BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Determination that the Osprey Plant Acquisition and, alternatively, the Suwannee Simple Cycle Project is the most Cost Effective Generation Alternative to meet the Remaining Need Prior to 2018 for Duke Energy Florida, Inc.	)	DOCKET NO. _____ Submitted for filing: January 30, 2015

DUKE ENERGY FLORIDA, INC.'S NOTICE OF FILING

Duke Energy Florida, Inc. ("DEF" or the "Company") hereby gives notice of filing the Direct Testimony of Kris G. Edmondson with Exhibits KGE-1 through KGE-3 in support of DEF's Petition for Determination that the Osprey Plant Acquisition and, alternatively, the Suwannee Simple Cycle Project is the most Cost Effective Generation Alternative to Meet the Remaining Need Prior to 2018 for Duke Energy Florida, Inc.

Respectfully submitted this 30th day of January, 2015.

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REDACTED

DIRECT TESTIMONY OF KRIS G. EDMONDSON

ON BEHALF OF DUKE ENERGY FLORIDA, INC.

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IN RE: PETITION FOR DETERMINATION THAT THE OSPREY PLANT ACQUISITION AND, ALTERNATIVELY, THE SUWANNEE SIMPLE CYCLE PROJECT IS THE MOST COST EFFECTIVE GENERATION ALTERNATIVE TO MEET THE REMAINING NEED PRIOR TO 2018 FOR DUKE ENERGY FLORIDA, INC.

BY DUKE ENERGY FLORIDA, INC.

FPSC DOCKET NO. _____

DIRECT TESTIMONY OF KRIS G. EDMONDSON

I. INTRODUCTION AND QUALIFICATIONS.

Q. Please state your name, employer, and business address.

A. My name is Kris G. Edmondson and I am employed by Duke Energy Florida, Inc. ("DEF" or the "Company"). My business address is 299 1st Avenue North, St. Petersburg, Florida 33701.

Q. Please tell us your position with DEF and describe your duties and responsibilities in that position.

A. My current position is General Manager - Florida Fossil Operations. I am responsible for ensuring safe, reliable, and cost effective operations for a significant portion of the combined cycle and combustion turbine fleet in Florida. Provided the acquisition of the Osprey Plant is approved, I would assume responsibility for this Plant in addition to the other DEF plants that currently report to me.

Q. Please summarize your educational background and employment experience.

A. I hold a Bachelor of Science in Civil Engineering and a Masters in Business Administration. I have worked in the regulated utility industry for 17 years. The majority of my experience has been in fossil operations leading organizations within power plants and support teams focused primarily on operations, maintenance, engineering, and project management. I have experience managing power plants, integrating new unit construction into existing plants, directing technical support organizations, and leading outage and project management teams supporting plants.

II. PURPOSE AND SUMMARY OF TESTIMONY.

Q. What is the purpose of your testimony in this proceeding?

A. I am testifying on behalf of the Company in support of its Petition. As explained by other DEF witnesses, DEF is presenting the Osprey Energy Facility Combined Cycle Plant ("Osprey Plant") acquisition and, alternatively, the Suwannee Simple Cycle Project ("Suwannee Project") as the most cost effective alternative to meet its need for generation prior to 2018. My testimony and exhibits describe the Osprey Plant technology and location and how acquisition of the Osprey Plant by DEF would complement DEF's system. I also describe the due diligence process the Company performed on the Osprey Plant prior to agreeing to acquire the Plant subject to regulatory approvals. Lastly, I will present the Company's forecasts for the operating and maintenance costs for the Osprey Plant and explain why the major maintenance work and associated costs are necessary for the Osprey Plant.

Q. Are you sponsoring any exhibits to your testimony?

A. Yes. I am sponsoring the following exhibits to my testimony:

- Exhibit No. ___(KGE-1), a map showing the location of the Osprey Energy Center in Auburndale, Polk County, Florida;
- Exhibit No. ___(KGE-2), the confidential Technical Due Diligence Evaluation report for the Osprey Energy Center prepared by Burns & McDonnell Engineering Company, Inc. ("Burns & McDonnell"); and
- Exhibit No. ___ (KGE-3), the confidential Pro Forma Major Maintenance Cost Summary Projections for the Osprey Plant.

Each of these exhibits was prepared under my direction and control, and each is true and accurate.

Q. Please summarize your testimony.

A. The Osprey Plant is a reasonable acquisition for the Company that will provide DEF's customers with an efficient, reliable source of combined cycle energy generation. Prior to executing the asset purchase agreement ("APA") for the Osprey Plant, DEF conducted a detailed due diligence evaluation of the Plant acquisition. Based on that due diligence review, DEF concluded that the current condition and operating performance of the Osprey Plant was reasonable and that there were no fatal flaws to DEF's acquisition of the Plant. DEF will complete a final due diligence evaluation prior to closing on the Plant acquisition to ensure there are no material changes in the condition and operating performance of the Osprey Plant before DEF acquires it and integrates it into DEF's generation system. DEF's due diligence review did reveal major maintenance

requirements for the equipment at the Osprey Plant. DEF prepared cost estimates for the Plant maintenance needs based on equipment manufacturer recommendations and DEF's extensive experience and expertise with the maintenance requirements and costs for similar equipment. These maintenance costs were taken into account in the Company's evaluation of the cost effectiveness of acquiring the Plant. Subject to the results of DEF's initial and final due diligence reviews, DEF's acquisition of the Osprey Plant is reasonable to provide DEF's customers the benefits of the Plant's projected long-term efficient and reliable service.

III. THE OSPREY COMBINED CYCLE POWER PLANT ACQUISITION.

Q. Can you describe the Osprey Plant?

A. Yes. The Osprey Plant is an existing 599 MW natural gas-fired 2x1 combined cycle generation facility in Auburndale, Florida that was originally put in service in 2004. The plant includes two Siemens Westinghouse 501FD2 model Combustion Turbine Generators, two Nooter Erikson Heat Recovery Steam Generators and one Siemens KN Steam Turbine Generator. The Plant produces 534 MW on a base load basis and up to 599 MW with additional peaking capacity. The Osprey Plant is a merchant plant currently owned by Osprey Energy Center LLC as the assignee of Calpine Construction Finance Company, L.P. ("Calpine") and provides capacity and energy to DEF under a power purchase agreement ("PPA").

Q. Where is the Osprey Plant located?

A. The Osprey Plant is located at the Osprey Energy Center in Auburndale, Polk County, Florida, in the Tampa Electric Company ("TECO") balancing area authority ("BAA"). The location of the Osprey Plant is shown on Exhibit No. ___(KGE-1) to my direct testimony.

Q. Are there other key operational characteristics of the Osprey Plant?

A. In addition to high fuel efficiency, combined cycle technology delivers strong reliability. This technology offers the flexibility to adjust power output up or down to meet load requirements on DEF's system. Given the 2x1 configuration, the plant offers flexibility to run the steam turbine with just one combustion turbine for high efficiency at reduced loads when needed. These features position the operator of the combined cycle plant to generate power to match the DEF system load demand. The Osprey Plant has several operating configurations to provide supplemental peaking capability, including power augmentation, inlet fogging, and heat recovery steam generator ("HRSG") duct firing. These capabilities can increase load on the Plant power block from a base load of 534 MW to a peak load of 599 MW when needed. In addition, the HRSG stacks have dampers that help preserve heat when the units are cycled off to allow for quicker start up times to meet customer demands. The combined cycle technology is proven and DEF has significant experience operating equipment of similar design and vintage.

Q. What is the fuel source for the Osprey Plant?

A. The Osprey Plant runs on natural gas. Calpine currently has a firm transportation service agreement with Gulfstream Natural Gas System, LLC ("Gulfstream"), which provides for [redacted] of firm capacity. The contract maximum flow rate is [redacted]. Under the Osprey Plant acquisition agreement, the rights to the Gulfstream contracted capacity will be assigned to DEF by Calpine once the Plant acquisition is completed. The current term of the Gulfstream contract is not scheduled to expire [redacted]

Q. Does the Osprey Plant have dual fuel capability?

A. No. The Osprey Plant does not burn fuel oil and so it does not have dual fuel capability. However, a majority of DEF's combined cycle and peaking power plants in Florida have dual fuel capability, therefore, the resource reliability from dual fuel already exists on DEF's system.

Q. Can you briefly describe the proposed Osprey Plant acquisition terms?

A. The specific terms of the Osprey Plant acquisition are described in detail in the testimony of Mr. Matthew Palasek and in the APA attached to his testimony. For my purpose in managing the due-diligence review of the Plant acquisition, my understanding is that DEF is proposing to purchase the Osprey Plant following a two-year PPA. The purchase of the Plant would occur on or before January 3, 2017.

Q. Will Calpine continue to own and operate the Osprey Plant prior to the closing?

A. Yes. As discussed in the direct testimony of Mr. Palasek, DEF and Calpine agreed to a PPA for DEF's purchase of firm capacity and energy from the Osprey Plant to DEF's system between October 2014 and January 2, 2017. During this PPA period, DEF will seek to obtain the required regulatory approvals for DEF's acquisition of the Osprey Plant and Calpine will continue to own, operate, and maintain the Osprey Plant.

Q. Are there advantages to DEF's customers to acquire the existing Osprey Plant?

A. Yes. First, the Osprey Plant is an existing facility that delivers an efficient source of generation for customers. The technology and vintage of equipment is similar to other units in the DEF fleet which will allow DEF to leverage current operations and maintenance programs and expertise for this Plant. Geographically, the Osprey Plant is positioned within 30 miles of the Hines Energy Center and 40 miles of Intercession City, which aligns well with existing DEF generation resources. In addition, buying and continuing to operate an existing plant leverages existing infrastructure and can provide a cost effective resource option under the right conditions.

IV. OSPREY PLANT ACQUISITION DUE DILIGENCE PROCESS.

Q. Following the initial agreement in principle in the term sheet between Calpine and DEF for purchase of the Osprey Plant can you describe what the next steps were?

A. Yes. Calpine provided a due diligence period for DEF to assess and evaluate the condition of the Plant, the operation and maintenance conditions and requirements, environmental, water, and other site related permits and permit requirements for

continued operation of the Plant, and complete regulatory and financial assessments associated with the Plant acquisition by DEF.

Q. What was the purpose of the due diligence evaluation of the Osprey Plant?

A. Due diligence is a necessary step in the acquisition process to assist the development of the terms and conditions of a final purchase agreement. The due diligence process was used to determine the maintenance status of the Osprey Plant and to investigate and ensure that the Plant had been constructed and operated in an appropriate manner so the Plant will continue to provide dependable long-term service for DEF and its customers.

Q. How was the due diligence process structured?

A. DEF and Calpine cooperated in the due diligence process for the Osprey Plant acquisition between September and December 2014. DEF established a due diligence working group in early September, 2014, with teams organized to assess the overall condition of the Osprey Plant and long-term operational requirements as well as the financial and regulatory aspects of the proposed transaction. DEF brought together internal representatives from the following subject matter areas: technical and engineering, environmental, transmission, legal, rates, regulatory, regulatory finance, integrated resource planning analytics, human resources, financial planning & analysis, tax, and corporate development for its working group.

Starting in September 2014, DEF put together extensive Requests for Information ("RFIs") directed to Calpine covering multiple aspects of the Plant, its components and parts, maintenance, financials, contracts, transmission, environmental, historical

performance and multiple other categories of information. In addition to providing responses to these RFIs, Calpine set up a data room where hundreds of documents were made available to DEF's working group. DEF's initial assessment included an equipment condition assessment, operation and maintenance ("O&M") cost studies, and a unit performance assessment. The basic goal of this assessment was to determine if there were any fatal flaws with the Osprey Plant for which DEF would not proceed with the Osprey Plant acquisition.

The next phase of due diligence involved development of a more detailed evaluation of DEF's projected operating and capital costs to operate and maintain the Osprey Plant in 2017 and beyond. These cost projections were prepared based on condition information provided by Calpine in response to the RFI's and incorporated DEF's planned O&M strategy, consistent with current operations of similar units in the Company's fleet.

Q. Did DEF hire a consultant to independently evaluate the Osprey Plant?

A. Yes. DEF hired Burns & McDonnell to conduct an independent due diligence evaluation and engineering assessment for the Osprey Plant as part of phase one of DEF's due diligence evaluation of the Osprey Plant acquisition. The purpose of the Burns & McDonnell evaluation was to assess whether the Plant had been constructed and operated in a manner that provided DEF assurance that the Plant had the capability to provide long term, dependable service as a combined cycle power plant. Burns & McDonnell also sent Calpine an extensive RFI regarding the Plant, accessed the Calpine data room, and

conducted a site visit of the Osprey Plant during its three-month evaluation of the Osprey Plant.

Q. Who is Burns & McDonnell?

A. Burns & McDonnell is an engineering firm that provides engineering, architectural, construction, environmental, and consulting services to a broad range of clients across a multitude of industries. They are a large national engineering consultation company (5,000 employees), have extensive experience in engineering assessment, and are well known in the power generation industry. They provide engineering services and consulting services to the Company on a wide variety of projects, and are currently engaged as DEF's owner's engineer on the Citrus County Combined Cycle facility and a number of other projects related to the generation units in the existing fleet. The Burns & McDonnell team that performed the review of the Osprey Plant is routinely engaged in due diligence reviews for existing power generation facilities.

Q. Did Burns & McDonnell find any fatal flaws with the Osprey Plant acquisition?

A. No. Burns & McDonnell concluded that the Osprey Plant is capable of providing long-term reliable service as a combined cycle facility if the Osprey Plant continues to be properly operated and maintained in accordance with good utility practice. Burns & McDonnell provided DEF with a Technical Due Diligence Evaluation report to support its conclusion. Burns & McDonnell included in its report recommendations on plant operations and maintenance and performance, key contracts and agreements, and environmental considerations. A copy of the Burns & McDonnell technical due diligence

evaluation report for the Osprey Plant is attached as Exhibit No. ___ (KGE-2) to my direct testimony.

Q. Is the initial due diligence process complete?

A. Yes. The initial due diligence evaluation, phases one and two, were completed in November 2014 with the Burns & McDonnell report finalized in December 2014.

Q. What were DEF's final conclusions from its initial due diligence review of the Osprey Plant acquisition?

A. DEF concluded that the Osprey Plant was in reasonable physical condition and has reasonable operating performance with no foreseeable major flaws that prevent DEF from proceeding with the Osprey Plant acquisition. As to environmental permitting (based on information provided) the Plant is currently in compliance and there were no significant findings. Based on the due diligence review DEF was able to establish estimates for projected Plant O&M costs, including costs for upcoming, necessary major maintenance, and provide appropriate cost and performance inputs for the integrated resource planning analyses.

Q. You testified that DEF completed its initial due diligence review, does DEF plan another due diligence review before it completes the acquisition of the Osprey Plant?

A. Yes. Because DEF must obtain regulatory approvals to complete the acquisition of the Osprey Plant, DEF and Calpine agreed to the PPA through January 2, 2017, with a

closing for the Osprey Plant acquisition on January 3, 2017. As a result, Calpine will continue to operate and maintain the Osprey Plant during this PPA period even though DEF and Calpine have entered into the APA for the Osprey Plant. Because DEF will not close on the Plant for over two years, during which time Calpine, not DEF, will operate and maintain the Plant, [redacted] and pursuant to the provisions of the APA as discussed in Mr. Palasek's testimony.

Q. Once DEF acquires ownership of the Plant does DEF expect to incur further costs to operate the Plant on DEF's system?

A. Yes. Combined cycle plants like the Osprey Plant require routine maintenance and major maintenance overhauls at various intervals based on an understanding of the pedigree of

the key components and parts and recommendations from the equipment manufacturers or Original Equipment Manufacturers ("OEMs"). In the case of the Osprey Plant, since it was put in service in 2004, the combustion turbines and steam turbines, principally, will be coming up on their major maintenance intervals in the 2017 and 2018 time frame. Accordingly, DEF estimates that it will incur [redacted] ($2014) in 2017 and [redacted] ($2014) in 2018 to perform these major maintenance requirements.

In addition to the costs for the major maintenance requirements for the Plant, DEF will also incur costs to re-stock and maintain equipment and material inventory for the continued operation of the Osprey Plant on DEF's system consistent with DEF's standard policies and practices. Similarly, DEF expects to incur additional costs to integrate the Osprey Plant into the DEF fleet. All these costs are reflected in the Major Maintenance Cost Summary Projection Pro Forma Forecast ($2014) attached to my direct testimony as Exhibit No. __(KGE-3). The exhibit includes the Forecast of estimated O&M major maintenance and capital major maintenance for the Osprey Plant through 2030, and provides an itemized list of the maintenance or replacement costs needed for each category of equipment and the year in which it must be incurred.

Q. What makes up the major maintenance costs in 2017 and 2018?

A. A significant portion of these major maintenance needs are tied to major inspections that are coming due on both Plant gas turbines, the steam turbine, and all three generators, during which a substantial number of the parts and components are typically inspected and likely replaced. DEF has a robust plant maintenance program for combined cycle plants that demands a high-level of quality for parts used in the plants and regular interval

based maintenance. The strategy behind the cost estimates for these major maintenance needs in the Forecast is to remove and replace a number of gas turbine parts that are either due to be replaced or would not be qualified by DEF's Combustion Turbine ("CT") engineering team for continued operation. This strategy ensures the components and parts are well known and documented and the units are well positioned to reliably and cost effectively operate through the remaining life cycle of the Plant. In addition, these initial major maintenance investments will properly align the Plant assets with DEF's maintenance philosophy and current combined cycle programs. The estimated cost projections for the major maintenance needs are based on DEF's due diligence reviews and they do not reflect information typically available from site-specific commercial discussions or detailed outage planning that will only begin to take place as part of the integration effort once regulatory approvals for the Plant acquisition are obtained. This maintenance is necessary to ensure the continued and long-term operation of the Plant in an efficient and reliable manner for the benefit of DEF's customers.

Q. What is the difference between O&M major maintenance and capital major maintenance in Exhibit No. ___ (KGE-3)?

A. The distinction is based on the nature of the maintenance required. O&M major maintenance generally involves the preservation of the parts and equipment, and capital major maintenance generally involves the replacement of parts and equipment. So, for example, the steam turbines are listed under O&M because the steam turbines require cleaning, polishing, repairs and other preservation-type activities while the majority of the combustion turbines major maintenance is listed under capital because the

combustion turbines require replacement of a significant number of parts and components.

Q. What are examples of the capital major maintenance for the Osprey Plant in 2017 and 2018?

A. The majority of the capital portion of the forecasted costs is made up of part replacements on the combustion turbines. The remaining projected capital investments are in the heat recovery steam generator (LP Evaporator tube bundle replacements and HRSG Stop Valve replacements), SCR catalyst replacements, heat exchanger tube replacements, and investments in the plant control system.

Q. What are examples of the O&M major maintenance for the Osprey Plant in 2017 and 2018?

A. The majority of the O&M major maintenance expenses projected are tied to the steam turbine major inspection and the rotor out generator inspections on both combustion turbines and the steam turbine. Other O&M major maintenance forecasts are tied to inspections on the HRSG, high energy piping systems, and balance of plant systems. These inspections include condition assessments and repair cost to remedy any findings to ensure reliable operation of the equipment.

Q. How did DEF determine when the maintenance items shown on the Pro Forma Forecast were necessary?

A. The Osprey Plant working group created the recommended maintenance program for the Osprey Plant depicted in the Pro Forma Forecast attached as Exhibit No. __(KGE-3). Power plant components have OEM recommended, routine schedules for major maintenance to preserve optimal performance of the equipment. Maintenance is typically "triggered" based on cumulative hours of operation and OEM recommendations. DEF has an established maintenance program and practice which incorporates these OEM recommended service intervals, service bulletins and the Company's own experience with similar equipment.

Since the Osprey Plant was put in service in 2004, it is coming up on major scheduled maintenance overhauls, in particular for its largest components, the steam turbines and combustion turbines, in 2017 and 2018. The major maintenance items shown on the Pro Forma Forecast are based on a combination of Calpine's projected maintenance schedule for 2017, condition items identified by DEF during due diligence, and conformity with DEF's standards for major maintenance. DEF determined these major maintenance needs based on a thorough review of due diligence information provided by Calpine coupled with DEF subject matter experts forecasting needs based on DEF standards. See Exhibit No. ___(KGE-3).

In addition, some portions of the maintenance work that the working group included in the Pro Forma Forecast cost projections for the Osprey Plant are needed to bring the Osprey Plant into compliance with DEF fleet standards. For example, DEF has specific standards and specifications for qualifying OEM and third-party combustion

turbine parts prior to use. Many of the parts in the Osprey Plant combustion turbines are non-OEM parts and have unknown qualifications. DEF plans to integrate the Osprey Plant into its fleet and conform the O&M practices at the Osprey Plant to DEF's standards. This means that DEF will either re-qualify or replace parts to ensure that the operation and maintenance of the Osprey Plant conforms to DEF's O&M program standards used at its other combined cycle generation plants.

The only way that DEF can ensure that the Osprey Plant meets its maintenance program standards will be inspection and likely replacement of non-qualifying parts during the major maintenance. For this reason, the investment in major maintenance projected in 2017 and 2018 in each of the combustion turbines includes assumptions that a majority of the turbine and compressor parts will be replaced. This assumption is based on the pedigree of parts provided by Calpine coupled with a maintenance strategy to ensure that DEF understands component condition well enough to operate the Plant reliably until the next maintenance outage under DEF's maintenance standards.

Moreover, notwithstanding the extensive due diligence conducted by DEF and the comprehensive review of records kept on the various parts of the Plant, DEF will not be able to know the condition of the Osprey Plant parts until the Plant components are opened up and inspected during the maintenance outages. During these unit outages, some parts assumed to be replaced in the Pro Forma Forecast cost projection may be re-qualified for use based on DEF combustion turbine engineering evaluation, which could lower the total costs shown in the Pro Forma Forecast; however, other parts that are not planned on being replaced or work that is not planned on being performed during the outage may be necessary once DEF commences the outage work, requiring higher costs

than are currently projected. Actual major maintenance costs will not be fully known until the outage work is completed, but based on DEF's detailed due diligence assessment, the Pro Forma Forecast cost projections in Exhibit No. ___ (KGE-3) represent the Company's best available information regarding the major maintenance costs for the Osprey Plant.

Q. How were the major maintenance costs estimated?

A. The major maintenance cost projections were based on the Company's operating experience and program cost baselines for Siemens-based combustion turbines and steam turbines in combined cycle operation – which DEF has significant experience with including the units at the Bartow plant and the Hines Energy Center. The operating cost forecasts include both detailed major maintenance and program upgrade requirements in the early years and typical program maintenance projections thereafter. These cost projections are budgetary estimates based on the Company's extensive experience operating and maintaining similar combined cycle power plants.

Q. Why isn't Calpine paying for this major maintenance?

A. Per Calpine's maintenance schedule and in accordance with Calpine's maintenance standards, these maintenance outages are not coming due during Calpine's ownership period. Calpine, however, likewise projected that the same major maintenance intervals would be required in a maintenance outage in the 2017 timeframe, which was taken into consideration by DEF and Calpine when the terms and conditions for the acquisition of the Calpine Plant in the APA were negotiated. The costs for the maintenance work in

this time frame were also taken into account in the cumulative present value revenue requirements ("CPVRR") analysis of the cost effectiveness of acquiring the Osprey Plant that was prepared by the Company. The Pro Forma Forecast in Exhibit No. ___ (KGE-3) was used to develop the Osprey Plant acquisition revenue requirements that were used in the CPVRR evaluation of the cost effectiveness of the acquisition that is included in an exhibit to and discussed in the direct testimony of Mr. Benjamin Borsch in this proceeding.

Q. Are the major maintenance costs that are projected reasonable and necessary?

A. Yes. The major maintenance costs are based on industry standard, required major maintenance that is needed in 2017 and 2018 for the Osprey Plant steam turbine, combustion turbines, and balance of plant, including, for example, the heat recovery steam generators. Other major maintenance costs are for work and material that are necessary to incorporate the Osprey Plant into the DEF system and ensure that the Osprey plant provides reliable service as a part of DEF's fleet. All of these cost estimates take into consideration OEM recommendations, standard interval maintenance schedules, and DEF's extensive expertise with operating and maintaining similar equipment through its plant maintenance program. The costs presented in the Pro Forma Forecast in Exhibit No. ___ (KGE-3) are reasonable costs for work and material that are necessary for the reliable, long-term operation of the Osprey Plant for the benefit of DEF's customers.

V. CONCLUSION.

Q. Is DEF's acquisition of the Osprey Plant reasonable?

A. Yes. Based on the due diligence review by the DEF working group and our outside consultant Burns & McDonnell, and subject to the final due diligence review and conditions prior to closing on the Plant acquisition in January 2017, the Osprey Plant should continue to provide long-term reliable service for DEF and its customers. DEF's acquisition of the Osprey Plant with the requisite capital and maintenance costs is reasonable to incorporate the Osprey Plant into DEF's system for the benefit of DEF's customers.

Q. Does this conclude your testimony?

A. Yes, it does.

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EXHIBIT NO. ____ (KGE-1)
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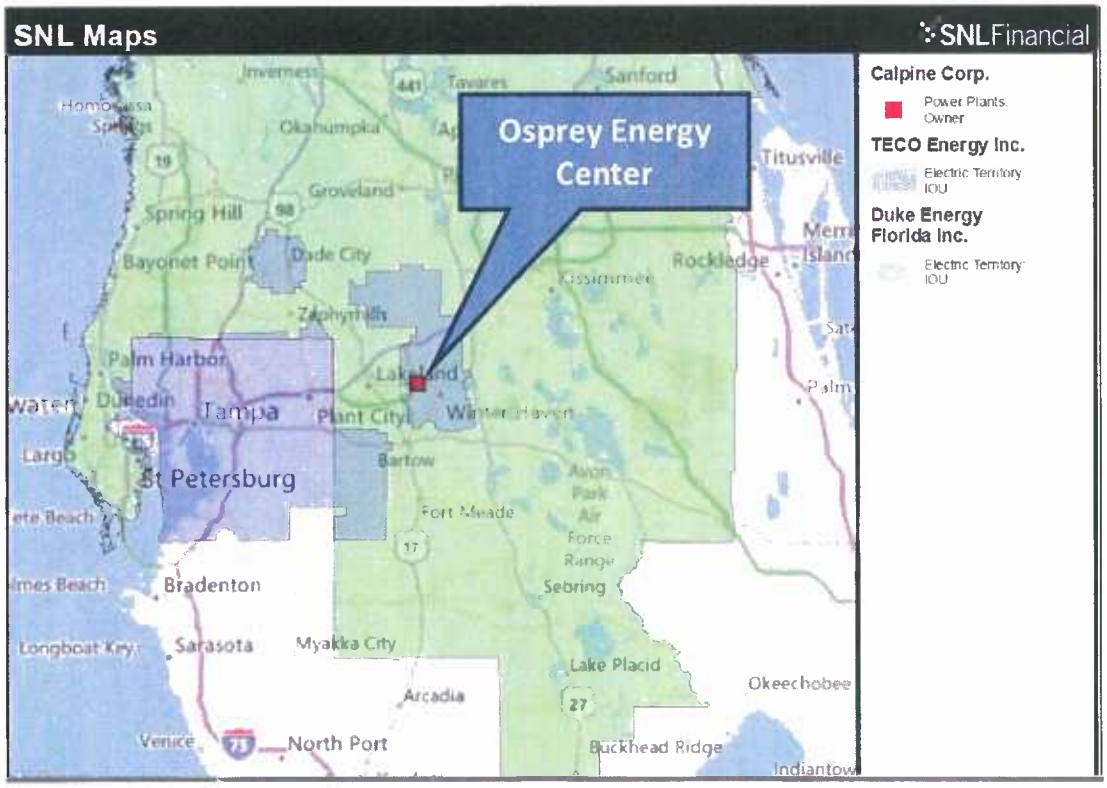

Docket No. _____
Duke Energy Florida
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EXHIBIT KGE-2 OF
DIRECT TESTIMONY
OF KRIS G. EDMONDSON
IS CONFIDENTIAL IN ITS ENTIRETY

REDACTED