

State of Florida



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** August 15, 2014  
**TO:** Carlotta Stauffer, Commission Clerk, Office of Commission Clerk  
**FROM:** Devlin Higgins, Public Utility Analyst III, Division of Economics  
**RE:** 140057-EI - Petition of Duke Energy Florida, Inc. for approval of Nuclear Decommissioning Cost Study.

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Would you be so kind as to add the attached data request response, titled DEF's response to Florida Public Service Commission Staff's Third Data Request (Nos. 1a-1e), in the above docket file. Thank you very much.

RECEIVED-FPSC  
14 AUG 15 AM 10:00  
COMMISSION  
CLERK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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In re: Petition of Duke Energy Florida, Inc.  
for approval of Nuclear Decommissioning  
Cost Study

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Docket No. 140057-EI  
Submitted for Filing: August 14, 2014

**DUKE ENERGY FLORIDA, INC.'S NOTICE OF SERVICE**

Duke Energy Florida, Inc. ("DEF") hereby gives notice of service of DEF's Response to the Florida Public Service Commission Staff's Third Data Request (Nos. 1a-1e).

Respectfully submitted,

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/s/ Blaise N. Gamba  
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY a true and correct copy of the foregoing has been furnished to counsel and parties of record as indicated below via electronic and U.S. Mail this 14<sup>th</sup> day of August, 2014.

/s/ Blaise N. Gamba  
Attorney

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**RE: DOCKET NO. 140057-EI –  
PETITION FOR APPROVAL OF 2014 NUCLEAR DECOMMISSIONING STUDY,  
BY DUKE ENERGY FLORIDA, INC.**

**DEF'S RESPONSES TO DATA REQUEST 3  
DUE: AUGUST 14, 2014**

**Data Requests**

1. For the purposes of the following request, please refer to DEF's response to Staff's First Data Request, No. 1.
  - a. Program Management – Please provide a detailed explanation of the 40% cost increase to the Program Management category from 2008 to 2013. Please be specific as to what is driving the cost increase.

**Response:**

The 40% cost increase, or \$113 million, in the Program Management category is comprised primarily of 1) \$57 million of higher compounded salary increases due to the five year time period from 2008 to 2013 and 2) \$20 million of higher salaries attributable to a longer transition period between plant shutdown and commencement of decommissioning activities in the 2013 cost study as a result of DEF's decision to retire the nuclear plant in February 2013. The remaining \$36 million is made up of a combination of severance costs, relocation costs, emergent work and non-labor costs, which all resulted from DEF's decision to retire the nuclear plant in February 2013.

- b. Utility Site Indirect – Please provide a detailed explanation of the 406% cost increase to the Utility Site Indirect (Non-Labor O&M) category from 2008 to 2013. Please be specific as to what is driving the cost increase.

**Response:**

Fixed site operating costs (non-personnel related) included in the decommissioning cost model increased by \$87.2 million, or 406% between the 2008 and 2013 studies. The fixed portion of the indirect O&M was the largest driver for the increase in the 2013 estimate. The 2013 fixed cost indirect O&M estimates were based on detailed analysis of vendor costs to be incurred in wet, dry and no fuel conditions (see "Budget 2014-2016 allocations" spreadsheet). This detailed cost analysis for vendor costs to be incurred in wet, dry and no fuel conditions was not performed for the 2008 estimate (see 2008 Utility Site Indirect spreadsheet).

See spreadsheets attached bearing Bates Numbers 14NDS-FPSCDR3-1b-000001 through 14NDS-FPSCDR3-1b-000008. Documents bearing Bates Numbers 14NDS-

FPSCDR3-1b-000006 through 14NDS-FPSCDR3-1b-000007 are confidential and subject to DEF'S Notice of Intent to Request Confidential Classification filed contemporaneously with this response.

- c. Low-Level Radioactive Waste Disposal – Why did DEF decide to include a \$20 million allowance in years 2014 and 2015 for low-level radioactive waste (LLRW) disposal? Why were these costs not included in DEF prior decommissioning study regardless of plant shut-down date?

**Response:**

The \$20 million in the 2013 study reflects disposal of Legacy Radwaste and Retired NSSS Components. The only retired NSSS component estimated in 2008 was “Reactor Vessel Closure Head (RVCH) Segmentation and Disposal”. This RVCH was included in the 2013 under “Retired NSSS components. The steam generators which also make up the “Retired NSSS Components” had not yet been changed out before the 2008 estimate was published, therefore these costs were not included. The Disposal of Legacy Radwaste included in the 2013 study reflects miscellaneous inventory located in the spent fuel storage pool present at the time of premature shutdown. This inventory was not included in the 2008 study; it was assumed to be disposed of prior to plant shutdown and thus was considered a plant operating expense.

- d. Characterization and Licensing Surveys – Please detail what “new remedial action surveys” consist of. Additionally, what specifically is driving the cost increases associated with site characterization and license termination surveys?

**Response:**

Remedial Action Surveys is a cost item that has been added to the standard TLG estimates after the 2008 DCE was performed. It is a relatively new cost item and is based on industry field experience. This cost element consists of a dedicated field crew of 10 radiation protection technicians that provide release surveys of equipment, contamination verification surveys for demolition, and characterization surveys of plant equipment and grounds. This cost element was not available for the 2008 study.

- e. Property Taxes – Please discuss the reasons for such a large decrease in property tax assessments for CR3. How is there a 83% decrease regardless of plant shutdown date? As in, if comparing the tax expense of the 2008 SAFSTOR (escalated to 2013 value) option, to the 2013 SAFSTOR option, how is there an approximate \$66.7 million difference in property tax as a decommissioning expense when both studies assumed a 60-year, non-operating, safely stored nuclear plant at the Crystal River site?

**Response:**

**When DEF prepared the initial property tax estimate in support of the previous decommissioning study, it did not have the information from the recent litigation with Citrus County regarding the value of CR3 for property tax purposes. Specifically, before the litigation, DEF assumed for property tax purposes that a non-operational nuclear plant would be valued at a higher level than salvage. However, when DEF decided to retire the unit in 2013, it assumed a value less than salvage for the retired unit. This valuation was confirmed in the settlement of the Citrus County litigation. In addition, in the previous estimate, DEF assumed that it would pay property tax on the full value of the ISFSI. Now, after the litigation, the ISFSI will be valued at 10% of its full value, for purposes of property taxes.**