



October 13, 2014

Dianne M. Triplett
Associate General Counsel
Duke Energy Florida, Inc.

VIA OVERNIGHT MAIL

Ms. Carlotta Stauffer, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RECEIVED-FPSC
14 OCT 14 PM 2:00
COMMISSION
CLERK

Re: *Petition of Duke Energy Florida, Inc. for Approval to Construct an Independent Spent Fuel Storage Installation and an Accounting Order to Defer Amortization Pending Recovery from the Department of Energy; Docket No. 140113-EI*

Dear Ms. Stauffer:

Please find enclosed on behalf of Duke Energy Florida, Inc. ("DEF"), an original and five (5) copies of DEF'S Response to Staff's Third Data Request (Nos. 1-7).

Thank you for your assistance in this matter. Please feel free to call me at (727) 820-4692 should you have any questions concerning this filing.

Respectfully,

A handwritten signature in blue ink that appears to read "Dianne M. Triplett".

Dianne M. Triplett
Associate General Counsel
Dianne.Triplett@duke-energy.com

COM _____
AFD _____
APA _____
ECO _____
ENG _____
GCL _____
IDM _____
TEL _____
CLK _____

DMT/mw
Enclosures

cc: Keino Young
J.R. Kelly/Charles J. Rehwinkel

**DUKE ENERGY FLORIDA, INC.'S RESPONSES TO
STAFF'S THIRD DATA REQUEST (NOS. 1 - 7)
Docket No. 140113-EI**

1. Please describe and explain the rationale for believing that maintaining a spent fuel pool in a recoverable condition is the best available option in the event of relocation, removal, or other types of rearrangement of the spent fuel becomes necessary.

RESPONSE:

DEF's rationale behind maintaining the spent fuel pool at CR3 as an option was based on DEF's identification of a period of time where the spent fuel pool would still be available and could be recovered in the event of relocation, removal, or other types or rearrangement of the spent fuel, should it be warranted. This period of time correlates to the estimated DOE spent fuel pick up date, the CR3 physical decommissioning schedule, and the financial obligation associated with the site's decommissioning trust fund. In addition, there are no incremental costs associated with maintaining the option to recover the spent fuel pool.

The estimated median removal date of spent fuel from CR3 by DOE is 2036 which is based on historical performance and current regulatory climate. This date is well in advance of CR3's estimated decommission date of 2074.

DEF will continue to monitor the industry and stay engaged as to what other options could be implemented should the need arise.

2. Please state why there are not any of the other licensed dry storage facilities maintaining a spent fuel pool in a recoverable condition.

RESPONSE:

Each facility is unique and has specific company criteria and requirements that factor into their decision making. In addition, the NRC has set financial criteria for decommissioning licensed nuclear power facilities. The regulation addresses planning needs, timing, funding methods, and environmental review requirements. These requirements and criteria are key inputs and will determine the site's end state.

3. Please state whether any of the other licensed dry storage facilities have contingency plans for relocating or removing spent fuel. If so, what are they?

RESPONSE:

As part of the review of the sites to determine if any were maintaining their fuel pools, DEF was provided with limited information on contingency plans. The industry is aware that there may be a need to relocate or remove spent fuel, but no formal contingency plans have been

provided to DEF. Each site will follow its site emergency and radiological protection programs should an issue arise.

4. Exhibit MJO-2, attached to witness Olivier's testimony, assumes for illustrative purposes that DEF will recover the return on the "total spend" for the Independent Spent Fuel Storage Installation (Fuel Storage) in the initial rate increase. On page 9, lines 1-11 of witness Olivier's testimony, she states that any recoveries received from the DOE "will be applied to the Fuel Storage investment balance, but no adjustment to base rates will take place until all litigation proceedings have concluded and DEF has received any and all DOE recoveries through that litigation process." Does this assume that the "total spend" balance for the Fuel Storage remains constant throughout the term of the initial rate increase for purposes of calculating the revenue requirement recovered through this rate increase?

RESPONSE:

First, a clarification to the question is required. "Total spend" in Exhibit MJO-2 is the capital cost to construct the ISFSI. "Total spend" less "DOE awards" plus "unrecovered AFUDC" make up the "rate base" upon which the return is earned. For purposes of responding to this question, DEF will assume the question is asking whether the "rate base" balance remains constant throughout the term of the initial base rate increase. DEF further clarifies that rate base during the term of the initial base rate increase is that which remains following the adjustment to true-up that initial base rate increase "when the DCS facility capital costs become final" [RRSSA, Paragraph 5e(1)].

It is important to remember that this is a base rate increase and not a clause recovery mechanism and as such base rates are increased based on the first year revenue requirement except for the one time true-up provided for in the RRSSA, paragraph 5e(1). With that clarification, the answer is that, the "rate base" will change due to the potential of DOE reimbursements but DEF cannot predict the outcome of DOE litigation and therefore the timing of such reimbursements, if any. DEF has proposed to reflect the going forward impact of any potential reimbursement as a onetime update to the going forward base rate factor upon the outcome of final litigation.

5. Assuming DEF receives recoveries from the DOE that are applied to the Fuel Storage balance during the term the initial base rate increase is in place, does DEF contemplate the true-up determination pursuant to Paragraph 5(f) of the Revised and Restated Stipulation and Settlement Agreement will identify the incremental return received by DEF on the difference between the "total spend" assumed in the initial base rate increase and the actual investment net of DOE recoveries over the term of the initial rate increase? If no, why not?

RESPONSE:

No, DEF is not requesting any further true-up adjustments through the Capacity Cost Recovery Clause (CCR) beyond the one time true-up adjustment to the initial base rate increase pursuant to Paragraph 5(g) in the RRSSA (note that paragraph 5(f) cited in the question does not apply). Absent DEF's requested treatment, there would be no final base rate adjustment upon final DOE resolution, because this was not contemplated in the RRSSA. In other words, there would only be two rate adjustments, the initial base rate increase based on projected costs and the rate true-up adjustment "when the DCS facility capital costs become final" [RRSSA, Paragraph 5e(1)]. The purpose of DEF's requested treatment is to pass on any successful DOE recoveries to customers via a lower base rate going forward. Base rate changes generally are not trued-up like clauses; therefore, DEF does not seek to provide further true-ups beyond the one true-up adjustment required in the RRSSA "when the DCS facility capital costs become final" [RRSSA, Paragraph 5e(1)].

6. To the extent that the actual investment for the Fuel Storage is less than the "total spend" assumed in the initial base rate increase over the term of the initial base rate increase, will any return recovered in excess of the return on the actual investment be identified and reflected in the adjusted rate increase? If not, why not?

RESPONSE:

There will be no further increases or decreases to "total spend" subsequent to the true-up to the initial base rate increase, as that true-up will be made consistent with the RRSSA "when the DCS facility capital costs become final" [RRSSA, Paragraph 5e(1)].

7. Please provide a schedule showing the calculation of the incremental amount of return the customers would have to bear assuming deferral of the amortization expense in DEF's Petition is approved.

RESPONSE:

Please see the table in Exhibit MJO-2. This table demonstrates that customers would pay a lower return and lower amortization expense under DEF's requested treatment than under the RRSSA. Columns A and B show that the return on line 8 in the initial period is the same under both the RRSSA treatment in column A and DEF's requested treatment in column B. However, the revenue requirement is lower in Column B due to the deferral of amortization expense. Then column D, line 8, shows that at the time of the final base rate adjustment upon conclusion of the DOE litigation, any amounts that DEF recovers from the DOE will reduce the rate base, thereby reducing the return and amortization expense that customers will pay going forward. Absent this requested treatment, customers would continue paying the higher initial return and amortization expense in column A because there is no provision for a final base rate adjustment upon conclusion of the DOE litigation in the RRSSA.