

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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In re: Nuclear Cost Recovery  
Clause

Docket No. 150009-EI  
Submitted for Filing: May 1, 2015

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**DUKE ENERGY FLORIDA, INC.'S PETITION FOR  
APPROVAL OF NUCLEAR COSTS TO BE RECOVERED DURING  
THE PERIOD JANUARY-DECEMBER 2016 FOR THE LEVY NUCLEAR PROJECT  
AND CRYSTAL RIVER UNIT 3 UPRATE PROJECT**

Pursuant to Section 366.93(6), Florida Statutes, Rule 25-6.0423(7), Florida Administrative Code ("F.A.C."), and the Revised and Restated Stipulation and Settlement Agreement ("2013 Settlement Agreement") approved by the Commission in Order No. PSC-13-0598-FOF-EI, Duke Energy Florida, Inc. ("DEF" or the "Company") respectfully petitions the Florida Public Service Commission ("FPSC" or the "Commission") for the recovery of DEF's exit and wind-down costs for (1) the Crystal River Unit 3 ("CR3") Extended Power Uprate ("EPU") Project, and for (2) the Levy Nuclear Project ("Levy" or "LNP") in this Nuclear Cost Recovery Clause ("NCRC") proceeding.

DEF is entitled to recover \$56,510,403 for the EPU through the Capacity Cost Recovery Clause ("CCRC") during the period January through December 2016. Additionally, since the Commission voted to approve DEF's Petition to end the fixed Levy component of the NCRC charge under the 2013 Settlement Agreement on April 16, 2015, DEF has, effective the first billing cycle for May 2015, removed the fixed Levy component from the NCRC charge and DEF is petitioning to recover \$13,469,233 for the LNP through the CCRC pursuant to the NCRC statute and rule during the period January through December 2016. For both the EPU project and Levy, this total amount includes (1) exit and wind-down costs, (2) the amortization of the true-up of prior period costs, (3) associated carrying costs on the unrecovered balance including

the long-lead equipment (“LLE”) deferred balance (Levy only), and (4) the continued amortization of the deferred balance.

In this proceeding, DEF requests a determination that all of DEF’s prior period Levy and EPU project costs are prudent, and that DEF’s actual/estimated 2015 and projected 2016 costs for the Levy and EPU projects are reasonable, consistent with Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C. DEF supported the prudence of its prior period Levy and EPU costs with its petition, testimony, exhibits, and financial schedules filed with the Commission on March 2, 2015, which are hereby incorporated by reference. This Petition regarding DEF’s actual/estimated 2015 and projected 2016 costs is supported by the testimony and exhibits of DEF’s witnesses, Mr. Christopher M. Fallon, Mr. Marcus “Mark” Teague and Mr. Thomas G. Foster, including their exhibits and financial schedules, which are incorporated by reference.

**I. PRELIMINARY INFORMATION.**

1. The Petitioner’s name and address are:

Duke Energy Florida, Inc.  
299 1st Avenue North  
St. Petersburg, Florida 33701

2. Any pleading, motion, notice, order, or other document required to be served upon DEF or filed by any party to this proceeding should be served upon the following individuals:

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## **II. PRIMARILY AFFECTED UTILITY.**

3. DEF is the utility primarily affected by the proposed request for cost recovery. DEF is an investor-owned electric utility, regulated by the Commission pursuant to Chapter 366, Florida Statutes, and is a wholly owned subsidiary of Duke Energy Corporation. The Company's principal place of business is located at 299 1st Ave. N., St. Petersburg, Florida 33701.

4. DEF serves approximately 1.7 million retail customers in Florida. Its service area comprises approximately 20,000 square miles in 29 of the state's 67 counties, encompassing the densely populated areas of Pinellas and western Pasco Counties and the greater Orlando area in Orange, Osceola, and Seminole Counties. DEF supplies electricity at retail to approximately 350 communities and at wholesale to Florida municipalities, utilities, and power agencies in the State of Florida.

5. DEF seeks cost recovery pursuant to Section 366.93(6), Fla. Stat. and Rule 25-6.0423(7), F.A.C. of its reasonable and prudent wind-down and exit costs for the Levy and EPU projects.

**III. DEF REQUESTS COST RECOVERY FOR THE EPU PROJECT AS PROVIDED IN SECTION 366.93(6), FLA. STAT., AND RULE 25-6.0423(7), F.A.C.**

6. As a result of the decision to retire CR3, the EPU project was not needed and was accordingly cancelled. In 2015, DEF finalized or is in the process of finalizing the disposition of all 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 as described in the testimony of Mr. Teague.

7. In 2015, DEF continued work in accordance with the CR3 investment recovery policies and procedures to disposition the remaining EPU assets and materials that it was not able to disposition in 2014. In 2014, the Investment Recovery Project (“IRP”) team was able to disposition many of the EPU assets, through internal transfers, bid events and a world-wide auction. In 2015, the IRP continued its disposition efforts for the remaining items of EPU equipment and made or is in the process of making final disposition decisions on the remaining pieces of EPU equipment, i.e., whether sale, salvage or abandon in place is the most cost effective option.

8. As Mr. Teague describes in his testimony, DEF anticipates closing out the EPU portion of the IRP in the summer of 2015 once all EPU related assets are finally disposed of and removed from the plant or abandoned in-place. DEF anticipates that final decisions will be made in the next month or two and then it will take through the summer of 2015 to finalize disposition and removal or abandonment of all remaining EPU components.

9. There are no 2016 EPU closeout costs projected for 2016. There are minimal other wind-down/exit costs projected for 2016 as discussed in the testimony of Mr. Foster.

10. As it has done in the past, DEF has only included in this filing costs or credits it reasonably knows and can project at this time. For 2015, DEF has included costs associated with

EPU asset preservation and continuing disposition decisions offset by the sale and salvage value received from the 2014 auction. DEF has not included any *future* costs or credits associated with the potential sale and salvage of the remaining EPU components as described in the testimony of Mr. Teague filed contemporaneously with this Petition.

11. Value received from sale or salvage of EPU-related assets has been and will continue to be credited back to DEF's customers to reduce the remaining unrecovered investment.

12. Mr. Teague's and Mr. Foster's testimony and exhibits and financial schedules support DEF's request for cost recovery.

13. DEF requests that the Commission determine that its 2015 actual/estimated and 2016 projected costs are reasonable and that DEF is entitled to recover EPU project wind-down and exit costs pursuant to the NCRC statute and rule.

14. Pursuant to Rule 25-6.0423(7), F.A.C., DEF requests that the Commission approve for recovery the amount of \$56,510,403 through the CCRC during the period January through December 2016 for the EPU project.

#### **IV. DEF REQUESTS COST RECOVERY FOR THE LEVY NUCLEAR PROJECT AS PROVIDED IN SECTION 366.93(6), FLA. STAT., RULE 25-6.0423(7), F.A.C.**

15. With the execution of the 2013 Settlement Agreement approved by the Commission, DEF elected not to complete construction of the LNP and DEF subsequently terminated the Engineering, Procurement, and Construction ("EPC") Agreement with Westinghouse Electric Company LLC ("WEC") and Stone & Webster, Inc. ("S&W") (collectively, the "Consortium"). DEF implemented a wind-down plan for in-progress Levy LLE and has made disposition decisions on all LLE except the Variable Frequency Drives ("VFDs"). DEF is currently in the process of evaluating its options and various possible sale or

salvage offers for the VFDs and DEF intends to make a disposition decision regarding the VFDs this year.

16. DEF and WEC have initiated litigation against the other for claims under the EPC Agreement. DEF successfully negotiated a close-out of work with the other Consortium member – S&W – under the EPC Agreement. DEF intends to vigorously prosecute its claims against WEC and to defend the WEC claims against DEF under the EPC Agreement in the litigation pending in federal court in North Carolina.

17. DEF currently plans to continue its Combined Operating License Application (“COLA”) work in order to obtain the Combined Operating License (“COL”) for the Levy site from the Nuclear Regulatory Commission (“NRC”). At this time, DEF anticipates COL receipt for the Levy site in May 2016.

18. As presented in its financial schedules, DEF projects to incur costs in the categories of (1) project wind-down and (2) LLE disposition which will be offset by credits for sale of certain LLE. DEF does not, however, include in this filing potential, future wind-down or LLE disposition costs or credits that DEF cannot reasonably quantify at this time.

19. Additionally, pursuant to the 2013 Settlement Agreement, DEF is not including COLA, environmental permitting, wetlands mitigation, conditions of certification, and other costs related to the COL for the Levy site in its request for cost recovery. DEF will continue to incur costs for the Levy site COL in 2015 and 2016, but under the 2013 Settlement Agreement, DEF will not seek to recover these costs from customers through the NCRC.

20. DEF expects to conclude its LLE disposition efforts in 2015 and, consequently, DEF is only projecting minimal wind-down project management costs beyond 2015. This projection does not take into account any costs or credits that DEF simply is not able to

reasonably quantify at this time. Any proceeds from the sale or salvage of Levy assets, however, will be credited against the remaining unrecovered balance.

21. Mr. Fallon's and Mr. Foster's testimony and exhibits and financial schedules support DEF's request for cost recovery.

22. Pursuant to Rule 25-6.0423(7), F.A.C., DEF requests that the Commission approve for recovery the amount of \$13,469,233 through the CCRC during the period January through December 2016 for the Levy project.

#### **V. DISPUTED ISSUES OF MATERIAL FACT.**

23. DEF is not aware at this time that there will be any disputed issues of material fact in this proceeding. Through its testimony and exhibits, incorporated herein by reference, DEF has demonstrated the prudence of its prior period actual costs and the reasonableness of its 2015 and 2016 costs associated with the Levy and EPU projects. Accordingly, DEF has demonstrated through its testimony and exhibits why the recovery DEF requests is appropriate and warranted under Section 366.93(6), Florida Statutes, and Rule 25-6.0423(7), F.A.C.

#### **VI. CONCLUSION.**

WHEREFORE, for all of the reasons provided in this Petition, as developed more fully in DEF's pre-filed testimony, exhibits, and schedules, DEF requests that the Commission find that:

(1) DEF is entitled to recover \$56,510,403 for the EPU project and \$13,469,233 for the Levy project through the CCRC during the period January through December 2016. These amounts are made up of:

A. For the EPU project, (a) exit and wind-down costs, (b) the amortization of the true-up of prior period costs, (c) associated carrying costs on the unrecovered balance, and (d) the continued amortization of the deferred balance.

B. For the LNP, (a) exit and wind-down costs, (b) the amortization of the true-up of prior period costs, (c) associated carrying costs on the unrecovered balance including the LLE deferred balance, and (d) the continued amortization of the deferred balance.

(2) DEF's prior period Levy and EPU project costs are prudent and DEF's actual/estimated 2015 and projected 2016 costs for the Levy and EPU projects are reasonable.

Respectfully submitted this 1<sup>st</sup> day of May, 2015.

Respectfully submitted,

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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 1st day of May, 2015.

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