisdictional) \$88,441,047
Carrying Costs \$19,593,800

The over-recovery of \$4,727,095 should be included in setting the allowed 2015 NCRC recovery.

The 2013 variance is the sum of over-projection exit/wind-down costs of \$2,487,002 plus an over-projection of carrying costs of \$2,240,093. (Foster, Fallon).

OPC: No position.

FIPUG: No position.

PCS
PHOSPHATE: No position.

SACE: No position.

FRF: No position.

STAFF: No position pending evidence adduced at the hearing.

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?**

POSITIONS

DEF: Yes. DEF dispositioned the LLE in active fabrication and consequently reduced ongoing contractual costs, resulting in savings compared to the committed contractual payments, for DEF and its customers. DEF further reduced WEC's activities and costs to assist with the LLE disposition and wind down the project. DEF terminated the EPC Agreement when it was unable to obtain the COL by January 1, 2014, and, does not owe a termination fee under the EPC Agreement. DEF closed out its relationship with S&W in a timely and cost-effective manner for DEF and its customers. DEF's actions have been and will continue to be reasonable and prudent for DEF and its customers.

DEF's testimony and exhibits only present for recovery those costs that are recoverable consistent with the 2013 Settlement Agreement. There has been no evidence presented that any cost presented for recovery does not comply with the NCRC statute or rule or the 2013 Settlement Agreement. Accordingly, the Commission should approve the costs presented for recovery in this docket. (Fallon, Foster).

Based on DEF's May 1, 2014 filing 2014 Est/Act:

Wind-Down / Exit Costs (Jurisdictional) \$25,216,773
Carrying Costs \$13,534,781

The under-recovery of \$7,990,738 should be included in setting the allowed 2015 NCRC recovery.

The 2014 variance is the sum of under-projection exit/wind-down costs of \$12,627,988 plus an over-projection of carrying costs of \$4,637,250. (Foster, Fallon).

Based on DEF's May 1, 2014 filing 2015 Projection:

Wind-Down / Exit Costs (Jurisdictional) \$1,209,912
Carrying Costs \$5,479,030

For the LNP, an amount necessary to achieve the rates included in Exhibit A (\$3.45/1,000kWh on the residential bill) of the Settlement Agreement approved in Order No. PSC-13-0598-FOF-EI page 176 should be included in establishing DEF's 2015 CCRC. (Foster, Fallon).

OPC: No position.

FIPUG: Potential, future wind-down or long lead equipment disposition costs or credits that cannot be reasonably quantified at this time should not be approved, and the Commission should expressly state that it is taking no action related to such disposition costs or credits at this time.

PCS

PHOSPHATE: No position.

SACE: No position.

FRF: No position.

STAFF: No position pending evidence adduced at the hearing.

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?**

DEF: None. The \$54 million referenced by OPC was incurred by DEF in 2008 and 2009 based on the circumstances of the project at that time and was determined by the Commission to be a prudent cost incurred by DEF. To the extent OPC or any party suggests by this issue that the Commission can review the prudence of a cost it previously determined to be prudent, that is contrary to law and Commission rule. See Fla. Admin. Code R. 25-6.0423(6)(a)(3).

DEF is actively pursuing litigation in federal court against WEC in order to recover any and all costs that it can for customers, including the \$54 million payment. If and when a court determines, after appropriate appeal or further review, that DEF is entitled to recover from WEC the \$54 million previously paid WEC for LLE, DEF will credit the amount of the court award to customers. As such, the Commission should take no action in the 2014 NCRC on this issue. (Fallon).

OPC: The Commission should exercise its jurisdiction to direct Duke to recognize a credit in favor of Duke's customers for \$54,127,100 in Schedule TGF-4, effective January 28, 2014, to reflect Duke's position taken in a federal lawsuit that it used that amount of customer-provided funds to pay Westinghouse Electric Company (WEC) for the manufacture of equipment which never occurred AND that Duke wants its (read "the customers' money") money back from WEC. Given that the EPC contract and the LNP project have been terminated, the current NCRC hearing cycle is the first opportunity for the Commission to assert jurisdiction over Duke's demand for return of these funds. The Commission should take

every measure at its disposal to protect customers from suffering even more harm as a result of the cancelled project. Recognizing the credit explicitly in Schedule TGF-4 now will ensure that customers will not be at risk of losing the value of their property (the \$54,127,000 they paid for work never done) through actions potentially taken on their behalf by Duke in the Federal lawsuit – whether by compromise of the claim or otherwise. The Commission has authority and jurisdiction over these dollars and its order directing the credit will send a strong signal to Duke that it expects the Company to retrieve these funds for its customers.

FIPUG: The Commission should order that a credit of \$54,127,100 be provided to ratepayers as detailed by OPC.

PCS

PHOSPHATE: PCS Phosphate adopts the position of the OPC. Duke customers should be fully credited for amounts paid by Duke and charged to ratepayers for work not actually performed for the LNP project.

SACE: No position.

FRF: The Commission should exercise its jurisdiction to direct Duke to recognize a credit in favor of Duke's customers for \$54,127,100, effective January 28, 2014, to reflect Duke's position taken in its federal lawsuit against WEC that Duke paid this amount to WEC for the manufacture of equipment which was not and will never be manufactured, and that Duke accordingly demands the return of these funds from WEC. Given that the EPC contract and the LNP project have been terminated, the current NCRC hearing cycle is the first opportunity for the Commission to assert jurisdiction over Duke's demand for return of these funds.

STAFF: No position pending evidence adduced at the hearing.

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

POSITIONS

DEF: None. First, as a factual matter, DEF stipulates that DEF's disposition of the Levy Long Lead Equipment (LLE) is separate and independent from DEF's pursuit of the Levy COL. DEF, accordingly, will disposition the LLE without regard to the status of the Levy COL. DEF will disposition the LLE based solely on the reasonable and prudent decisions with respect to the LLE. In no way, will these decisions depend on DEF's decisions with respect to the COL. DEF will continue to pursue the Levy COL consistent with the requirements in the 2013 Settlement Agreement. Based on this stipulation, DEF asserts that this issue is wholly unnecessary as a factual matter.

Second, as a legal matter, this proposed issue appears to suggest that the Commission can issue some sort of prospective injunctive action against DEF to restrain DEF from actions that it may or may not take in the future. Pursuant to the NCRC statute and rule, the Commission is empowered to review DEF's actual activities and costs to determine if DEF's LNP costs were prudently incurred; however, the Commission has no authority to prospectively enjoin DEF from some unknown, speculative future action, nor does the Commission have continuing jurisdiction in this docket related to DEF's pursuit of the COL post-2013 based on the 2013 Settlement Agreement, which removed post-2013 COL costs from the NCRC. Accordingly, the Commission should take no action in the 2014 NCRC on this issue. (Fallon).

OPC: Based on evidence to be considered at hearing – much of which is subject to a claim of confidentiality – the Commission should consider placement of conditions or restrictions on steps that Duke is authorized to take (should it expect to have its actions deemed prudent by the Commission for NCRC recovery) when it disposes of LLE. The measure, if any, should be appropriately tailored to the circumstances given the information to be adduced at hearing. At this time, the Commission should withhold any advanced prudence determination on Duke's attempts and evaluate DEF's actions once they are concluded.

FIPUG: Adopt position of OPC.

PCS
PHOSPHATE: PCS Phosphate adopts the position of the OPC.

SACE: No position.

FRF: The FRF agrees with OPC that the Commission should consider placing conditions or restrictions on steps that Duke is authorized to take, assuming that Duke would expect to have such actions deemed prudent by the Commission for NCRC recovery, when it disposes of Long Lead Equipment ("LLE"). At this time, the Commission should withhold any advance prudence determination on Duke's attempts to dispose of LLE and should evaluate DEF's actions once they are concluded.

STAFF: No position pending evidence adduced at the hearing.

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?

POSITIONS

DEF: Yes, for the year 2012 and 2013, DEF's project management, contracting, accounting and cost oversight controls were reasonable and prudent for the EPU project and close out of the EPU project as discussed in Mr. Delowery's March 3, 2014 direct testimony and in Mr. Foster's March 3, 2014 direct testimony. These project management and cost oversight controls include regular risk assessment, evaluation, and management. These policies, procedures, and controls are continually reviewed, and where necessary, revised and enhanced, all in line with industry best practices. To this end, DEF developed its close out and investment recovery processes and procedures utilizing industry best practices and the project management policies and procedures that have been reviewed and approved as prudent by this Commission in prior year's dockets. The Company has reasonable and prudent project accounting controls, project monitoring procedures, disbursement services controls, and regulatory accounting controls. (Delowery, Foster).

OPC: No position.

FIPUG: No position.

PCS
PHOSPHATE: No position.

SACE: No position.

FRF: No position.

STAFF: No position pending evidence adduced at the hearing.

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?

POSITIONS

DEF: Based on DEF's March 1, 2013 filing final 2012:

Capital Costs (Jurisdictional, net of joint owners) \$34,217,595
O&M Costs (Jurisdictional, net of joint owners) \$432,585
Carrying Costs \$21,205,814 and Other Adjustments credit of \$3,242,310.

The under-recovery of \$2,596,849 should be included in setting the allowed 2014 NCRC recovery.

The 2012 variance is the sum of an O&M under-projection of \$432,455, and an under-projection of carrying charges of \$2,164,394. (Foster, Delowery).

Based on DEF's March 1, 2014 filing final 2013:

Wind-Down / Exit Costs (Jurisdictional, net of joint owners) \$12,399,539
Carrying Costs \$26,804,602

The over-recovery of \$524,697 should be included in setting the allowed 2015 NCRC recovery.

The 2013 variance is the sum of over-projection of period-recoverable exit/wind-down costs of \$224,283 plus an over-projection of carrying costs of \$300,414 (Foster, Delowery).

OPC: No position.

FIPUG: No position.

**PCS
PHOSPHATE:** No position.

SACE: No position.

FRF: No position.

STAFF: No position pending evidence adduced at the hearing.

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?**

POSITIONS

DEF: Yes. The Company immediately suspended any additional licensing, contract, and purchase order work, demobilized the EPU project team except for management necessary to wind-down the project, and developed and implemented the EPU Project Closeout Plan. DEF then transitioned the asset recovery efforts to the newly created IR team that was developed specifically for the purposed of asset disposition.

DEF is currently working through its Supply Chain and Investment Recovery organizations to ensure that wind-down of the EPU project and disposition of assets is in accordance with DEF's policies and procedures. Bid events are being developed and conducted for all appropriate EPU components. Any proceeds from the sale or salvage of EPU-related assets will be credited through the NCRC to reduce the remaining unrecovered investment. Only those costs that are reasonable and prudent project exit or wind-down costs were or will be incurred in 2014 and 2015. For these reasons, as more fully explained above, the exit costs are reasonable to facilitate the prudent wind-down of the EPU project and should be approved for recovery.

There has been no evidence presented that any cost presented for recovery does not comply with the NCRC statute or rule or the 2013 Settlement Agreement. Accordingly, the Commission should approve the costs presented for recovery in this docket. (Delowery).

Based on DEF's May 1, 2014 filing 2014 Est/Act:

Wind-Down / Exit Costs (Jurisdictional, net of joint owners) \$854,377
Carrying Costs \$23,872,966

The under-recovery of \$155,210 should be included in setting the allowed 2015 NCRC recovery.

The 2014 variance is the sum of over-projection exit/wind-down costs of \$182,574 plus an under-projection of carrying costs of \$337,785. (Foster, Delowery).

Based on DEF's May 1, 2014 filing 2015 Projection:

Wind-Down / Exit Costs (Jurisdictional, net of joint owners) \$343,451
Carrying Costs \$19,549,192
Amortization of 2013 Regulatory Asset \$43,681,007
(Foster, Delowery).

OPC: No position.

FIPUG: No position.

PCS
PHOSPHATE: No position.

SACE: No position.

FRF: No position.

STAFF: No position pending evidence adduced at the hearing.

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

POSITIONS

DEF: The total jurisdictional amount to be included in establishing DEF's 2015 Capacity Cost Recovery Clause factor should be \$167,195,304 (before revenue tax multiplier). This consists of \$63,204,163 for the EPU project and an estimated amount of \$103,991,141 for the LNP.

For the LNP, the final amount necessary to achieve the rates included in Exhibit A (\$3.45/1,000kWh on the residential bill) of the Settlement Agreement approved in Order No. PSC-13-0598-FOF-EI page 176 should be included in establishing DEF's 2015 CCRC revenue requirements. (Foster, Fallon, Delowery).

OPC: The Commission should approve the amounts resulting from the Revised and Restated Stipulation and Settlement Agreement (RRSSA). For the LNP project, the customer impact is fixed as the \$3.45/month residential impact (with corresponding customer impacts as shown in Exhibit 5 to the RRSSA), subject to the ultimate resolution of Issue 4. For the CR3 UPU costs, the factor should be based on the amortization of unrecovered costs as set forth in the RRSSA in Paragraph 9. The Commission has previously approved recovery of the vast majority of these costs or costs associated with previously approved EPU activities. The OPC has no basis to dispute these amounts. There are also very minor exit and project wind-down costs with which OPC does not have a basis to take issue.

FIPUG: Adopt position of OPC.

PCS

PHOSPHATE: PCS Phosphate adopts the position of the OPC.

SACE: No position.

FRF: Agree with OPC.

STAFF: No position pending evidence adduced at the hearing.

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?

POSITIONS

FPL: Yes. FPL used number of combinations of fuel and environmental compliance costs to serve as possible future scenarios with which to view the economics of Turkey Point 6 & 7. FPL annually updates these fuel and environmental compliance cost projections, and updates a number of other assumptions such as the project cost and system load forecast, for its economic analysis. FPL evaluated seven future scenarios of fuel costs and environmental compliance costs assuming a conservative 40-year life of Turkey Point 6 & 7, as well as seven scenarios assuming a 60-year life of Turkey Point 6 & 7. The breakeven capital costs are higher than FPL's non-binding cost estimate range (i.e., the results are favorable) in seven of the 14 fuel and environmental compliance cost scenarios analyzed. In six of the remaining seven scenarios, the breakeven capital costs are within the non-binding cost estimate range. Based on this analysis, completion of Turkey Point 6 & 7 is projected to be solidly cost-effective for FPL's customers. The results of the analysis fully support the feasibility of continuing the Turkey Point 6 & 7 project. (Sim, Scroggs)

OPC: FPL's 2014 analysis of the economic feasibility of Turkey Point 6&7 is equivocal. If the Commission approves FPL's 2014 study, its approval necessarily will be subject to FPL's obligations, under the amended advance recovery statute, to demonstrate the economic feasibility of the planned nuclear units anew when it seeks authority to incur additional preconstruction costs and again when it requests authority to incur construction costs. OPC incorporates its statement of basic position by reference.

FIPUG: No.

SACE: 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.

FRF: Agree with OPC.

STAFF: No position pending evidence adduced at the hearing.

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?

POSITIONS

FPL: FPL's current non-binding cost estimate range for Turkey Point 6 & 7 is \$3,750/kW to \$5,453/kW in overnight costs. When time-related costs such as inflation and carrying costs are included, and in-service dates of 2022 and 2023 are assumed, the total project cost estimate ranges from \$12.6 to \$18.4 billion. (Scroggs)

OPC: No position.

FIPUG: FPL's current estimated costs are low and the ultimate cost of the proposed Turkey Point units 6 & 7 will likely exceed the cost figure FPL projected in last year's proceeding, which was a range from \$12.7 billion to \$18.5 billion, and as projected in this year's proceeding.

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

FRF: Particularly in light of the fact that FPL will not guarantee the cost of its Turkey Point 6 & 7 project, the FRF doubts that FPL's estimated maximum cost of \$18.4 billion is accurate.

STAFF: No position pending evidence adduced at the hearing.

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

POSITIONS

FPL: FPL's current estimated commercial operation dates for Turkey Point Units 6 & 7 are 2022 and 2023, respectively. As stated in the May 1, 2013 testimony of Steven Scroggs, delays in the regulatory review process will impact the licensing timeline and, ultimately, the current projected commercial operation dates. An updated project schedule will be developed following receipt of a revised NRC COLA review schedule. (Scroggs)

OPC: No position.

FIPUG: The current estimated planned commercial operation dates of the planned Turkey Point Units 6 & 7, 2022 and 2023 respectively, are overly optimistic. The actual commercial operation dates of these units will occur later in time than these projected dates, if at all.

SACE: 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.

FRF: In light of the fact that FPL's estimated in-service dates of 2022 and 2023 are based on NRC staff estimates that the NRC would be able to make a decision on the Turkey Point COL in September 2017, the FRF believes that FPL's estimated in-service dates are overly optimistic. Even FPL acknowledges in its 2014 Ten Year Site Plan that the 2022 and 2023 are the "earliest deployment dates" for these units.

STAFF: No position pending evidence adduced at the hearing.

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?**

POSITIONS

FPL: Yes. FPL relied on its comprehensive corporate and overlapping business unit controls. These comprehensive and overlapping controls included FPL's Accounting Policies and Procedures; financial systems and related controls; FPL's annual budgeting and planning process and reporting and monitoring of costs incurred; and Business Unit specific controls and processes. The project internal controls were comprised of various financial systems, department procedures, work/desktop instructions and best practices, providing governance and oversight of project cost and schedule processes. The project management, cost estimation, and risk management attributes of FPL were highly developed, well documented, and adhered to by the project teams. FPL's management decisions with respect to the Turkey Point 6 & 7 project were the product of properly qualified, well-informed FPL management following appropriate procedures and internal controls. (Scroggs, Reed, Grant-Keene)

OPC: No position.

FIPUG: No position.

SACE: No position.

FRF: No position.

STAFF: No position pending evidence adduced at the hearing.

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?

POSITIONS

FPL: The Commission should approve FPL's final 2013 prudently incurred Turkey Point 6 & 7 Preconstruction expenditures of \$28,209,654 (jurisdictional), and the final 2013 true-up amount of (\$539,308). The Commission should also approve Turkey Point 6 & 7 Preconstruction carrying charges of \$4,664,921 and Site Selection carrying charges of \$170,485, and the final 2013 carrying charge true-up amount of \$75,659. FPL's 2013 expenditures were supported by comprehensive procedures, processes and controls that help ensure those expenditures were prudent. The net 2013 true up amount of (\$463,650) should be included in FPL's 2015 NCR amount. (Scroggs, Reed, Diaz, Grant-Keene)

OPC: No position.

FIPUG: No position.

SACE: 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.

FRF: No position.

STAFF: No position pending evidence adduced at the hearing.

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?

POSITIONS

FPL: The Commission should approve as reasonable FPL's 2014 actual/estimated Preconstruction expenditures of \$19,270,470 (jurisdictional), and the 2014 estimated true-up amount of \$2,443,844. The Commission should also approve as reasonable FPL's 2014 actual/estimated Preconstruction carrying charges of \$4,839,764 and Site Selection carrying charges of \$158,402, and the 2014 carrying charge estimated true-up amount of (\$1,485,592).

FPL's 2014 actual/estimated expenditures are supported by comprehensive procedures, processes and controls which help ensure that these costs are reasonable. The net 2014 true up amount of \$958,251 should be included in FPL's 2015 NCR amount. (Scroggs, Grant-Keene)

OPC: No position.

FIPUG: No position.

SACE: 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.

FRF: No position.

STAFF: No position pending evidence adduced at the hearing.

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

POSITIONS

FPL: The Commission should approve as reasonable FPL's 2015 projected Preconstruction expenditures of \$12,548,959 (jurisdictional). The Commission should also approve as reasonable FPL's 2015 projected Preconstruction carrying charges of \$6,634,789 and Site Selection carrying charges of \$159,146.

FPL's 2015 projected expenditures are supported by comprehensive procedures, processes and controls which help ensure that these costs are reasonable. The total amount of \$19,342,894 should be included in FPL's 2015 NCR amount. (Scroggs, Grant-Keene)

OPC: No position.

FIPUG: No position.

SACE: 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.

FRF: No position.

STAFF: No position pending evidence adduced at the hearing.

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?

POSITIONS

FPL: Yes. FPL relied on its comprehensive corporate and overlapping business unit controls. These comprehensive and overlapping controls included FPL's Accounting Policies and Procedures; financial systems and related controls; FPL's annual budgeting and planning process and reporting and monitoring of costs incurred; and Business Unit specific controls and processes. The project internal controls were comprised of various financial systems, department procedures, work/desktop instructions and best practices, providing governance and oversight of project cost and schedule processes. The project management, cost estimation, and risk management attributes of FPL were highly developed, well documented, and adhered to by the project teams. FPL's management decisions with respect to the EPU project were the product of properly qualified, well-informed FPL management following appropriate procedures and internal controls. (Jones, Reed, Ferrer, Grant-Keene)

OPC: No position.

FIPUG: No position.

SACE: 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 contends, 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 its 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. It is SACE's position that 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.

FRF: No position.

STAFF: No position pending evidence adduced at the hearing.

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?

POSITIONS

FPL: The Commission should approve as prudent FPL's final 2013 EPU expenditures of \$175,307,949 (jurisdictional, net of participants). The Commission should also approve as prudent FPL's final 2013 EPU O&M costs, including interest, of \$10,599,767 (jurisdictional, net of participants); carrying charges of \$19,866,836; the final true-up of O&M costs including interest of 987,873; and final true-up of carrying charges of (\$328,873). In addition, the Commission should approve as prudent FPL's final 2013 EPU base rate revenue requirements, including carrying charges, of \$73,873,676; and the final true-up of revenue requirements, including carrying charges, of (\$3,592,305).

FPL's 2013 EPU expenditures were supported by comprehensive procedures, processes and controls that helped ensure those expenditures were the result of prudent decision making. The net 2013 true up amount of (\$2,933,305) should be approved and included in FPL's 2015 NCRC recovery amount. (Jones, Reed, Ferrer, Grant-Keene)

OPC: No position.

FIPUG: No position.

SACE: No position.

FRF: No position.

STAFF: No position pending evidence adduced at the hearing.

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

POSITIONS

FPL: The total jurisdictional amount of \$14,287,862 should be included in establishing FPL's 2015 CCRC factor. This amount consists of costs associated with the Turkey Point 6 & 7 project and the EPU project (including the impact through 2015 of trueing-up prior period under/over-recoveries) as provided for in Section 366.93 and Rule 25-6.0423, Fla. Admin. Code. (Grant-Keene)

OPC: No position.

FIPUG: This is a fallout amount derived from other substantive issues.

SACE: This is a fallout amount from the substantive issues.

FRF: No position.

STAFF: No position pending evidence adduced at the hearing.

IX. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
			<u>Direct</u>
Thomas G. Foster	DEF	TGF-1	CONFIDENTIAL - contains the Direct Testimony and Exhibits of Thomas G. Foster in Support of Actual Costs on behalf of Progress Energy Florida, Inc. in Docket No. 130009-EI
Thomas G. Foster	DEF	TGF-2	CONFIDENTIAL - reflects the actual costs associated with the LNP and consists of: 2013 True-Up Summary, 2013 Detail Schedule and Appendices A through E, which reflect DEF's retail revenue requirements for the LNP from January 2013 through December 2013. Mr. Fallon will be co-sponsoring portions of the 2013 Detail Schedule and sponsoring Appendices D and E
Thomas G. Foster	DEF	TGF-3	CONFIDENTIAL - reflects the actual costs associated with the EPU project and consists of: 2013 True-Up Summary, 2013 Detail Schedule and Appendices A through E, which reflect DEF's retail revenue requirements for the EPU project from January 2013 through December 2013. Mr. Delowery will be co-sponsoring the 2013 Detail Schedule and sponsoring Appendices D and E

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Thomas G. Foster	DEF	TGF-4	CONFIDENTIAL - reflects the actual and estimated costs associated with the LNP and consists of: 2015 Revenue Requirement Summary, 2014 Estimated/Actual Detail Schedule, 2015 Projection Detail Schedule, Estimated Rate Impact Schedule, and Appendices A through F, which reflect DEF's retail revenue requirements for the LNP from January 2014 through December 2015. Mr. Fallon will be co-sponsoring portions of the 2014 Estimated/Actual Detail Schedule Lines 1 (a-e) and Lines 3 (a-e) 2015 Projection Detail Schedule Lines 1 (a-e) and Lines 3 (a-e) and sponsoring Appendices D and E
Thomas G. Foster	DEF	TGF-5	CONFIDENTIAL - reflects the actual and estimated costs associated with the EPU project and consists of: 2015 Revenue Requirement Summary, 2014 Estimated/Actual Detail Schedule, 2015 Projection Detail Schedule, Estimated Rate Impact Schedule, and Appendices A through F, which reflect DEF's retail revenue requirements for the project from January 2014 through December 2015. Mr. Delowery will be co-sponsoring portions of Schedule 2014 Detail Lines 1 (a-d) and Schedule 2015 Detail Lines 1 (a-d) and sponsoring Appendices D and E
Michael R. Delowery	DEF	MRD-1	Direct Testimony and Exhibits of Jon Franke in Support of 2012 Actual Costs on behalf of Progress Energy Florida, Inc. in Docket No. 130009-EI
Michael R. Delowery	DEF	MRD-2	DEF's EPU LAR Withdrawal Letter to the NRC
Michael R. Delowery	DEF	MRD-3	DEF's contract suspension letters to EPU vendors
Michael R. Delowery	DEF	MRD-4	CONFIDENTIAL -- EPU Project Closeout Plan, Revision 0

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Michael R. Delowery	DEF	MRD-5	CR3 Administrative Procedure, AI-9010, Conduct of CR3 Investment Recovery, Revision 0
Michael R. Delowery	DEF	MRD-6	CR3 Investment Recovery Project, Project Execution Plan, Revision 0
Michael R. Delowery	DEF	MRD-7	Investment Recovery Project disposition schedule for major EPU components
Michael R. Delowery	DEF	MRD-8	Investment Recovery Guidance Document, IRGD-001, Sales Track Guidance and Documentation Package Development
Christopher M. Fallon	DEF	CMF-1	CONFIDENTIAL - Direct Testimony and Exhibits of Christopher M. Fallon in Support of Actual Costs on behalf of Progress Energy Florida, Inc. in Docket No. 130009-EI
Christopher M. Fallon	DEF	CMF-2	CONFIDENTIAL - chart of the Company's LNP LLE purchase order disposition status entering 2013
Christopher M. Fallon	DEF	CMF-3	CONFIDENTIAL - Mangiarotti LNP LLE final disposition settlement memo
Christopher M. Fallon	DEF	CMF-4	CONFIDENTIAL - November 7, 2013 DEF letter to the Consortium accepting the Mangiarotti LNP LLE final disposition settlement offer
Christopher M. Fallon	DEF	CMF-5	CONFIDENTIAL - LNP LLE Disposition Plan memo
Christopher M. Fallon	DEF	CMF-6	CONFIDENTIAL - memorandum and attachments addressing the process for LLE disposition and wind down of the LNP with WEC subsequent to DEF's decision not to complete the LNP with the execution of the 2013 Settlement Agreement
Christopher M. Fallon	DEF	CMF-7	List of the merged and reconciled Duke Energy and Progress Energy Project Management and Fleet Operating Procedures applicable to the LNP in 2013

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Christopher M. Fallon	DEF	CMF-8	Chart of the Company's LNP LLE status
Christopher M. Fallon	DEF	CMF-9	DEF letter to the Consortium terminating the EPC Agreement
Christopher M. Fallon	DEF	CMF-10	CONFIDENTIAL - Tioga LNP LLE final disposition settlement memorandum
Christopher M. Fallon	DEF	CMF-11	CONFIDENTIAL - DEF letter to the Consortium accepting the Tioga LNP LLE final disposition settlement offer
Christopher M. Fallon	DEF	CMF-12	CONFIDENTIAL - graphical representation of the LLE disposition process
Christopher M. Fallon	DEF	CMF-13	Chart of the expected LNP COLA Schedule
Ronald A. Mavrides	Staff	RAM-1	Auditor's Report – DEF's Levy Nuclear Plant Units 1 & 2 Twelve Months Ended December 31, 2013
Ronald A. Mavrides	Staff	RAM-2	Auditor's Report - DEF's Crystal River Unit 3 Uprate Twelve Months Ended December 31, 2013
Jeffery A. Small	Staff	JAS-1	Auditor's Report – DEF's Levy Nuclear Plant Units 1 & 2 Twelve Months Ended December 31, 2012
Jeffery A. Small	Staff	JAS-2	Auditor's Report – DEF's Crystal River Unit 3 Uprate Twelve Months Ended December 31, 2012
William Coston & Lynn Fisher	Staff	CF-1	Review of DEF's Project Management Internal Controls for Nuclear Plant Uprate and Construction Projects dated June 2014
William Coston & Jerry Hallenstein	Staff	CH-1	Review of DEF's Project Management Internal Controls for Nuclear Plant Uprate and Construction Projects dated June 2013
Steve Scroggs and Jennifer Grant-Keene	FPL	SDS-1	T- Schedules Turkey Point 6 & 7 Site Selection and Pre-Construction Costs
Steve Scroggs	FPL	SDS-2	Turkey Point 6 & 7 Licenses, Permits and Approvals

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Steve Scroggs	FPL	SDS-3	Turkey Point 6 & 7 Procedures and Work Instructions
Steve Scroggs	FPL	SDS-4	Turkey Point 6 & 7 Project Reports
Steve Scroggs	FPL	SDS-5	Turkey Point 6 & 7 Project Instructions and Forms
Steve Scroggs	FPL	SDS-6	Turkey Point 6 & 7 Summary Tables of the 2013 Expenditures
Steve Scroggs and Jennifer Grant-Keene	FPL	SDS-7	Turkey Point 6 & 7 Site Selection and Pre-construction Nuclear Filing Requirement Schedules
Steve Scroggs	FPL	SDS-8	Turkey Point 6 & 7 Expenditure Summary Tables
Steve Scroggs	FPL	SDS-9	Turkey Point 6 & 7 Project Benefits at a Glance
Steve Scroggs	FPL	SDS-10	Turkey Point 6 & 7 Customer Savings from Nuclear Cost Recovery Law
Steve Scroggs	FPL	SDS-11	Remaining Steps in Turkey Point 6 & 7 Licensing
Nils Diaz	FPL	NJD-1	Summary Resume of Nils J. Diaz, PhD
Terry O. Jones and Jennifer Grant-Keene	FPL	TOJ-1	2013 EPU T-Schedules and TOR-Schedules
Terry O. Jones	FPL	TOJ-2	EPU Project Timeline
Terry O. Jones	FPL	TOJ-3	EPU Industry Recognition Awards
Terry O. Jones	FPL	TOJ-4	EPU Project Work Force
Terry O. Jones	FPL	TOJ-5	EPU Project Benefits at a Glance for FPL Customers
Terry O. Jones	FPL	TOJ-6	EPU Investment, Recovery, and Customer Savings from NCR Process
Terry O. Jones	FPL	TOJ-7	EPU Project Construction and Completion Photos

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Terry O. Jones	FPL	TOJ-8	Southeast Florida Reliability Impact
Terry O. Jones	FPL	TOJ-9	EPU Project Electrical Output Status
Terry O. Jones	FPL	TOJ-10	Illustration of Modifications for Turkey Point Unit 4
Terry O. Jones	FPL	TOJ-11	EPU Project Work Activities List
Terry O. Jones	FPL	TOJ-12	EPU Equipment Placed In Service in 2013
Terry O. Jones	FPL	TOJ-13	EPU Project Instructions Index as of December 31, 2013
Terry O. Jones	FPL	TOJ-14	2013 EPU Project Reports
Terry O. Jones	FPL	TOJ-15	Summary of 2013 EPU Construction Costs
John J. Reed	FPL	JJR-1	Résumé of John J. Reed
John J. Reed	FPL	JJR-2	Expert Testimony of John J. Reed
John J. Reed	FPL	JJR-3	Index of the EPU Project's Periodic Meetings
John J. Reed	FPL	JJR-4	PTN 6 & 7 Project Organization Charts
Jennifer Grant-Keene	FPL	JGK-1	Final True-Up of 2013 Revenue Requirements
Jennifer Grant-Keene	FPL	JGK-2	Turkey Point 6 & 7 2013 Site Selection and Pre-construction Costs and Uprate 2013 Construction Costs
Jennifer Grant-Keene	FPL	JGK-3	2013 Base Rate Revenue Requirements
Jennifer Grant-Keene	FPL	JGK-4	2013 Incremental Labor Guidelines
Jennifer Grant-Keene	FPL	JGK-5	St. Lucie and Turkey Point Uprate Project 13 Month Average of Incremental 2012 Plant Placed into Service

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Jennifer Grant-Keene	FPL	JGK-6	St. Lucie and Turkey Point Uprate Project Actual Net Book Value of Retirements, Removal Cost and Salvage for Plant Placed into Service in 2012
Jennifer Grant-Keene	FPL	JGK-7	2015 Revenue Requirements
Jennifer Grant-Keene	FPL	JGK-8	13 Month Average of Reduction in 2012 and 2013 Plant Placed into Service
Jennifer Grant-Keene	FPL	JGK-9	Actual NBV of Retirements, Removal Cost & Salvage for 2013 Plant Placed into Service
Jennifer Grant-Keene	FPL	JGK-10	EPU NFR Schedules
Jennifer Grant-Keene	FPL	JGK-11	Nuclear Cost Recovery Bill Impact
Steven R. Sim	FPL	SRS-1	Summary of Results from FPL's 2014 Feasibility Analyses of the Turkey Point 6 & 7 Project (Plus Results from Additional Analyses)
Steven R. Sim	FPL	SRS-2	Comparison of Key Assumptions Utilized in the 2013 and 2014 Feasibility Analyses of the Turkey Point 6 & 7 Project: Projected Fuel Costs (Medium Fuel Cost Forecast)
Steven R. Sim	FPL	SRS-3	Comparison of Key Assumptions Utilized in the 2013 and 2014 Feasibility Analyses of the Turkey Point 6 & 7 Project: Projected Environmental Compliance Costs (Env II Forecast)
Steven R. Sim	FPL	SRS-4	Comparison of Key Assumptions Utilized in the 2013 and 2014 Feasibility Analyses of the Turkey Point 6 & 7 Project: Summer Peak Demand Load Forecast
Steven R. Sim	FPL	SRS-5	Projection of FPL's Resource Needs Through 2025;
Steven R. Sim	FPL	SRS-6	Comparison of Key Assumptions Utilized in the 2013 and 2014 Feasibility Analyses of the Turkey Point 6 & 7 Project: Other Assumptions

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Steven R. Sim	FPL	SRS-7	The Two Resource Plans Utilized in FPL's 2014 Feasibility Analyses of the Turkey Point 6 & 7 Project
Steven R. Sim	FPL	SRS-8	2014 Feasibility Analyses Results for the Turkey Point 6 & 7 Project: Case # 1 Analysis - 40-Year Operating Life; Total Costs, Total Cost Differentials, and Breakeven Costs for All Fuel and Environmental Compliance Cost Scenarios in 2014\$ (millions, CPVRR, 2014 - 2063)
Steven R. Sim	FPL	SRS-9	2014 Feasibility Analyses Results for the Turkey Point 6 & 7 Project: Case# 2 Analysis- 60-Year Operating Life; Total Costs, Total Cost Differentials, and Breakeven Costs for All Fuel and Environmental Compliance Cost Scenarios in 2014\$ (millions, CPVRR, 2014- 2083)
Steven R. Sim	FPL	SRS-10	A Look at Projected Hedge Benefits from Turkey Point 6 & 7
Bety Maitre	Staff	BM-1	Auditor's Report – FPL Extended Power Uprate St. Lucie Units 1 & 2 and Turkey Point Units 3 & 4 Twelve Months Ended December 31, 2013
Gabriela Leon	Staff	GL-1	Auditor's Report – FPL Turkey Point Units 6 & 7 Twelve Months Ended December 31, 2013
David Rich & Jerry Hallenstein	Staff	RH-1	Review of FPL's Project Management Internal Controls for Nuclear Plant Uprate and Construction Projects dated June 2014

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

X. PROPOSED STIPULATIONS

There are no proposed stipulations at this time.

XI. PENDING MOTIONS

There are no pending motions at this time.

XII. PENDING CONFIDENTIALITY MATTERS

There are no pending confidentiality matters at this time.

XIII. POST-HEARING PROCEDURES

If no bench decision is made, each party shall file a post-hearing statement of issues and positions. A summary of each position, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of this Prehearing Order, the post-hearing statement may simply restate the prehearing position. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, F.A.C., a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 25 pages for DEF's case and 25 pages for FPL's case, and shall be filed at the same time.

XIV. RULINGS

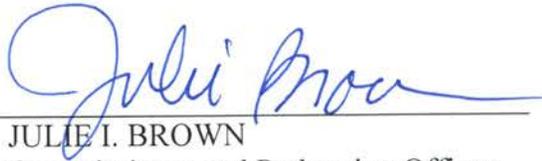
Opening statements, if any, shall not exceed ten (10) minutes for DEF, ten (10) minutes for FPL, and five (5) minutes for each Intervenor in each case.

The direct, intervenor, and staff testimony and exhibits pertaining to DEF's petition shall be taken up first, followed immediately by the direct, intervenor, and staff testimony and exhibits pertaining to FPL's petition.

It is therefore,

ORDERED by Commissioner Julie I. Brown, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Julie I. Brown, as Prehearing Officer, this 24th day of July, 2014.



JULIE I. BROWN
Commissioner and Prehearing Officer
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

KY

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.