BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear cost recovery clause. 

DOCKET NO. 20180009-EI
ORDER NO. PSC-2018-0392-PHO-EI
ISSUED: August 6, 2018

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code (F.A.C.), a Prehearing Conference was held on July 25, 2018, in Tallahassee, Florida, before Commissioner Clark, as Prehearing Officer.

APPEARANCES:

MATTHEW BERNIER, ESQUIRE, 106 East College Avenue, Suite 800, Tallahassee, Florida 32301
DIANNE M. TRIPLETT, ESQUIRE, 299 First Avenue North, St. Petersburg, Florida 33701
On behalf of Duke Energy Florida, LLC (DEF)

J.R. KELLY, CHARLES J. REHWINKEL, and PATRICIA A. CHRISTENSEN, ESQUIRES, 111 W. Madison Street, Room 812, Tallahassee, Florida 32399
On behalf of Office of Public Counsel (OPC)

JON C. MOYLE, JR ESQUIRE, Moyle Law Firm, P.A., 118 North Gadsden Street, Tallahassee, Florida, 32301
On behalf of Florida Industrial Power Users Group (FIPUG)

JAMES W. BREW and LAURA A. WYNN, ESQUIRES, Stone Law Firm, 1025 Thomas Jefferson Street, Northwest, Eighth Floor, West Tower, Washington, District of Columbia 20007
On behalf of White Springs Agricultural Chemicals Inc. d/b/a PCS Phosphate – White Springs (PCS Phosphate)

GEORGE CAVROS, ESQUIRE, 120 East Oakland Park Boulevard, 120 E. Oakland Park Blvd., Fort Lauderdale, Florida 33334
On behalf of Southern Alliance for Clean Energy (SACE)

KYESHA R. MAPP and MARGO A. DUVAL, ESQUIRES, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850
On behalf of the Florida Public Service Commission (STAFF)

MARY ANNE HELTON, ESQUIRE, Deputy General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
Advisor to the Florida Public Service Commission
I.  CASE BACKGROUND

In 2006, the Florida Legislature adopted legislation encouraging the development of nuclear energy in the state. Section 366.93, Florida Statutes (F.S.), directed the Commission to adopt rules providing for alternate cost recovery mechanisms that will encourage investor-owned electric utilities to invest in nuclear power plants. The Commission adopted Rule 25-6.0423, Florida Administrative Code (F.A.C.), which provides for a clause recovery proceeding annually to consider investor-owned utilities’ requests for cost recovery for nuclear plants.

DEF petitioned the Commission for recovery of costs through the Nuclear Cost Recovery Clause (NCRC) on March 1, 2018, and May 1, 2018. This is the eleventh year of this roll-over docket, which is set for hearing on August 7-9, 2018. OPC, FIPUG, PCS Phosphate, and SACE have each been granted intervention in this docket. On July 12, 2018, Prehearing Statements were filed by DEF, Staff, OPC, FIPUG, PCS Phosphate, and SACE.

II.  CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, F.A.C., this Prehearing Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

III.  JURISDICTION

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapter 366, Florida Statutes (F.S.). This hearing will be governed by said Chapter and Chapters 25-6, 25-22, and 28-106, F.A.C., as well as any other applicable provisions of law.

IV.  PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

Information for which proprietary confidential business information status is requested pursuant to Section 366.093, F.S., and Rule 25-22.006, F.A.C., shall be treated by the Commission as confidential. The information shall be exempt from Section 119.07(1), F.S., pending a formal ruling on such request by the Commission or pending return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been made a part of the evidentiary record in this proceeding, it shall be returned to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of this proceeding, it shall be returned to the person providing the information within the time period set forth in Section 366.093, F.S. The Commission may determine that continued possession of the information is necessary for the Commission to conduct its business.
It is the policy of this Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, F.S., to protect proprietary confidential business information from disclosure outside the proceeding. Therefore, any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, F.S., at the hearing shall adhere to the following:

(1) When confidential information is used in the hearing that has not been filed as prefiled testimony or prefiled exhibits, parties must have copies for the Commissioners, necessary staff, and the court reporter, in red envelopes clearly marked with the nature of the contents and with the confidential information highlighted. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.

(2) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise confidentiality. Therefore, confidential information should be presented by written exhibit when reasonably possible.

At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the court reporter shall be retained in the Office of Commission Clerk’s confidential files. If such material is admitted into the evidentiary record at hearing and is not otherwise subject to a request for confidential classification filed with the Commission, the source of the information must file a request for confidential classification of the information within 21 days of the conclusion of the hearing, as set forth in Rule 25-22.006(8)(b), F.A.C., if continued confidentiality of the information is to be maintained.

V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties (and Staff) has been prefiled and will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to timely and appropriate objections. Upon insertion of a witness’ testimony, exhibits appended thereto may be marked for identification. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to five minutes.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer. After all parties and Staff have had the opportunity to cross-examine the witness, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.
The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

The parties shall avoid duplicative or repetitious cross-examination. Further, friendly cross-examination will not be allowed. Cross-examination shall be limited to witnesses whose testimony is adverse to the party desiring to cross-examine. Any party conducting what appears to be a friendly cross-examination of a witness should be prepared to indicate why that witness's direct testimony is adverse to its interests.

VI. ORDER OF WITNESSES

Each witness whose name is preceded by a plus sign (+) will present direct and rebuttal testimony together.

<table>
<thead>
<tr>
<th>Witness</th>
<th>Proffered By</th>
<th>Issues #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thomas G. Foster</td>
<td>DEF</td>
<td>1, 2, 3, 4, 5</td>
</tr>
</tbody>
</table>

VII. BASIC POSITIONS

DEF: **CR3 EPU Project**

The disposition of EPU-related assets was completed in 2015, the last remaining EPU assets are those that DEF has determined should be abandoned in place. If DEF is able to disposition any of the remaining assets, DEF will credit customers for the value received. DEF is continuing to amortize the uncollected balance of project costs as authorized by the 2017 Second RRSSA, and will continue to do so through 2019.

The Commission should approve DEF’s proposed CR3 Uprated related 2019 NCRC recovery factors, and find that DEF’s 2017 CR3 EPU accounting and cost oversight controls were reasonable and prudent.

OPC: The proposed recovery of costs in this docket are entirely the result of costs that have been long-determined and/or are subject to slight variation due to sales or wind-down activities plus carrying costs authorized by stipulation among the parties. The principal cost for recovery is the final installment (in the amount of $43,159,168) of the seven year amortization of the abandoned Crystal River Unit 3 (“CR3”) uprate project that is being recovered consistent with the provisions of Section 366.093(6), Fla. Stat., as expressly recognized and provided for in the
Second Revised and Restated Stipulation and Settlement Agreement ("Second RRSSA") approved in Order PSC-2017-0451-AS-EI. The Citizens’ position is that the dollar amounts proposed for recovery in this docket are the product of long-settled and approved costs of the abandoned CR3 plant and uprate project and are beyond dispute. The Intervenor parties, including the OPC, did not agree with the costs before settlement; however, in the compromise stipulations that have preceded this hearing, the parties received value in compromise and settlement. Accordingly, the OPC can affirmatively stipulate to them in this docket. To the extent that an acceptable transition statement effectively closing out Duke Energy Florida’s ("DEF") participation in the NCRC clause can be reached among the parties, this 2018 proceeding can be the final one for the Company as proposed under the framing of Issue 5.

**FIPUG:**  DEF

FIPUG takes no position and does not object to DEF’s positions on the issues related to the recovery of the CR3 EPU project which costs are being recovered pursuant to the provisions of the Revised and Restated Stipulation and Settlement Agreement (RRSSA) approved in Order No. PSC-13-0598-FOF-EI. For the Levy Nuclear Project (LNP), no costs should be recovered from customers.

**PCS Phosphate:**

In this docket, the proposed costs for recovery concern the final installment of the seven-year amortization of the abandoned Crystal River Unit 3 uprate project. Recovery of those costs through the Nuclear Cost Recovery Clause is authorized by the Second Revised and Restated Stipulation and Settlement Agreement approved in Order PSC-2017-0451-AS-EI. As a signatory to that Agreement, PCS Phosphate accordingly agrees that all issues for Duke Energy Florida, Inc. may be addressed as a Type 2 stipulation. PCS Phosphate agrees with the Office of Public Counsel ("OPC") that the parties should stipulate a transition or closeout statement.

**SACE:**

SACE supports the development of low cost, low risk energy resources primarily through increased energy efficiency implementation and ramping up renewable energy development. New nuclear development is neither low cost, nor low risk. SACE opposed the proposed Levy Nuclear Project ("LNP") in 2008, and supported Duke Energy Florida’s decision to cancel the project in 2013. SACE was a party to the 2017 Second Revised and Restated Stipulation and Settlement Agreement ("RRSSA") approved by Order PSC-2017-0451-AS-EI. The RSSA closed the chapter on rate recovery for costs related to the LNP. The dollar amounts proposed for recovery in this docket addressed in the RSSA are the product of approved costs for the retirement of the Crystal River Unit 3 ("CR3") plant and uprate project - which were primarily addressed in a 2013 settlement agreement approved by the Commission in Order No PSC-13-0598-FOF-EI and subsequent dockets and orders in which SACE was not a party. SACE has
consistently maintained that costs related to the CR3 retirement be closely scrutinized and minimized in order to protect the financial interests Duke Energy Florida’s customers.

STAFF: Staff’s positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff’s final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

VIII. ISSUES AND POSITIONS

ISSUE 1: What jurisdictional amounts should the Commission approve as DEF’s actual 2017 prudently incurred costs for the Crystal River Unit 3 Uprate Project?

DEF: As presented in and supported by the testimony of Mr. Foster in DEF’s March 1, 2018 Actual 2017 filing, the Commission should approve the following amounts as DEF’s actual 2017 prudently incurred costs for the Crystal River Unit 3 Uprate project:

Wind-Down & Exit Costs (Jurisdictional, net of joint owners)-- $24,137

Carrying Costs-- $10,077,482

The over-recovery of $188,006 should be included in setting the allowed 2019 NCRC recovery. (Foster)

OPC: Agree with DEF.

FIPUG: Adopt position of OPC.

PCS Phosphate: No Position

SACE: No Position

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 2: What jurisdictional amounts should the Commission approve as reasonably estimated 2018 exit and wind down costs and carrying costs for the Crystal River Unit 3 Uprate Project?

DEF: As presented in and supported by the testimony of Mr. Foster in DEF’s May 1, 2018 Actual/Estimated 2018 filing, the Commission should approve the following
amounts as DEF’s reasonably estimated 2018 exit and wind down costs and carrying costs for the Crystal River Unit 3 Uprate project consistent with Section 366.93(6), Fla. Stat., and Rule 25-6.0423(7), F.A.C.:

Wind-Down & Exit Costs (Jurisdictional, net of joint owners) -- $26,432

Carrying Costs -- $5,163,349

The over-recovery of $933,647 should be included in setting the allowed 2019 NCRC recovery. (Foster)

OPC: Agree with DEF.

FIPUG: Adopt position of OPC.

PCS Phosphate: No position.

SACE: No Position

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 3: What jurisdictional amounts should the Commission approve as reasonably projected 2019 exit and wind down costs and carrying costs for the Crystal River Unit 3 Uprate Project?

DEF: As presented in and supported by the testimony of Mr. Foster in DEF’s May 1, 2018, 2019 projection filing, the Commission should approve the following amounts as DEF’s reasonably estimated 2019 exit and wind down costs and carrying costs for the Crystal River Unit 3 Uprate project consistent with Section 366.93(6) and Rule 25-6.0423(7):

Wind-Down & Exit Costs (Jurisdictional, net of joint owners) -- $0

Carrying Costs -- $1,614,769

Amortization of 2013 Regulatory Asset -- $43,159,168 (Foster)

OPC: Agree with DEF.

FIPUG: Adopt position of OPC.

PCS Phosphate: No position.
ISSUE 4: What is the total jurisdictional amount for the Crystal River Unit 3 Uprate Project to be included in establishing DEF’s 2019 Capacity Cost Recovery Clause Factor?

DEF: The total jurisdictional amount for the CR3 EPU project to be included in establishing DEF's 2019 Capacity Cost Recovery Clause factor should be $43,858,854. (Foster)

OPC: Agree with DEF.

FIPUG: Adopt position of OPC.

PCS Phosphate: No position.

SACE: No Position

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 5: Is there a need, pursuant to Paragraph 9 of the 2017 Second Revised and Restated Stipulation and Settlement Agreement, approved in Order No. PSC-2017-0451-AS-EU, for DEF to participate in the 2019 NCRC Docket?

DEF: No. There is no need for DEF to participate in the 2019 NCRC Docket. Per Paragraph 9 of the 2017 Second Revised and Restated Stipulation and Settlement Agreement (RRSSA), DEF Estimated the unrecovered investment balance as of December 31, 2017 to be $86,682,782 (not including, but subject to the addition of applicable carrying costs and other recoverable costs).

Any final true-up of these costs after December 31, 2019 will be included in the 2019 CCR True-up filing (on or about March 1, 2020), and will collected/refunded as appropriate through that clause. All parties will have an opportunity to review the true-up amount in that docket.

The Actual unrecovered investment balance as of December 31, 2017 was $86,682,047 (not including, but subject to the addition of applicable carrying costs and other recoverable costs) as presented in (Exhibit No_TGF-1), filed on March 1, 2018 in the NCRC Docket 20180009-EI.
In 2018 DEF collected $49,648,457 (including: approximately $6M in carrying costs & other recoverable costs).

In 2019 DEF will collect $43,858,854 (including: approximately $1M carrying costs & other recoverable costs).

DEF does not anticipate a material under or over-recovery at year-end 2019. (Foster)

**OPC:** No position at this time pending execution of an acceptable transition stipulation among the parties.

**FIPUG:** Adopt position of OPC.

**PCS Phosphate:** No position.

**SACE:** No Position

**STAFF:** Staff has no position pending evidence adduced at hearing.

**IX. EXHIBIT LIST**

<table>
<thead>
<tr>
<th>Witness</th>
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<th>Description</th>
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<tbody>
<tr>
<td>Thomas G. Foster</td>
<td>DEF</td>
<td>Reflects the actual costs associated with the EPU project and consists of: 2017 True-Up Summary, 2017 Detail Schedule and Appendices A through E, which show DEF’s retail revenue requirements for the EPU project from January 2017 through December 2017.</td>
</tr>
</tbody>
</table>
Witness | Proffered By | Description
---|---|---
Thomas G. Foster | DEF | TGF-2 Reflects the expected costs associated with the EPU project and consists of: 2019 Revenue Requirement Summary, 2018 Revenue Requirement Detail Schedule, 2019 Revenue Requirement Detail Schedule, 2019 Estimated Rate Impact Schedule, and Appendixes A through F.

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

X. PROPOSED STIPULATIONS

There are proposed stipulations on the following issues:

ISSUE 1: What jurisdictional amounts should the Commission approve as DEF’s actual 2017 prudently incurred costs for the Crystal River Unit 3 Uprate Project?

PROPOSED STIPULATION:

As presented in and supported by the testimony of Mr. Foster in DEF’s March 1, 2018 Actual 2017 filing, the Commission should approve the following amounts as DEF’s actual 2017 prudently incurred costs for the Crystal River Unit 3 Uprate project:

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PROPOSED STIPULATION:

As presented in and supported by the testimony of Mr. Foster in DEF’s May 1, 2018, 2019 projection filing, the Commission should approve the following amounts as DEF’s reasonably estimated 2019 exit and wind down costs and carrying costs for the Crystal River Unit 3 Uprate project consistent with Section 366.93(6) and Rule 25-6.0423(7):

Wind-Down & Exit Costs (Jurisdictional, net of joint owners)-- $0

Carrying Costs-- $1,614,769
Amortization of 2013 Regulatory Asset -- $43,159,168

ISSUE 4: What is the total jurisdictional amount for the Crystal River Unit 3 Uprate Project to be included in establishing DEF’s 2019 Capacity Cost Recovery Clause Factor?

PROPOSED STIPULATION:

The total jurisdictional amount for the CR3 EPU project to be included in establishing DEF's 2019 Capacity Cost Recovery Clause factor should be $43,858,854.
ISSUE 5: Is there a need, pursuant to Paragraph 9 of the 2017 Second Revised and Restated Stipulation and Settlement Agreement, approved in Order No. PSC-2017-0451-AS-EU, for DEF to participate in the 2019 NCRC Docket?

PROPOSED STIPULATION:

No, upon the Commission’s acceptance and inclusion in the final order in this docket of the Transition Statement Regarding Crystal River 3, filed on July 30, 2018.

XI. PENDING MOTIONS

There are no pending motions at this time.

XII. PENDING CONFIDENTIALITY MATTERS

<table>
<thead>
<tr>
<th>Request Document No.</th>
<th>Date</th>
<th>Description</th>
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<tbody>
<tr>
<td>02425-2018 3/20/18</td>
<td></td>
<td>Second Request for extension of confidential classification [of certain information provided in response to staff’s auditors for review of project management internal controls for nuclear plant uprate and construction projects Audit Report No. PA-11-11-004, DN 03912-2012]</td>
</tr>
<tr>
<td>02134-2018 3/6/18</td>
<td></td>
<td>Second Request for extension of confidential classification [concerning portions of staff auditors’ workpapers (Audit Control No. 11-024-2-2), DN 02311-2016]</td>
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<td>02116-2018 3/5/18</td>
<td></td>
<td>Second Request for extension of confidential classification [of portions of staff Audit Control No. 12-010-2-1, DN 02350-2016]</td>
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<tr>
<td>01791-2018 2/23/18</td>
<td></td>
<td>First Request for extension of confidential classification [of portions of Audit Report No. PA-16-01-001, regarding staff’s 2016 review of project management internal controls for nuclear plant uprate and construction projects, DN 03754-2016]</td>
</tr>
</tbody>
</table>
XIII. POST-HEARING PROCEDURES

If no bench decision is made, each party shall file a post-hearing statement of issues and positions. A summary of each position of no more than 50 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of this Prehearing Order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, F.A.C., a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 20 pages and shall be filed at the same time.

XIV. RULINGS

Opening statements have been waived by all parties.

It is therefore,

ORDERED by Commissioner Gary F. Clark, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.
By ORDER of Commissioner Gary F. Clark, as Prehearing Officer, this 6th day of August, 2018.

[Signature]

GARY F. CLARK
Commissioner and Prehearing Officer
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

KRM
NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.