

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear Cost Recovery
Clause

Docket No. 160009-EI
Submitted for Filing: April 27, 2016

**DUKE ENERGY FLORIDA, LLC'S PETITION FOR
APPROVAL OF NUCLEAR COSTS TO BE RECOVERED DURING
THE PERIOD JANUARY-DECEMBER 2017 FOR THE
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."), the Revised and Restated Stipulation and Settlement Agreement ("2013 Settlement Agreement") approved by the Commission in Order No. PSC-13-0598-FOF-EI, and the Stipulation approved by this Commission in Order No. PSC-15-0521-FOF-EI ("2015 Stipulation"), Duke Energy Florida, LLC ("DEF" or the "Company") respectfully petitions the Florida Public Service Commission ("FPSC" or the "Commission") for recovery of DEF's exit and wind-down costs for the Crystal River Unit 3 ("CR3") Extended Power Uprate ("EPU") Project.

Pursuant to the 2015 Stipulation, DEF is not seeking to recover any costs for the Levy Nuclear Project ("Levy" or "LNP") in this Nuclear Cost Recovery Clause ("NCRC") proceeding, but is presenting its 2016 costs to-date, 2016 projected costs for the remainder of the year, and 2017 costs for informational purposes only. Under the 2015 Stipulation, DEF will present all known LNP costs and credits for recovery in its May 1, 2017 NCRC filing.

DEF is seeking to recover \$51,737,557 for the EPU through the Capacity Cost Recovery Clause ("CCRC") during the period January through December 2017. 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, and (4) the continued amortization of the deferred balance.

In this proceeding, DEF requests a determination that all of DEF's 2015 EPU project costs are prudent and that DEF's actual/estimated 2016 and projected 2017 costs for the project is reasonable, consistent with Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C. DEF supported the prudence of its prior period EPU costs with its petition, testimony, exhibits, and financial schedules filed with the Commission on March 1, 2016, which are hereby incorporated by reference. This Petition regarding DEF's actual/estimated 2016 and projected 2017 costs is supported by the testimony and exhibits of DEF's witnesses, Mr. Marcus "Mark" Teague and Mr. Thomas G. Foster, including their exhibits and financial schedules, which are incorporated by reference. Also included with this petition is Mr. Christopher Fallon's testimony and exhibits which provide updates on the LNP project.

I. PRELIMINARY INFORMATION.

1. The Petitioner's name and address are:

Duke Energy Florida, LLC
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 35 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. Pursuant to Section 366.93(6), Florida Statutes and Rule 25-6.0423(7), F.A.C., DEF seeks cost recovery of its reasonable and prudent wind-down and exit costs for the EPU project. As approved in the 2015 Stipulation, DEF will present all known LNP costs and credits for recovery in its May 1, 2017 NCRC filing.

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. As discussed in Mr. Teague's testimonies filed in this docket, in 2015

DEF finalized 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 discussed in Mr. Teague's March 1st testimony, there are remaining EPU project assets that DEF determined, pursuant to the aforementioned policies, should be abandoned in place.

7. As Mr. Teague discusses in his testimony, DEF closed out the EPU portion of the IRP in 2015 once all EPU related assets were finally disposed of and removed from the plant or abandoned in-place. As such, the EPU project is concluded and there are no further project activities anticipated for 2016 or 2017. Regarding the EPU assets that have been abandoned in place, if DEF is able to disposition those assets in the future, customers will receive credits for the value received to reduce the remaining unrecovered investment.

8. Accordingly, to-date DEF has incurred no 2016 EPU closeout costs and there are no such costs projected for the remainder of 2016 or 2017. There are minimal other wind-down/exit costs projected for 2016 and 2017 as discussed in the testimony of Mr. Foster.

9. 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. As discussed above, DEF has not included any future costs or credits associated with the potential sale and salvage of the remaining abandoned-in-place EPU components.

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

11. DEF requests that the Commission determine that its 2016 actual/estimated and 2017 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.

12. Pursuant to Rule 25-6.0423(7), F.A.C., DEF requests that the Commission approve for recovery the amount of \$51,737,557 through the CCRC during the period January through December 2017 for the EPU project.

13. Moreover, as discussed above, the EPU project has concluded; therefore, DEF does not anticipate Mr. Teague filing any further testimony or otherwise participating in the ongoing NCRC docket beyond this year's proceedings. However, DEF will make an appropriate filing in the event additional EPU assets are dispositioned.

IV. INFORMATION ON THE LEVY NUCLEAR PROJECT PURSUANT TO THE 2015 STIPULATION

14. 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 but three LLE components. DEF is continuing the process of attempting to disposition the remaining LLE in 2016.

15. 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. The case is currently scheduled for trial beginning October 17, 2016.

16. 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 or around October 2016.

17. As presented in its financial schedules, DEF projects to incur costs in the categories of (1) project wind-down and (2) LLE disposition which may 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.

18. 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 2016 and 2017, but under the 2013 Settlement Agreement, DEF will not seek to recover these costs from customers through the NCRC.

19. DEF expects to conclude its LLE disposition efforts in 2016 and, consequently, DEF is only projecting minimal wind-down costs beyond 2016. This projection does not take into account any costs or credits that DEF simply is not able to reasonably quantify at this time.

20. Mr. Fallon’s and Mr. Foster’s testimony and exhibits and financial schedules support DEF’s LNP costs. Pursuant to the 2015 Stipulation, these costs are provided at this time for informational purposes only.

V. DISPUTED ISSUES OF MATERIAL FACT.

21. 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 2016 and 2017 costs associated with the EPU project. 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 seeking to recover \$51,737,557 for the EPU project through the CCRC during the period January through December 2017. These amounts are made up of 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.

(2) DEF's 2015 EPU project costs are prudent and DEF's actual/estimated 2016 and projected 2017 costs for the EPU project are reasonable.

Respectfully submitted this 27th day of April, 2016.

Respectfully submitted,

/s/ Matthew R. Bernier

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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 27th day of April, 2016.

/s/ Matthew R. Bernier
Attorney

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