

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Nuclear Cost Recovery
Clause**

DOCKET NO. 110009-EI
Submitted for filing: July 25, 2011

REBUTTAL TESTIMONY OF JOHN ELNITSKY

**ON BEHALF OF
PROGRESS ENERGY FLORIDA**

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IN RE: NUCLEAR COST RECOVERY CLAUSE

BY PROGRESS ENERGY FLORIDA

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REBUTTAL TESTIMONY OF JOHN ELNITSKY

I. INTRODUCTION.

Q. Please state your name and business address.

A. My name is John Elnitsky. My business address is 299 1st Avenue North, St. Petersburg, Florida.

Q. Are you the Progress Energy officer responsible for the Levy Nuclear Project?

A. Yes. I am the Vice President of New Generation Programs and Projects ("NGPP") for Progress Energy, Inc. In this position I am the officer responsible to Progress Energy Florida, Inc. ("PEF" or the "Company") for all aspects of the LNP, including engineering, licensing, transmission and the direct management of the Engineering, Procurement, and Construction ("EPC") agreement with Westinghouse and Shaw, Stone, & Webster (the "Consortium"). Mr. Jeffrey Lyash is the LNP Executive Sponsor at the senior management level of Progress Energy. He has responsibility for LNP governance and execution oversight, but I am the officer with direct responsibility for management of the LNP. It is my responsibility to report on the LNP to the Senior Management Committee

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1 ("SMC") and to make recommendations for the continued management and
2 execution of the LNP to the SMC.

3
4 **Q. Did you file direct testimony in this proceeding?**

5 A. Yes, I did.

6
7 **Q. Have you reviewed the Intervenor and Staff Witness Testimony in this**
8 **Docket?**

9 A. Yes. I reviewed this testimony and I provide rebuttal testimony to the testimony
10 of William R. Jacobs, Jr., Ph.D. ("Jacobs") filed on behalf of the Office of Public
11 Counsel ("OPC"). The testimony filed jointly by Mr. William Coston and Mr.
12 Kevin Carpenter on behalf of the Florida Public Service Commission ("FPSC" or
13 the "Commission") Staff includes no recommendations with respect to the LNP,
14 therefore, no rebuttal testimony to the Commission Staff testimony is required.
15 Mr. Thomas G. Foster will also provide rebuttal testimony to Jacobs' testimony
16 with respect to the LNP on behalf of PEF in this proceeding.

17
18 **II. PURPOSE AND SUMMARY OF REBUTTAL TESTIMONY.**

19 **Q. What is the purpose and summary of your rebuttal testimony?**

20 A. I will first address the issues that must be decided by the Commission in this
21 proceeding and explain that all of these issues are undisputed by any Intervenor or
22 Staff witness in this proceeding. In particular, no witness has filed testimony in
23 this proceeding disputing the prudence of any cost incurred by PEF on the LNP in

1 2010 or the reasonableness of any actual/estimated cost and projected cost that
2 PEF has incurred or expects to incur on the LNP in 2011 and 2012. Further, no
3 witness has filed testimony in this proceeding disputing PEF's analysis of the
4 long-term feasibility of completing the LNP. Finally, no witness has filed
5 testimony in this proceeding disputing the prudence of PEF's LNP project
6 management, contracting, accounting, and cost oversight controls.

7 Next, I will explain that, instead of raising any substantive challenge to
8 PEF's testimony, OPC instead effectively asks the Commission to reconsider and
9 reverse its determination last year that PEF's decision to proceed with the LNP on
10 a slower pace was reasonable. Jacobs admits that the Commission determined
11 last year that PEF demonstrated that PEF intends to build the LNP (Jacobs Test.,
12 p. 18, L. 4-5), and that PEF's decision to proceed with the LNP on a slower pace
13 by extending the partial suspension of the EPC agreement was reasonable, and
14 that PEF is, therefore, entitled to rely on that decision to recover its costs. (Jacobs
15 Test., p. 18, L. 20-23). I testified on direct that PEF's actual/estimated 2011 LNP
16 costs and projected 2012 LNP costs are reasonable and necessary to move the
17 LNP forward on a schedule with the expected in-service dates for Levy Units 1
18 and 2 in 2021 and 2022, respectively. I further testified that PEF was moving
19 forward with the work represented by these costs in 2011 and 2012 with the intent
20 of meeting the current estimated in-service dates for Levy Units 1 and 2 in 2021
21 and 2022. (Elnitsky May 2, 2011 Direct Test., p. 20, L. 4-10). Jacobs cannot and
22 does not dispute this and other PEF evidence that PEF has the present intent to
23 build the LNP in 2021 and 2022.

1 Jacobs, nevertheless, recommends that the Commission deny PEF the
2 recovery of certain reasonable costs for the LNP in 2011 and 2012, not because
3 those costs are unreasonable in amount or because they are not necessary to the
4 project to maintain the current LNP schedule, which Jacobs nowhere asserts in his
5 testimony, but simply because Jacobs speculates that PEF may not intend to build
6 the LNP in the future. This recommendation undermines the Commission's
7 determination last year that PEF's decision to proceed with the LNP is reasonable
8 and is inconsistent with the way cost recovery works under the nuclear cost
9 recovery statute and, for that matter, under the regulatory compact in Florida.

10 Finally, I will address Jacobs' opposition to PEF's proposed 2012 LNP
11 rate management plan that was initially approved by the Commission in Order
12 No. PSC-09-0783-FOF-EI. Mr. Foster provides rebuttal testimony regarding
13 Jacob's mischaracterization of the Order approving the plan and PEF's current
14 proposed rate management plan. I will address Jacob's erroneous speculation that
15 PEF's proposed 2012 rate management plan "may indicate that Progress Energy
16 is not committed to the LNP." (Jacobs Test., p. 20, L. 5-6). Quite the opposite,
17 PEF's proposed 2012 rate management plan reflects PEF's commitment to the
18 LNP because the proposal reduces the customer rate impact in 2013 and 2014
19 when the LNP costs increase due to the contract amendment to end the partial
20 suspension of the project under the EPC agreement and issuance of the full notice
21 to proceed ("FTNP") to commence construction of the Levy units.
22
23

1 **Q. Do you have any exhibits to your rebuttal testimony?**

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

- 3 • Exhibit No. ____ (JE-12), the confidential LNP March 2011 Integrated Project
4 Plan ("IPP");
- 5 • Exhibit No. ____ (JE-13), the confidential LNP April 2010 IPP;
- 6 • Exhibit No. ____ (JE-14), the PEF July 27, 2010 scenario analysis;
- 7 • Exhibit No. ____ (JE-15), selected, relevant discovery requests in the 2010 and
8 2011 nuclear cost recovery clause ("NCRC") proceedings; and
- 9 • Exhibit No. ____ (JE-16), excerpts of Jacobs' deposition testimony in Docket
10 No. 090009-EI.

11 Exhibits Nos. ____ (JE-12) through (JE-15) were prepared by me or the Company
12 under my direction and control, or they are documents regularly used by the
13 Company in the normal course of business, and they are true and correct. Exhibit
14 No. ____ (JE-16) is an excerpt of the prior sworn testimony of Jacobs. I have
15 numbered my rebuttal exhibits as if the exhibits filed with my March 1, 2011
16 Direct Testimony (three exhibits, numbered JE1 through JE-3) and May 2, 2011
17 Direct Testimony (eight exhibits, numbered JE-1 through JE-8), were numbered
18 sequentially, which means my first rebuttal exhibit would be Exhibit No. ____ (JE-
19 12, as indicated above.

20

21

22

23

1 **III. PEF TESTIMONY UNDISPUTED BY INTERVENORS AND STAFF.**

2 **Q. What do you understand the Commission will determine in this proceeding?**

3 A. My understanding is that, pursuant to Section 366.93, Florida Statutes, and Rule
4 25-6.0423, F.A.C., the Commission will determine (1) the prudence of PEF's
5 actual LNP costs for 2010; (2) the reasonableness of PEF's actual/estimated LNP
6 costs for 2011; (3) the reasonableness of PEF's projected LNP costs for 2012; (4)
7 the prudence of PEF's project management, contracting, and oversight controls
8 for 2010; and (5) the prudence of PEF's accounting and cost oversight controls
9 for 2010. The Commission will also review and approve the Company's analysis
10 of the feasibility of completing the nuclear power plants pursuant to Rule 25-
11 6.0423(5)(c)5, F.A.C.

12
13 **Q. Have the Staff and intervenor witnesses asserted in their testimony that**
14 **PEF's actual LNP costs for 2010 are not prudent?**

15 A. No, they have not. The Staff witnesses reviewed the adequacy of the internal
16 controls and management oversight of the LNP to assist the Commission in its
17 assessment of the reasonableness of the Company's cost recovery requests for the
18 LNP. See Staff Test., Exhibit No. ____ (CC-1) at page 1. As I explained above, as
19 a result of this review by Commission Staff of the LNP for 2011, Staff witnesses
20 expressed no recommendations for the LNP.

21 Likewise, Jacobs specifically says in his testimony that he was asked by
22 OPC to conduct a review and evaluation of PEF's requests for authority to collect
23 historical costs associated with the LNP. (Jacobs Test., p. 3, L. 17-22). Nowhere

1 in his testimony, however, does Jacobs identify any historical 2010 LNP cost that
2 PEF seeks to collect that he finds was imprudently incurred. As a result, no Staff
3 or Intervenor witness in their testimony in this proceeding disputes PEF's
4 testimony and other evidence that the actual costs for the LNP in 2010 were
5 prudently incurred.

6
7 **Q. Have the Staff or intervenor witnesses asserted in their testimony that any of**
8 **PEF's actual/estimated 2011 costs and projected 2012 costs for the LNP are**
9 **unreasonable?**

10 A. No. The Staff witnesses and Jacobs do not identify any specific, actual/estimated
11 2011 LNP cost or any projected 2012 LNP cost that is not reasonable. Again,
12 OPC witness Jacobs says he was asked by OPC to conduct a review and
13 evaluation of PEF's requests for authority to collect projected costs associated
14 with the LNP. (Jacobs Test., p. 3, L. 17-22). Jacobs, however, nowhere identifies
15 any actual/estimated 2011 LNP cost or projected 2012 LNP cost that he claims is
16 unreasonable. Jacobs does recommend that the Commission deny PEF's request
17 to recover certain costs from customers in 2011 and 2012, but Jacobs, in essence,
18 is recommending that the Commission defer the recovery of these costs to some
19 period of time after 2012, not that the Commission deny recovery of these costs
20 outright because they are unreasonable. (Jacobs Test., p. 16, L. 21-24, p. 17, L.
21 15-25, p. 18, L. 20-25, p. 19, L. 1-2, p. 21, L. 17-24, p. 22, L. 1-9). Jacobs
22 nowhere asserts in his testimony that these costs were unreasonable because they
23 were not necessary for the LNP under the current LNP schedule or because they

1 were unreasonable in amount. None of the Staff or intervenor witnesses, then,
2 challenge the reasonableness of any of PEF's specific cost estimates for the LNP
3 for 2011 and 2012.
4

5 **Q. Do the Staff or intervenor witnesses assert that PEF's LNP 2010 project**
6 **management, contracting, and oversight controls are unreasonable or**
7 **imprudent?**

8 A. No, they do not.
9

10 **Q. Do the Staff or intervenor witnesses assert that PEF's 2010 LNP accounting**
11 **and cost oversight controls are unreasonable or imprudent?**

12 A. No, they do not.
13

14 **Q. Do the Staff or intervenor witnesses assert that PEF has not demonstrated**
15 **the long-term feasibility of completing the LNP pursuant to Rule 25-**
16 **6.0423(5)(c)(5)?**

17 A. No, they do not.
18

19 **IV. INTERVENOR RECOMMENDATIONS SHOULD BE REJECTED**
20 **BECAUSE THEY ARE CONTRARY TO THE EVIDENCE, THE**
21 **COMMISSION'S ORDER LAST YEAR APPROVING PEF'S APPROACH**
22 **TO THE LNP, AND THE NUCLEAR COST RECOVERY STATUTE AND**
23 **RULE.**

24 **Q. If the intervenor witness does not make any of the claims you have just**
25 **described what does the intervenor witness claim in his testimony?**

1 A. As noted previously, the Staff witnesses make no recommendations to the
2 Commission with respect to the LNP. Jacobs, on the other hand, recommends
3 that the Commission limit PEF's recovery of costs from customers in 2011 and
4 2012 to some unspecified amount that Jacobs asserts is "strictly necessary" to
5 support processing the Combined Operating License Application ("COLA") for
6 the LNP with the Nuclear Regulatory Commission ("NRC"). (Jacobs Test., p. 16,
7 L. 23-25). Jacobs asserts that the recovery of all other 2011 and 2012 LNP costs -
8 - specifically all transmission-related costs, EPC contract amendment and FTNP
9 negotiation costs, and all other preconstruction and construction costs, including
10 presumably long lead equipment ("LLE") costs, necessary to meet the current
11 LNP schedule -- should be "deferred to a later date," presumably after 2012, or
12 determined to be unreasonable "at this time." (Jacobs Test., p. 17, L. 15-25).

13 Jacobs states that he makes these recommendations despite "the
14 Commission's endorsement of the Company's proposed approach in the 2010
15 NCRC hearing." (Jacobs Test., p. 17, L. 15-16). Indeed, Jacobs admits PEF is
16 entitled to recover all costs PEF reasonably spends in reliance on the
17 Commission's approval of the Company's decision to proceed with the LNP on a
18 slower pace last year -- what Jacobs calls the "COL-Receipt Approach." (Jacobs
19 Test., p. 18, L. 20-24, 25). He testifies that he is not saying that PEF is not
20 entitled to recover such costs in reasonable reliance on the Commission's decision
21 as long as PEF demonstrates by the "totality of the facts and circumstances" that
22 PEF intends to build the LNP by 2021 and 2022. (Jacobs Test., p. 19, L. 1-2).

23

1 Q. Does Jacobs testify that the “totality of the facts and circumstances”
2 demonstrate that PEF does not presently intend to build the LNP on the
3 current schedule with in-service dates for Levy Units 1 and 2 in 2021 and
4 2022?

5 A. No. Jacobs expresses his own subjective “significant doubt” about PEF’s ultimate
6 completion of the LNP or completion of the LNP by the current, scheduled in-
7 service dates for Levy Units 1 and 2 based on his speculation about PEF’s intent
8 and the current enterprise risks associated with the LNP (Jacobs’ Test. p. 16, L.
9 24-25, p. 17, L. 1-7), but he nowhere asserts an opinion that PEF does not
10 presently intend to build the LNP on the current schedule. Jacobs cannot express
11 that opinion because it is not correct.

12 Jacobs acknowledges that I repeatedly testified in my deposition that it is
13 PEF’s intent to complete the LNP by 2021 and 2022 as currently planned, i.e. the
14 “program of record” for the LNP. (Jacobs Test., p. 11, L. 10-11). He simply
15 chooses to ignore this testimony and the undisputed evidence that the “program of
16 record” is established by SMC approval of the revised LNP Integrated Project
17 Plan (“IPP”) in March 2011. SMC approval of this IPP approves spending for the
18 LNP in 2011 and 2012 based on the current LNP project schedule with in-service
19 dates for Levy Units 1 and 2 in 2021 and 2022, respectively. PEF’s requests for
20 cost recovery in this docket for its actual/estimated 2011 and projected 2012 LNP
21 costs are based on this IPP, as I explained above and in my direct testimony. See
22 Elnitsky May 2, 2011 Direct Test., p. 12, L. 21-23, pp. 13-19, p. 20, L. 1-10. A
23 copy of this IPP is attached to my rebuttal testimony as Exhibit No. __ (JE-12).

1 PEF's current IPP for the LNP reflects the Company's commitment to the
2 LNP consistent with the Company's decision in March 2010 to proceed with the
3 LNP on a slower pace by executing an amendment to the EPC agreement to
4 continue the partial suspension and focusing near-term work on obtaining the
5 Combined Operating License ("COL") for the LNP. This decision is reflected in
6 the April 2010 IPP approved by SMC and attached as Exhibit No. ____ (JE-13) to
7 my rebuttal testimony. The Commission determined that this decision was
8 reasonable in Order No. PSC-11-0095-FOF-EI in Docket No. 100009-EI. The
9 Company confirmed its commitment to the implementation of this decision for
10 the LNP when it approved the current LNP IPP in March 2011.

11 Jacobs cannot and does not dispute this testimony and evidence of PEF's
12 commitment to the LNP and its present intent to build the LNP on the current
13 schedule with in-service dates for Levy Units 1 and 2 in 2021 and 2022. As a
14 result, there is no reasonable basis for Jacobs' "significant doubt," "concerns,"
15 and opinion that PEF's "internal resolve to complete the LNP appears to be
16 weakening" – or however else he characterizes it in his testimony – because the
17 Company has committed to proceed with building Levy Units 1 and 2 with the
18 approval of the current IPP for the LNP consistent with the April 2010 decision
19 that the Commission ruled was reasonable. The Company is incurring costs in
20 2011 and 2012 to implement that decision. See, e.g., Elnitsky May 2, 2011 Direct
21 Test., p. 5, L. 12-23, p. 6.
22

1 Q. Are Jacobs' recommendations consistent with the Commission's ruling last
2 year that PEF's decision to proceed with the LNP on a slower pace is
3 reasonable?

4 A. No, they are not. Jacobs may claim that he is not saying that PEF is not entitled to
5 recover costs reasonably incurred in reliance on that Commission ruling (Jacobs
6 Test., p. 18, L. 20-23), but that is exactly what he is doing with his
7 recommendations. Despite his statements to the contrary, Jacobs recommends
8 that PEF should not recover from customers some of the costs that PEF must
9 incur in reliance on the Commission ruling approving PEF's approach to the LNP
10 to meet the scheduled in-service dates for the Levy units under that Commission-
11 approved approach.

12 PEF is entitled to recover costs reasonably incurred in reliance on the
13 Commission's approval of PEF's decision to proceed with the LNP on a slower
14 pace – just as Jacobs admits. PEF requests cost recovery in 2011 and 2012 for
15 costs reasonably incurred by PEF to implement that decision and PEF is entitled
16 to recover those costs from customers.

17 Notably, Jacobs did not make this argument last year when the issues of
18 the reasonableness of PEF's decision to proceed with the LNP on a slower pace
19 and the reasonableness of PEF's projected 2011 costs were before the
20 Commission. The Commission determined that PEF's decision was reasonable
21 and that PEF's then projected 2011 LNP costs were reasonable. Now, for the first
22 time, Jacobs asserts that the Commission should defer some of these 2011 LNP

1 costs and, in addition, some 2012 projected LNP costs necessarily incurred to
2 implement the decision approved as reasonable by the Commission.

3 In his testimony this year, Jacobs appears to be concerned that customers
4 are responsible for the prudent costs incurred through 2012 on the LNP whether
5 or not the LNP enters commercial service. He complains that customers will be
6 “on the hook” to pay that and more for the LNP because the Commission must
7 make prudence determinations. (Jacobs Test., p. 19, L. 3-9). For this reason, he
8 claims the Commission should be “flexible” and “protect customers from
9 increased costs in times of increased uncertainty.” (Id.). In other words, Jacobs
10 asserts the Commission should ignore what the statute and rule provide and deny
11 cost recovery for reasonable and prudent costs incurred on the LNP. This is the
12 exact same argument that Jacobs and intervenors asserted last year and that the
13 Commission has rightly rejected time and time again.

14 The nuclear cost recovery statute provides that PEF is entitled to recover
15 its prudently incurred costs on the LNP. The nuclear cost recovery rule provides
16 for the recovery of reasonable actual/estimated and projected costs in advance of
17 the true-up of those costs estimates when they are reviewed for prudence.
18 Nothing in the nuclear cost recovery statute or rule provides that the Commission
19 can deviate from permitting the recovery of reasonable estimated and projected
20 costs and the recovery of prudently incurred costs on a nuclear power plant
21 project.
22

1 Q. Using Jacobs' term, are customers "on the hook" for costs under the nuclear
2 cost recovery statute that they otherwise would not have to pay as customers
3 of a regulated electric utility?

4 A. No. The enactment of the nuclear cost recovery statute and rule in Florida does
5 not mean that customers pay costs that they otherwise would not be obligated to
6 pay if the statute and rule did not exist. Customers are always obligated to pay the
7 reasonable and prudent costs incurred by the electric utility to provide them
8 reliable electric service. As I explained in the hearing last year, whether the
9 Company is putting in a new transmission line, substation, or power plant, the
10 costs to provide those assets necessary to provide customers with service are paid
11 by the customers that receive that service. In return, the Company is obligated to
12 provide them electric service at rates set by the Commission based on a
13 reasonable return on the Company's investment. The nuclear cost recovery
14 statute and rule simply change the timing of the recovery of certain reasonable
15 and prudent costs incurred for nuclear power plant projects. They do not change
16 the fundamental regulatory compact between the regulated electric utility and its
17 customers that requires the utility to provide customers with reliable, around-the-
18 clock electric service and, in return, requires the customers to pay the reasonable
19 and prudent costs to provide that service, including a reasonable return on the
20 utility's investment.

21 This regulatory compact exists even if the utility cancels the project. If the
22 utility prudently cancels a nuclear power plant project, the nuclear cost recovery
23 statute and rule provide that the utility is entitled to recover its prudently incurred

1 costs from customers. This same result occurs on other, non-nuclear construction
2 projects however. If the utility prudently cancels another power plant project or
3 other utility project, the utility is still entitled to recover from customers the
4 prudently incurred costs on that project prior to and as a result of the project
5 cancellation. The recovery of such prudently incurred cancellation costs on
6 projects other than a nuclear power plant project are simply addressed as a matter
7 of the utility's rate base, and may or may not require an adjustment in the utility's
8 rates, while the recovery of prudently incurred cancellation costs on a nuclear
9 power plant project are addressed in the nuclear cost recovery clause docket. The
10 principle, however, is the same; the utility is entitled to recover such prudently
11 incurred costs from customers because that is the nature of the regulated utility
12 business of providing reliable electric service to customers. These points are
13 relevant because every year, Jacobs continues to base his arguments and
14 recommendations on his apparent dislike of the nuclear cost recovery statute and
15 rule notwithstanding the fact that the statute and rule did nothing to change the
16 fundamental principles of regulatory cost recovery.

17
18 **Q. What about Jacobs' discussion of a number of factors that he says affects**
19 **PEF's resolve to complete the LNP, can they be considered a reason for the**
20 **Commission to deny cost recovery under the nuclear cost recovery statute?**

21 **A.** No, they cannot. Even Jacobs does not go this far in his recommendations based
22 on his discussion of these factors. To explain further, the factors that Jacobs
23 discusses in his testimony do not demonstrate that PEF does not presently intend

1 to build the LNP on the current schedule and Jacobs is careful not to draw that
2 conclusion from them. These factors also do not demonstrate that any 2010 cost
3 incurred on the LNP was imprudent, nor do they demonstrate that the
4 actual/estimated 2011 and projected 2012 LNP costs are unreasonable. Again,
5 Jacobs does not draw those conclusions from his discussion of the identified
6 factors. Jacobs further does not assert that PEF has failed to demonstrate that the
7 LNP is feasible, despite the subjective doubts he claims to have about completion
8 of the LNP because of the identified factors. He nowhere asserts in his testimony
9 that PEF should terminate the EPC agreement and cancel the LNP project. In
10 fact, because Jacobs recommends that the Company should continue to recover
11 from customers the costs necessary to obtain the LNP COL from the NRC, Jacobs
12 agrees that the Company should not cancel the LNP, but instead should proceed
13 with the project.

14 In his testimony, Jacobs discusses the following as factors that concern
15 him: (1) the LNP management team, (2) the feasibility/cost effectiveness of the
16 LNP, (3) the increased enterprise risks according to Jacobs' view, (4) the lack of
17 joint owners, (5) the public support for the LNP and new nuclear development,
18 and (6) the Company's so-called planning scenarios. Jacobs further questions the
19 benefit of the proposed merger between Duke Energy and Progress Energy to the
20 LNP. Based on Jacobs' mischaracterization or lack of understanding about a
21 number of these factors that concern him, he concludes that these factors are
22 "troubling" because he perceives an "overall weakening" in PEF's resolve to
23 build the LNP on the current timeline, although, again, Jacobs is careful not to say

1 that PEF does not intend to build the LNP on the current project schedule.
2 (Jacobs Test., p. 18, L. 1-9).

3 Before turning to address each of these factors that concern Jacobs, it
4 bears emphasis that the factors Jacobs discusses in his testimony are not
5 revelations that Jacobs has discovered or made about the LNP. Instead, most of
6 the factors Jacobs discusses in his testimony are the very same enterprise risks or
7 other factors that I discuss in my direct testimony, and that we have discussed
8 now for several years. In fact, Jacobs quotes (sometimes incompletely) what I say
9 about them when I explain the Company's qualitative feasibility analysis this year
10 for the LNP.

11
12 **(i) Enterprise Risks.**

13 **Q. What factor that apparently caused Jacobs concern will you address first?**

14 **A.** I will first address Jacobs' belief that enterprise risks have increased, although as I
15 note above, he does not believe the enterprise risks have increased such that PEF
16 should cancel the LNP. The Company likewise concluded that the LNP should
17 not be cancelled at this time. In the Company's assessment of the enterprise risks
18 on the LNP (see Elnitsky May 2, 2011 Direct Test., pp. 21-53), we determined
19 that the LNP is still feasible from a qualitative and quantitative perspective. As a
20 result, we determined that the current LNP feasibility analysis confirmed the
21 Company's decision last year to proceed with the LNP on a slower pace that the
22 Commission approved in Order No. PSC-11-0095-FOF-EI. (Elnitsky May 2,
23 2011 Direct Test., p. 48, L. 12-21).

1 As I further explained in my testimony, the Company will continue to
2 monitor the enterprise risks for the LNP each year, including the unfavorable
3 trends for the LNP I identified that are associated with the uncertainty
4 surrounding climate control and carbon cost regulation and the lower natural gas
5 forecasts that Jacobs focuses on in his testimony, as the Company moves forward
6 with the LNP in 2011 and 2012. (Elnitsky May 2, 2011 Direct Test., p. 48, L. 21-
7 23, p. 49, L. 1-2). If we determine in these future, on-going evaluations of the
8 LNP that there are fundamental changes in the enterprise risks affecting the
9 Company's ability to continue with or complete the LNP, we will then determine
10 if it is prudent to continue with the LNP or to cancel the LNP. That is, of course,
11 the prudent approach to the LNP that is expected of us by the Commission and
12 that we intend to take on this project.

13 Jacobs also makes a point to discuss the fact that PEF has not made a
14 "final" decision to build the LNP, (Jacobs Test., p. 14, L. 1-3, Jacobs Ex.
15 WRJ(PEF)-4), although we have committed to proceed with the LNP with the
16 intent to build Levy Units 1 and 2 in 2021 and 2022, respectively. This fact
17 should be of no surprise to Jacobs or to anyone else that has ever built anything.
18 As I explained in detail in my deposition that Jacobs attended, there may come a
19 point in the project when our intent to build Levy Units 1 and 2 in 2021 and 2022
20 becomes irreversible and, thus, "final" from an economic or practical perspective,
21 but we have not yet reached that point on the LNP. It would be imprudent for the
22 Company to make that irreversible decision before the Company has to make it on
23 the LNP or on any other project for that matter.

1 (ii) The so-called planning scenarios.

2 Q. You mentioned that Jacobs mischaracterizes or does not understand some of
3 the factors that he discusses in his testimony, can you explain what you
4 mean?

5 A. Yes. I'll start with the so-called "planning scenarios" that Jacobs discusses at
6 length in his testimony and that he attaches portions of as an incomplete exhibit to
7 his testimony. These scenario analyses were prepared for both PEF and Progress
8 Energy Carolinas, Inc. ("PEC"), and discussed by senior managers individually
9 and for the combined operations of both PEF and PEC, as part of an ongoing
10 effort to begin thinking strategically about hypothetical business environment
11 scenarios that could conceivably occur in the future, however unlikely they may
12 be to occur. Therefore, these scenario analyses were not part of the PEF and PEC
13 resource and major project planning efforts.

14 Each year, PEF for example, engages in resource planning and planning
15 for the LNP that accounts for existing and likely future business and
16 environmental factors that affect or can affect the Company's resource planning
17 decisions, including the LNP. This resource and project planning effort is
18 reflected in the Company's Ten Year Site Plan ("TYSP") process that culminates
19 in the annual TYSP filed with the Commission by the Company in April each
20 year and the qualitative and quantitative feasibility analysis for the LNP filed with
21 the Commission in May each year. Both of these efforts account for existing
22 business and environmental conditions, such as actual Company sales, credit
23 agency reports, LNP costs, and likely future business and environmental

1 conditions, such as fuel and carbon cost forecasts and projected LNP costs, among
2 others, as explained more fully for the LNP in the qualitative and quantitative
3 feasibility analysis included in my May 2, 2011 direct testimony. The scenario
4 analyses referenced in Jacobs' testimony were undertaken by the Company to
5 specifically think about possible, however unlikely, future business and
6 environmental conditions, and what the impacts might be to the companies if the
7 unlikely conditions in fact occurred in the future.

8
9 **Q. Why did the Company engage in these scenario analyses?**

10 **A.** In these scenario analyses the Company was preparing for the unexpected by
11 strategically thinking about the future and what the Company might do if the
12 unexpected occurred. We were intentionally thinking "outside the box" in these
13 scenario analyses. It is important for the Company to think strategically about
14 what might occur no matter how unlikely because we are all aware that
15 sometimes the unexpected does in fact occur and it is best to be prepared for that
16 unexpected event to the extent possible. I also repeatedly explained in my
17 deposition that these scenario analyses, however, were not part of the Company's
18 annual resource planning or planning for the LNP.

19 I am responsible for the LNP plan and that plan is represented in the
20 current IPP for the project attached as Exhibit No. ____ (JE-12) to my rebuttal
21 testimony. This is the current plan or "program of record" as I refer to it for the
22 LNP that I repeatedly mentioned in my deposition and that serves as the base line
23 in the scenario analyses Jacobs references. (See, e.g., Exhibit WRJ(PEF)-5, p. 2

1 of 34, referencing the "March 2010 scenario" as a "key assumption" and others as
2 "sensitivity" analyses to that March 2010 scenario). Notably, these scenario
3 analyses were prepared between mid-June to August 2010, after the Company
4 made its decision to continue the LNP on a slower pace that is reflected in the
5 April 2010 IPP attached as Exhibit No. ____ (JE-13) to my rebuttal testimony, but
6 before the Company approved the current IPP for the LNP in March 2011 that is
7 attached as Exhibit No. ____ (JE-12) to my rebuttal testimony. As reflected in the
8 current LNP IPP, the decision from the April 2010 IPP to proceed with the LNP
9 on a slower pace with the intent to build Levy Units 1 and 2 in 2021 and 2022
10 remains unchanged. As I explained in my direct testimony in May, the Company
11 is implementing that decision.

12
13 **Q. How does Jacobs characterize these scenario analyses in his testimony?**

14 **A.** Jacobs attempts to use these scenario analyses documents as evidence of some
15 sort of mysterious and clandestine plot to forego the LNP in an effort to support
16 his view that PEF may not ultimately intend to go forward with the LNP. For
17 example, he picks one of the scenarios and takes the position that this particular
18 possible but unlikely scenario is in fact more likely to occur than the other,
19 possible but unlikely scenarios that were identified in these documents. He infers
20 this despite the fact that there was no determination in the scenario analyses or
21 anywhere else by the Company that any of these scenarios were likely to occur or
22 more likely to occur than other scenarios. (Jacobs Test., p. 15, L. 15-25). Jacobs
23 also goes so far as to say that these scenario analyses were prepared and reviewed

1 because of the Company's alleged recognition that the cost effectiveness of the
2 LNP was trending unfavorably in the Company's 2011 cumulative present value
3 revenue requirements ("CPVRR"), quantitative feasibility analysis compared to
4 the Company's 2010 CPVRR analysis. (Jacobs Test., p. 12, L. 10-21). Jacobs
5 concludes that these scenario analyses documents demonstrate that PEF is
6 considering a change in the current LNP project schedule. (Id., p. 15, L. 1-4, 12-
7 15, p. 14, L. 21-24).

8 I am surprised that Jacobs would characterize these scenario analyses as a
9 "serious[] stud[y of] the possibility of further delaying the LNP," and "realistic
10 planning" about what to do "in the increasingly likely event that the LNP project
11 is not pursued on the current schedule," because Jacobs heard me explain what
12 these scenario analyses are for several hours in my deposition this year. (Jacobs
13 Direct Test., p. 14, L. 21-24, p. 15, L. 1-4). Jacobs, of course, did not prepare
14 these scenario analysis documents, does not know why they were prepared, and
15 was not present at the senior management meetings and retreat where they were
16 discussed. I was present, I participated in the discussions regarding these
17 documents, and I know why they were prepared. As I have explained, these
18 documents were not used to make any planning decision for the LNP in either
19 2010 or in 2011. Those decisions are reflected in the 2010 IPP and the 2011 IPP
20 for the LNP that I have included as exhibits to my rebuttal testimony.

21 Jacobs further is flat wrong and mischaracterizes these scenario analyses
22 when he attempts to link them to what he calls the "declining cost effectiveness"
23 of the Company's current CPVRR quantitative feasibility analysis. (Jacobs Direct

1 Test., p. 12, L. 17-21). Nothing could be further from the truth. There was no
2 link between the Company's current CPVRR quantitative feasibility analysis and
3 the scenario analyses. You will find no mention of the Company's 2011
4 quantitative CPVRR feasibility analysis for the LNP in the scenario analysis
5 documents. One obvious reason for this -- that Jacobs fails to inform the
6 Commission -- is that the current quantitative feasibility analysis was not prepared
7 until April 2011, prior to filing the Company's May 2011 testimony in this
8 proceeding. This quantitative feasibility analysis was, therefore, prepared months
9 after the scenario analyses were prepared and discussed in June-August 2010.

10 The Company could not and did not know the results of the 2011 CPVRR
11 feasibility analysis when it prepared and discussed the scenario analyses
12 documents. Jacobs' statement that the claimed decline in the cost effectiveness of
13 the LNP based on a comparison of the 2011 CPVRR analysis to the 2010 CPVRR
14 analysis was a factor in the development and review of the scenario analyses is
15 false and misleading. (Jacobs Test., p. 12, L. 6-21).

16
17 **Q. Did the Company plan to make a different decision with respect to the LNP**
18 **as a result of the routine strategic planning sessions and scenario analyses?**

19 **A.** No, it did not. That was not the purpose of the scenario analyses. As I explained
20 above, the scenario analyses were the spring board for discussions about the
21 Company's responses to unlikely or unexpected future events that dramatically
22 altered the business environment from what the Company expected or thought it
23 might be. This was made clear in one of the scenario analysis documents that

1 Jacobs omits from his exhibits to his testimony. I have attached as Exhibit No. ____
2 (JE-14) to my rebuttal testimony the precursor to the scenario analysis document
3 Jacobs attached as an exhibit to his testimony. This PEF scenario analysis dated
4 July 27, 2010 makes clear at page 6 that one of the considerations for the
5 Company "to keep in mind" was that "we're not 'picking' a scenario." See
6 Exhibit No. ____ (JE-14), p. 6 of 39, attached to my rebuttal testimony (emphasis
7 added). In other words, the Company was not making any resource planning or
8 project decision based on the scenario analyses. This was precisely because these
9 scenario analyses were based on events or circumstances that the Company did
10 not expect and believed were unlikely to occur.

11
12 **Q. Do you agree with Jacobs' statement that the Company did not reveal these**
13 **scenario analyses to the Commission until after the 2010 hearing?**

14 **A.** No, I do not, because the implication is that they are somehow relevant to the
15 proceeding or asked for last year when that is not the case. If the Company
16 believed that it was obligated to provide these scenario analyses in response to
17 discovery requests in the proceeding last year or that they were in any way
18 relevant to the proceeding the Company would have provided them. I have
19 included as Exhibit No. ____ (JE-15) to my rebuttal testimony, a composite exhibit
20 of the discovery requests last year and this year to demonstrate this point. Last
21 year, the requests for SMC presentations were drafted in the context of the
22 Company's decision to continue or cancel the LNP. See requests 1, 9, and 10 for
23 the 2010 NCRC discovery in Exhibit No. ____ (JE-15). The scenario analyses

1 were not prepared until June-August 2010 – well after the decision was made to
2 continue the LNP – and as I explained above, they had nothing to do with that
3 decision. These scenario analyses were not prepared by my project team for the
4 LNP and they were not presented to SMC for any decision with respect to the
5 LNP. In fact, as I pointed out, the scenario analyses on their face made clear that
6 no decision would be made based on the discussions about the scenario analyses
7 and no decision with respect to the LNP was in fact made based on these scenario
8 analyses. See Exhibit No. ____ (JE-14), p. 6 of 39, attached to my rebuttal
9 testimony.

10 We never considered these scenario analyses relevant to the LNP decision
11 precisely because they were not relevant to that decision or to any SMC decision
12 regarding the LNP. This year, however, the Company was asked a much broader
13 question, requesting all documents including strategic plans or similarly named or
14 functionally equivalent documents provided to SMC which include options for the
15 LNP in service dates. See request 29 for the 2011 NCRC discovery in Exhibit
16 No. ____ (JE-15) to my rebuttal testimony. The scenario analyses were prepared
17 by the PEF strategic planning group and they did in fact include optional LNP in
18 service dates based on various unlikely and unexpected future business or
19 environmental circumstances as I explained above. Accordingly, we provided the
20 documents in response to this specific question in the discovery even though they
21 are irrelevant to any decision that was made or that will be made on the LNP.
22
23

1 (iii) The feasibility/cost effectiveness of the LNP.

2 Q. You mentioned Jacobs' claim that the current CPVRR analysis for the LNP
3 demonstrates a declining cost-effectiveness for the LNP, do you agree with
4 that assessment?

5 A. No. Jacobs places too much emphasis on the year-to-year changes in the annual
6 CPVRR analysis performed for the LNP. This is contrary to the opinion Jacobs
7 expressed in the 2009 NCRC proceeding in Docket No. 090009-EI. There, he
8 agreed that even if changes in the fuel, emissions, or other forecasts demonstrated
9 that the nuclear power plant was not cost effective the Commission should not
10 determine that the project should not go forward and the Company should not
11 determine that it is not feasible to go forward with the project. He agreed that no
12 utility would evaluate a long term, base load nuclear power plant based on year-
13 to-year changes in forecasts because, if the utility did use the annual forecasts to
14 evaluate a long-term base load project, the utility would never build the nuclear
15 power plant. See Exhibit No. ____ (JE-16) to my rebuttal testimony. Jacobs was
16 correct in his deposition in Docket No. 090009-EI, but he has apparently changed
17 his opinion in this docket for some unexplained reason.

18 It is correct that the current LNP CPVRR analysis is different from the
19 LNP CPVRR analysis in 2010, but that CPVRR analysis in 2010 was also
20 different from the CPVRR analysis in the 2009 NCRC docket and the CPVRR
21 analysis in the 2008 need determination docket for the LNP, Docket No. 080148-
22 EI. The current LNP CPVRR analysis still demonstrates that the LNP is feasible
23 in more cases than not – a point which Jacobs does not dispute – similar to but not

1 exactly the same as the CPVRR analysis that the Commission determined
2 demonstrated the LNP was cost effective in the 2008 need determination docket.
3 See Order No. PSC-08-0518-FOF-EI in Docket No. 080148-EI. We fully expect
4 that the CPVRR analysis for the LNP in 2012 will be different from the 2011
5 CPVRR analysis and all prior CPVRR analyses.

6 Annual changes in the CPVRR analyses are expected because there are
7 annual changes to the inputs in the CPVRR modeling analysis, such as changes in
8 the fuel forecasts, costs of resources, and load forecasts, to name a few. That is
9 why we have consistently maintained that the CPVRR analysis should not be
10 considered a litmus test for the LNP. As I explained in my May 2, 2011 direct
11 testimony, the Company continues to believe that the long-term projections upon
12 which the CPVRR analysis are based on are necessarily uncertain and subject to
13 change from year-to-year. That is why this analysis cannot be considered the sole
14 basis for a decision to proceed or not with the project. It is simply one factor
15 among many factors that must be considered in making that decision. (Elnitsky
16 May 2, 2011 Direct Test., p. 52, L. 19-23, p. 53, L. 1-4). The Commission agreed
17 that the feasibility of a long term project like the LNP cannot be made on instant
18 circumstances reflected in the annual CPVRR analyses. See Order No. PSC-09-
19 0783-FOF-EI, p. 32, Docket No. 090009-EI. The Commission pointed out that
20 the annual economic analysis should be used to track and evaluate trends, not
21 make the ultimate feasibility decision apart from a consideration of all other
22 relevant factors. Id. That is exactly the way the Company uses the CPVRR
23 analysis.

1 The Company identified an unfavorable trend in the fuel forecasts and
2 carbon costs this year from last year for the reasons that I explained in my May 2,
3 2011 Direct Testimony. The Company will continue to track and evaluate these
4 forecast factors to see if the unfavorable trends represent fundamental rather than
5 temporal changes in the forecast factors. That has not occurred yet, a one to two-
6 year trend is not a fundamental change, but it may still occur. If it does, the
7 Company will consider that factor in its annual quantitative and qualitative
8 feasibility analysis along with all other factors, just as the Commission
9 contemplates the Company will do to make a decision about the LNP.

10
11 **(iv) The LNP management team.**

12 **Q. You mentioned that there were other mischaracterizations or**
13 **misunderstandings in Jacobs' testimony, can you explain what they are?**

14 **A.** Yes. Jacobs points to the fact that Mr. Lyash is not providing testimony in the
15 NCRC proceeding this year as an indication that management attention is being
16 diverted from the LNP and that PEF's resolve to complete the LNP "appears" to
17 be weakening. (Jacobs Direct Test., p. 11, L. 11-18). Mr. Lyash did not provide
18 direct testimony in the NCRC proceeding this year because there is no reason for
19 him to do so. Mr. Lyash provided testimony last year because the SMC and
20 Progress Energy Board made an important decision to continue with the LNP
21 rather than cancel the project. The reasonableness of that decision was directly at
22 issue in the NCRC proceeding last year and the Commission determined, based

1 on the evidence, that the Company's decision was reasonable in Order No. PSC-
2 11-0095-FOF-EI.

3 As I explained in my May 2, 2011 direct testimony, the Company is
4 currently proceeding with the work on the LNP necessary to implement that
5 decision. I am responsible for implementing the LNP work consistent with that
6 Company decision in accordance with the current expected in service dates for
7 Levy Units 1 and 2 in 2021 and 2022. Accordingly, I have provided direct
8 testimony in this proceeding to explain the Company's implementation of that
9 decision.

10 When the Company faces another decision on the LNP that requires senior
11 management and Board approval, Mr. Lyash likely will again provide testimony
12 explaining that decision and the reasons for it to the Commission. Mr. Lyash is
13 still the Levy Program Executive Sponsor with responsibility for the LNP
14 governance and execution oversight. Mr. Lyash is still a member of the SMC and
15 he will be responsible for any presentations to the Board for the LNP as the Levy
16 Program Executive Sponsor. Accordingly, when the Company makes another
17 major decision with respect to the LNP Mr. Lyash likely will provide testimony
18 before the Commission in the NCRC proceeding to explain that decision. In the
19 meantime, there is no need for Mr. Lyash to provide testimony in the current
20 NCRC proceeding because we are implementing the decision the Company made
21 last year to continue with the LNP on a slower pace rather than cancel the project.

22 Jacobs also does not understand the LNP staffing when he draws
23 conclusions about my role and Ms. Hardison's role on the LNP. Let me be clear

1 that the LNP has always been part of the Company's management of all of its
2 major new projects. Previously the LNP was under the Nuclear Plant
3 Development ("NPD") organization and now it is under the NGPP organization,
4 but it was never its own, stand-alone department, especially in these early stages
5 of the project's development. As a result, the leaders of the NPD and later the
6 NGPP, which include me, always had responsibilities for projects other than just
7 the LNP. That will likely remain the case in the early stages of the LNP project.
8 Additionally, while Ms. Hardison has assumed another role in the Company, her
9 position on the LNP project has been filled by another Progress employee. Ms.
10 Hardison retained responsibility for the LNP during the transition between her
11 leaving this position and her replacement coming up to speed on the LNP.
12 Accordingly, Ms. Hardison's role on the LNP has been assumed by another
13 individual, it has not been divided up with Ms. Hardison's new responsibilities.

14 In general, however, if Jacobs is trying to make the point that the staffing
15 of the LNP has leveled off that should not be surprising with the Company's
16 decision to proceed with the LNP on a slower pace. The staffing levels for the
17 LNP will increase when the Company terminates the current, extended partial
18 suspension of the project and proceeds with the current plan to build Levy Units 1
19 and 2 in 2021 and 2022. As I explained in my May 2, 2011 direct testimony, that
20 decision will be made in the next year or two as the Company prepares for and
21 negotiates an amendment to the EPC agreement to end the partial suspension and
22 issue the FTNP.

1 (v) **Joint Owners.**

2 **Q. What other misunderstandings or mischaracterizations did you identify in**
3 **Jacobs' testimony?**

4 **A.** I also take issue with Jacobs' characterization of the Company's position with
5 respect to joint owners. The Company has maintained contact with the potential
6 joint owners when there was a reason to have discussions with them. Jacobs
7 ignores the fact that most of the factors he claims demonstrates that joint
8 ownership participation in the LNP is not foreseeable were factors that were at
9 issue last year in the NCRC proceeding when the reasonableness of the
10 Company's decision to proceed with the LNP rather than cancel it was decided by
11 the Commission. (Jacobs Direct. Test., p. 13, L. 17-24). The joint owners were
12 well aware of this proceeding and this pending issue before the Commission.
13 Until the Commission determined that the Company's decision was reasonable,
14 there was no reason to discuss potential joint ownership with the potential joint
15 owners. After the Commission determined that the Company's decision to
16 proceed with the LNP was reasonable, the Company met with the joint owners. I
17 was present at these meetings, and I heard what the joint owners had to say,
18 Jacobs was not present and he therefore has no basis to opine on what interest the
19 potential joint owners do or do not have in the LNP. I can say that none of the
20 factors identified by Jacobs in his testimony were identified by the potential joint
21 owners as impediments to their ultimate participation in joint ownership in the
22 LNP. The potential joint owners continue to express their interest in joint
23 ownership in the LNP at the appropriate time.

1 (vi). **Public Support for the LNP and new nuclear projects.**

2 **Q. What about Jacobs' belief that there is diminished public support, do you**
3 **agree with his concern that this represents a lack of resolve for the LNP?**

4 **A.** No. I believe Jacobs' claimed assessment of what he calls the diminished public
5 support reflects a mischaracterization or misunderstanding of what I said in my
6 direct testimony. The Company evaluated the Fukushima incident and AP1000
7 Design issues as part of its qualitative assessment of the enterprise risks facing the
8 LNP. See Elnitsky May 2, 2011 Direct Test., p. 10, L. 16-23, p. 11, L. 1-3, 15-23,
9 p. 12, L. 1-19, p. 23, L. 14-23, p. 24-25, p. 26, L. 1-15. I did not say that these
10 enterprise risks diminished our resolve to proceed with the LNP on the current
11 program of record identified in the current LNP IPP attached as Exhibit No. ____
12 (JE-12) to my rebuttal testimony. They do not. Neither do the alleged Crystal
13 River Unit 3 ("CR3") publicity or the recent flooding at the Ft. Calhoun nuclear
14 power plant that Jacobs mentions. (Jacobs Test., p. 14, L. 10-13, L. 17-20).
15 While some of these enterprise risks may result in additional delays or costs
16 associated with the AP1000 design document review by the NRC or the LNP
17 COLA review, as I explained in my direct testimony, none of them are a reason at
18 this time for the Company to determine that the overall qualitative analysis of
19 enterprise risks favors a change in the Company's approach to the LNP.
20
21
22
23

1 (vii) **The Proposed Merger.**

2 **Q. Jacobs takes issue with your assessment that the proposed merger with Duke**
3 **Energy is a positive or favorable trend in the enterprise risks for the project.**
4 **Do you agree with him?**

5 **A.** No. I agree that the merger is not yet consummated, a point I made in my direct
6 testimony, but I disagree that this means the potential merger is not a favorable or
7 positive trend for the LNP. Jacobs acknowledges that the potential merger may
8 improve PEF's access to capital (Jacobs Test., p. 16, L. 5-8), which is the very
9 reason the credit rating agencies have expressed their views that the potential
10 merger is in fact a positive development for PEF, and the reason I explained this
11 was a favorable trend for the LNP. See Elnitsky May 2, 2011 Direct Test.,
12 Exhibit No. __ (JE-5). There is, therefore, no reason to speculate about future
13 "overt signals" from the credit rating agencies regarding the LNP and the
14 proposed merger as Jacobs does. (Jacobs Test., p. 16, L. 13-19). The credit rating
15 agencies are well aware of the Company's LNP and they have issued overt signals
16 that the proposed merger is a favorable development for PEF. See Elnitsky May
17 2, 2011 Direct Test., Exhibit No. __ (JE-5).

18
19 **V. PEF'S PROPOSED RATE MANAGEMENT PLAN IS APPROPRIATE**
20 **BECAUSE OF THE CURRENT COMPANY PLAN TO COMPLETE THE**
21 **LNP BY 2021 AND 2022.**

22 **Q. Jacobs objects to the Company's proposed rate management plan for the**
23 **LNP. Do you have any response to his objections?**

24 **A.** Yes. Mr. Foster will address Jacobs' incorrect characterization of the Company's
25 proposed rate management plan and the Commission's prior order approving that

1 plan. However, I wanted to address Jacobs' rank and incorrect speculation that
2 the Company's proposal is an indication that the Company is not committed to the
3 LNP. First, the exact opposite is true; the Company's proposal is an indication of
4 the Company's commitment to build the Levy Units on the current planned
5 schedule with in service dates for Levy Units 1 and 2 in 2021 and 2022. PEF
6 proposes its current rate management plan to reduce the customer rate impact due
7 to the LNP in 2013 and 2014 when the Company plans to increase spending on
8 the LNP under the current plan to meet the 2021 and 2022 scheduled in-service
9 dates for Levy Units 1 and 2.

10 Second, PEF is entitled to recover the costs under the LNP rate
11 management plan no matter what decision the Commission makes with respect to
12 the Company's proposal. These prudent costs do not represent "dollars remaining
13 to be recovered" in the sense that Jacobs apparently uses these words because
14 they are not subject to disallowance no matter what decision the Company makes
15 in the future with respect to the LNP. (Jacobs Test., p. 20, L. 7-9). These costs
16 were determined prudent by the Commission and, therefore, PEF is entitled to
17 recover them from customers, whether or not PEF in the future cancels the LNP
18 or completes the LNP.

19
20 **VI. CONCLUSION.**

21 **Q. What should the Commission determine in this proceeding?**

22 **A.** The Commission should determine the issues that must be decided by the
23 Commission in this proceeding. They are: (1) whether PEF's 2010 LNP costs are

1 prudent; (2) whether PEF's 2010 project management, contracting and oversight
2 controls are prudent; (3) whether PEF's 2010 accounting and cost controls are
3 prudent; (4) whether PEF's actual/estimated 2011 LNP costs are reasonable; (5)
4 whether PEF's projected 2012 LNP costs are reasonable; and (6) whether the
5 Commission should approve PEF's analysis of the long-term feasibility of
6 completing the LNP. On these issues the Company's testimony and other
7 evidence is undisputed. OPC has also raised again the issue of whether PEF
8 intends to proceed with the LNP sufficient to obtain cost recovery under the
9 nuclear cost recovery statute. Once again, PEF demonstrated its present intent to
10 build the LNP on the current project schedule and Jacobs cannot and does not
11 dispute that intent. Accordingly, I believe the Commission should decide these
12 issues favorable to PEF.

13
14 **Q. Does this conclude your testimony?**

15 **A. Yes.**

PROGRESS ENERGY

Levy Nuclear Project

Integrated Project Plan

New Generation Programs & Projects

March 29, 2011

Financial Analysis Control Number 2011-1532

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11PMA-DR1LEVY-11S-000001
11NC-OPCPD1-1-000024

March 29, 2011 Levy Nuclear Project

Key Project Contacts

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Director – NGPPD Business Services	Daryl O'Cain	770-3791
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Mgr – NPD Project Controls	Leigh Formanek	770-6377
Mgr – New Nuclear Finance	Joan Borger	280-2479
Supervisor – Project Controls (Nuclear)	Lewis Spragins	770-5376

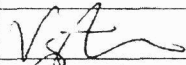

Plan Revision Control

Rev No.	Primary Author(s)	Revision Description	Rev Date
0.	G. Miller/ D. Roderick/ G. Furman	Initial Consolidated Presentation	09/05/08
1	V. Stephenson/S. Hardison	Interim update for schedule shift and funding for first quarter 2010 key milestones	12/18/09
2	V. Stephenson/S. Hardison	Rev 2 to approve 2010 annual spending for Levy Partial Suspension and provide updates related to decision to continue partial suspension	4/28/10
3	V. Stephenson/D. O'Cain	Rev 3 to approve 2011-12 annual spending for Levy Partial Suspension and provide updates related to decision to continue partial suspension	3/29/11

The plan is required to be updated for significant revisions of +/-5% and \$5 million impact to total project cost, approved milestone funding or annual budget or if schedule changes impact the in-service date.

March 29, 2011 Levy Nuclear Project

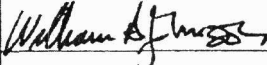
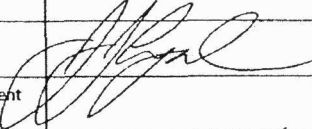
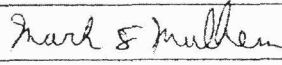
Project Review Group Approval

Approving Party	Reviewing Position	Signature	Date
John Elnitsky	VP – New Generation Programs & Projects		
Peter Toomey	VP – PEF Finance		
Vann Stephenson	GM – CDG Engineering		3/29/2011
Daryl O'Cain	Director – NGPPD Business Services		3/29/2011

Reviews were held with core support personnel for the integrated Levy project, including Legal and Contract Management.

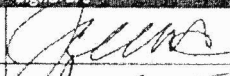
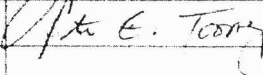
Senior Management Approval

This section contains formal sign-offs and approval of the IPP by senior management. "Approving" includes approving project milestone progression and funding.

Approving Party	Reviewing Position	Signature	Date
Bill Johnson	Chairman & CEO - PGN		3/29/11
Vinny Dolan	President & CEO – PGN Florida		
Jeffrey J Lyash	Executive VP – Energy Supply		3/29/11
Paula Sims	Senior VP – Corporate Development & Improvement		
Mark F Mulhern	Chief Financial Officer		3/29/11

March 29, 2011 Levy Nuclear Project

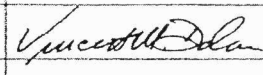
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March 29, 2011 Levy Nuclear Project

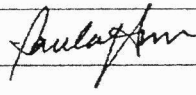
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Reviews were held with core support personnel for the integrated Levy project, including Legal and Contract Management.

Senior Management Approval

This section contains formal sign-offs and approval of the IPP by senior management. “Approving” includes approving project milestone progression and funding.

Approving Party	Reviewing Position	Signature	Date
Bill Johnson	Chairman & CEO - PGN		
Vinny Dolan	President & CEO – PGN Florida		
Jeffrey J Lyash	Executive VP – Energy Supply		
Paula Sims	Senior VP – Corporate Development & Improvement		3/29/11
Mark F Mulhern	Chief Financial Officer		

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1. EXECUTIVE SUMMARY

OVERVIEW

The scope of the Levy Nuclear Project (LNP) includes two (2) 1,105-MWe AP1000™ reactors, the combined operating license (COL) and related transmission additions/upgrades. The COL is anticipated to be received in mid-2013, supporting Unit 1's commercial operation date scheduled for mid-2021 and Unit 2 eighteen months later. As of the last transmission study, the transmission requirements include two (2) new 500/230kV substations, approximately 91 miles of 500 kV and 88 miles of 230kV transmission lines, upgrades to five (5) transmission substations and two (2) new distribution substations, as well as certain low-voltage line upgrades to accommodate the added nuclear generation.

Since the previous IPP update April 28, 2010, no significant changes in project scope have occurred. With regard to the transmission portion of the project, additional system planning studies are expected to begin in October 2011 and be completed by 2012. As a result of the transmission study, the project team anticipates the transmission scope associated with the Levy project may be reduced based upon the shift in the commercial operation date; however, PEF will not know the actual impact to the transmission scope until the updated transmission study is completed, the results are analyzed, and the project work scope based on the study is defined and estimated.

In November 2010, the NRC provided an updated review schedule for the Levy COLA and it is now anticipated to be completed by mid-2013, with no anticipated impact to the overall project schedule. No other significant schedule changes within the project have occurred since the previous IPP.

There has been no change to the overall project cost estimate which includes costs associated with long-lead equipment (LLE) purchase order (PO) disposition.

PEF anticipates completion of the annual feasibility analysis in advance of the May 1 regulatory filing, and as of the date of this IPP, directional guidance based on 2010 results indicates that the Levy project remains favorable in more cases than not.

RECOMMENDATION

The project team recommends continued funding of approximately [REDACTED] through mid-2012. The anticipated 3-year spend (2011-2013) is approximately [REDACTED] including the LLE PO disposition costs, some of which continue to be under negotiation with Westinghouse Electric Company (WEC). The project team will return in mid-2012 with an update and any needed funding requests.

This funding will allow the Company to preserve the long-term benefits of nuclear generation – improved fuel portfolio diversity, reduced reliance on fossil fuels, carbon free energy generation, and base load capacity at a low cost fuel source. It will also allow for the continued deferral of significant capital investment until after the COL is obtained, which will benefit PEF's customers by

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continuing to maintain lower near-term project costs during the continuing recessionary period. It also benefits the Company by deferring capital expenditures to a later time period when the Company may benefit from, among other things, additional certainty with respect to federal and state energy policy, plant licensing, and improved economic and financial conditions.

2. SCOPE UPDATE

When completed, the Levy project will add approximately 1,105 MWe of electrical generating resources to the PEF system in the summer of 2021, and 1,105 MWe of electrical generating resources to its system eighteen months later, with two state-of-the-art Westinghouse AP1000™ Advanced Passive nuclear power plants in Levy County, Florida. Additional transmission will also be constructed to support the addition of the Levy Plant.

There have been no significant changes in scope for the COLA or Generation portions of the project and PEF continues to review the impact of the schedule shift on the transmission portion of the LNP. Most of the transmission activities will be deferred past receipt of the COL and will be rescheduled based on projected in-service dates for the Levy Plants scheduled for mid-2021 and Unit 2 eighteen months later. Additional system planning studies that may impact overall Levy Transmission project scope are expected to begin in October 2011 and be completed by 2012. PEF will not know the impact to the transmission scope until the updated transmission study is completed, the results are analyzed, and the project work scope based on the study is defined and estimated.

3. COST UPDATE

An updated construction and milestone payment schedule will be negotiated with the Consortium nearer to receipt of the LNP COL when pre-license risks are mitigated. The project team has completed a true-up of the 2010 baseline estimate to reflect actual 2010 costs and completed LLE changes for certain equipment. Based upon this true-up, the project team has no change to the overall expected cost of the Levy Project, and maintains the estimate approved in 2010. This estimate continues to assume Unit 1 goes in-service mid-2021 and Unit 2 in-service eighteen months later. The table below provides the key components of the estimate (\$ in millions):

#	Description	PTD Actual (Feb 2011)	Est. to Complete	Est. at Completion
1	Transmission			
2	T-Lines			
3	Substations			
4	Real Estate			
5	PE Indirects / Staffing			
6	Owner Contingency			
7	Escalation (Owner & Contractor)			

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#	Description	PTD Actual (Feb 2011)	Est. to Complete	Est. at Completion
8	Financial Burdens			
9	Subtotal- Transmission			
10				
11	Generation			
12	EPC			
13	EPC Base Scope			
14	EPC Inc. Schedule Shift			
15	Design Change Proposals (DCPs)/ Current Change Orders (COs)			
16	EPC Contract Contingency			
17	Estimated EPC Escalation			
18	Subtotal EPC			
19				
20	Owner Managed Scope			
21	COLA (Labor & Contingency in Owner Labor & Contingency line items.)			
22	Owner Managed Scope			
23	Owner Labor & Staff Augmentation			
24	Perm Plant Equip (Spares, Maintenance Equip etc.)			
25	Real Estate			
26	Other Owner Indirects (Fees, Permits, Taxes, Warranty, Ins, Temp Facilities, etc.)			
27	Subtotal Owner Managed Scope			
28				
29	Other			
30	Owner Escalation			
31	Owner Contingency			
32	Financial Burdens			
33	Subtotal- Other			
34				
35	Total w/o Fuel			
36				
37	Fuel			
38	Fuel			
39	Total with Fuel			\$17,635

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Key assumptions of the estimate include:

1. Class 5 / Class 4 estimate according to Association for the Advancement of Cost Estimating International (AACEI) Guidelines
2. In-service dates are: Unit 1 Jun-21, U2 Dec-22
3. General terms of the existing EPC contract were maintained
4. Estimate excludes AFUDC
5. Estimate includes estimated escalation dollars through in-service dates
6. *Assumed partial suspension through COL (mid-2013)*
7. Allowances were estimated for incremental costs associated with partial suspension

Existing EPC terms and conditions apply to elements of the EPC contract

- Owner's cost are based on assumed staffing curves derived from project team's best available forecasts
- Transmission estimate is based on route studies and system needs completed during 2006-2008. The shift in the project schedule and changes in the state-wide transmission system will necessitate a review of the existing Transmission Study based on the projected in-service dates.

The current 3-year plan for spending under the partial suspension is included in the table below, stated in millions of dollars:

	PTD 2010	Forecast				2011-13 3-Yr Total
		2011	2012	2013		
Estimate of Near-Term Costs						
EPC Payments						
LLE Payments & WEC Support						
LLE PO Disposition Costs						
Transmission						
COLA						
Wetland mitigation						
Other Owner's Cost						
Totals						

The most recent long-range capital plan provided to PEF in October 2010 contained cash flows of _____ respectively for years 2011 through 2013. Increases from that October 2010 plan to the current estimated amounts presented above are comprised of LLE PO disposition costs as well as additional costs for owner managed scope (AP1000™ Design Change Proposals (DCPs), permits, taxes, warranties, insurance, etc.), ramp-up of PGN labor, Transmission strategic right-of-way land acquisition, wetland mitigation, and contract design/engineering.

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Due to the relatively small values for net AFUDC and the minor changes in the anticipated 2011 to 2013 costs, net AFUDC has not been re-estimated based on the amounts presented in the table above.

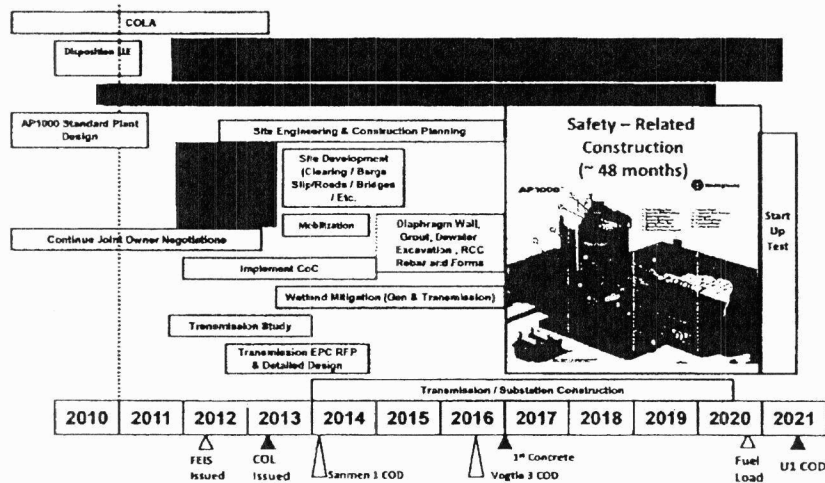
As noted, the above table includes estimated one-time costs which may arise as part of LLE PO disposition with WEC. Although the timing and nature of the LLE costs have not been fully negotiated with WEC, the project team currently estimates this figure at no greater than [REDACTED] for 2011. In the May 2010 NCRC regulatory filing, the project team included an estimate of [REDACTED] for these costs; the reduction in estimated one-time disposition costs is primarily related to ongoing successful negotiation with WEC regarding suspension opportunities for certain LLE.

2010 actual costs were [REDACTED] compared to [REDACTED] approved by SMC at the April 2010 IPP. The difference is primarily attributable to lower than expected LLE PO disposition costs as noted above.

4. SCHEDULE UPDATE

The project team is implementing the previously approved schedule shift in an effort to meet the objective of moving significant costs and risk past the receipt of the COL. The COL is currently expected to be received in mid-2013. The scheduled commercial operation date for Unit 1 is June 2021 with Unit 2 following eighteen months later.

The illustration below is an executive summary schedule that includes key schedule activities for the project. Activities that will take place in 2011 are highlighted in yellow.



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Key Project Work Planned for 2011 and First Half of 2012

#	Description	Planned Date
1		
2	Complete the Site Certification Conditions of Certification (CoC) schedule	Apr-11
3	Complete the Roller Compacted Concrete (RCC) Mix Design Program	May-11
4	Complete the RCC Specialty Testing Program	May-11
5		
6	Submit Revision 3 to the Levy COLA to incorporate revisions based on the approved AP1000™ DCD revision	Oct-11
7	Start review of existing transmission study	Oct-11
8		
9		
10		
11	Receive FEIS	Apr-12
12	Receive FSER	Apr-12
13	Start mandatory and contested hearings	May-12
14		
15	Receive 404 permit	Jul-12

In addition, the following ongoing activities will continue in the timeframe noted above:

- Work with the NRC and Westinghouse to resolve outstanding issues and obtain approval for the AP1000™ DCD revision
- Continue to provide responses to NRC RAIs pertaining to the Levy COLA and Environmental Report
- Perform a benchmarking of Licensing activities with Southern Company's Vogtle Units 3 & 4 and continue to monitor Licensing activities at SCANA's V. C. Summer Units 2 & 3
- Continue engineering support of NuStart Standard Plant Design Finalization
- Support NRC Advisory Committee on Reactor Safeguards (ACRS) meetings/presentations
- Continue engineering support of joint AP1000™ Owners Group's (APOG) efforts in Engineering Program development
- Develop/refine detail schedule segments for near-term work
- Continue strategic land acquisition for the transmission lines during partial suspension period

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5. RISK MATRIX

Risks for the Levy project are identified, assessed and categorized by following PJM-SUBS-00008. Due to the size and complexity of the Levy project, the Levy Non-COLA Near-Term Risk Register follows the Enterprise Risk Management Standard impact scale from ERM-SUBS-00021.

5.1.1 Top Tier Project Risks - COLA:

The following risk matrix includes the top nine COLA project risks:

1. Changes to security rules may delay NRC review and require design changes in physical plant arrangement
2. Complex RAI – Probable Maximum Tsunami
3. Complex RAI – Seismic/Structural
4. Contested hearings could impact schedule
5. Failure to control Design Changes impacting license
6. Lack of public acceptance influences decision-makers
7. Lack of understanding of the permitting process and ineffective scheduling
8. QA Program Implementation
9. Resolution of Least Environmentally Damaging Practicable Alternative (LEDPA) analysis for USACE could delay licensing proceedings

Probability						
	Very High [90-100%]					
	High [66-89%]					
	Moderate [34-65%]					
	Low [11-33%]					
	Very Low [0-10%]					9.
		Minimal	Moderate	Significant	Severe	Critical
		<\$2M	<\$5M	<\$10M	<\$15M	>\$15M

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Quantification of Risk – COLA:

Marker	Short Name	EMV
1	Changes to security rules may delay NRC review and require design changes in physical plant arrangement	
2	Complex RAI- Probable Maximum Tsunami	
3	Complex RAI- Seismic/Structural	
4	Contested hearings could impact schedule	
5	Failure to control Design Changes impacting license	
6	Lack of public acceptance influences decision-makers	
7	Lack of understanding of the permitting process and ineffective scheduling	
8	QA program implementation	
9	Resolution of LEDPA analysis for USACE could delay licensing proceedings	
Total Risk Exposure - All Risks [\$M]		

Discussion of "yellow" and "red" risk items from the COLA risk matrix are provided below; please see the Appendix for discussion of remaining risks.

9. Resolution of LEDPA analysis for USACE could delay licensing proceedings

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-------------------------------------	-------------	-----	---------------	-----	--------	-----

Risk: USACE has questions regarding the LEDPA analysis. If the USACE/EPA questions regarding the LEDPA cannot be resolved in a reasonable time, then the FEIS and 404 permit schedules could be impacted.

Trend: Previous IPP: Probability = Moderate, Impact = Significant
Current IPP: Probability = Very Low, Impact = Critical

Response/Plan: The project team will provide detailed analysis to USACE that clearly shows that Levy is the LEDPA site. The project team will also establish routine meetings with USACE to identify concerns, significant challenges and open items.

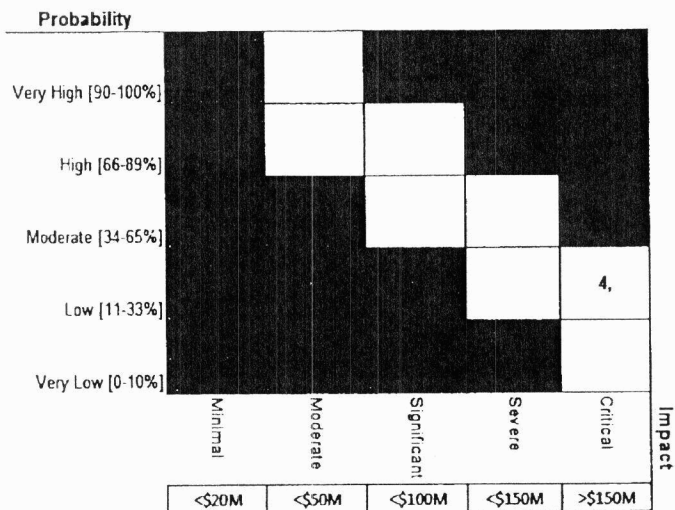
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5.1.2 Top Tier Project Risks – Non-COLA Near Term:

The following risk matrix includes the top twelve non-COLA “near term” project risks (risks prior to issuance of the Full Notice to Proceed (FNTF)):

2. LLE Negotiations – [REDACTED]
3. LLE Negotiations – [REDACTED]
4. [REDACTED]
5. Potential changes to transmission scope
6. [REDACTED]
7. [REDACTED]
8. [REDACTED]
10. Changes in timing and scope of Crystal River switchyard work
11. [REDACTED]
12. Recruiting nuclear operators
13. Land acquisition to support transmission, pipeline routing and wetland mitigation
14. Recruiting project staffing and project controls refinement



*Note: Impact ranges are based on ERM-SUBS-00021 [Enterprise Risk Management Standard]

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Quantification of Risk – Non-COLA Near Term:

Marker	Short Name	EMV
2	LLE Negotiations-	
3	LLE Negotiations-	
4		
6		
7		
8		
10	Changes in timing and scope of Crystal River switchyard work	
11		
12	Recruiting nuclear operators	
13	Land acquisition required to support transmission, pipeline routing and wetland mitigation	
14	Recruiting project staffing and project controls refinement	
Total Risk Exposure - All Risks [\$M]		

The following item from the risk matrix is presented separately as an opportunity as it relates to a potential reduction in scope and overall project cost:

Marker	Short Name	EMV
5	Potential changes to transmission scope	

Discussion of "yellow" and "red" risk items from the Non-COLA Near Term risk matrix are provided below; please see the Appendix for discussion of remaining risks.

4. [REDACTED]

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-------------------------------------	-------------	-----	---------------	-----	--------	-----

Risk:

[REDACTED]

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Trend: Previous IPP: New Risk
Current IPP: Probability = Low, Impact = Critical

Response/Plan:



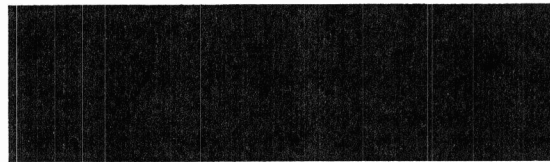
6.



Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	n/a	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-----	-------------	-----	---------------	-----	--------	-----

Risk:



Trend: Previous IPP: New Risk
Current IPP: Probability = Moderate, Impact = Critical

Response/Plan:



5.2 Enterprise Risk Summary

In addition to the project-specific risks previously discussed, there are a number of enterprise risks that are generally outside the control of the Company and can affect the Company's ability to proceed with the LNP project.

These enterprise risks are constantly monitored as part of the LNP risk management and include economic conditions in Florida; economic conditions for the Company including capital market reactions; load growth impacts; customer rates for nuclear generation; continued state legislative support for nuclear generation; state energy efficiency policy and regulation; state energy and environmental policy and regulation; federal energy and environmental policy and regulation; and federal support for nuclear generation.

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The Company continues to consider the effects of the enterprise risks in its qualitative analysis of the feasibility of completing the LNP. The Company's evaluation of the enterprise risks identified for the LNP involves identifying events or circumstances that represent fundamental changes in the project's enterprise risks. While the Company has seen slight movement in some of the enterprise level risks, at this time the Company does not believe that these shifts represent a fundamental change that prevents the Company from completing the LNP. Rather, these risk events confirm that the LNP should continue to proceed at a slower pace with a narrowed scope of near term work.

It is too early to assess the impact that the recent events in Japan may have, but is clear that these events will result in a review of regulatory and design requirements which could impact AP1000TM Design Certification or COLA schedules. In addition, these events have raised public concerns regarding nuclear plant safety which could reduce public support for new nuclear, introduce new contention challenges to COLA approval, increase the risk premium for financing or reduce interest in joint ownership. However, the events in Japan do highlight some positive factors for the LNP COLA when compared with Fukushima:

- AP1000TM is a passive design and has no reliance on emergency diesel generators for safety-related power;
- The LNP site is located in an area of low seismic risk;
- The LNP site selection avoids additional concentration of generation at the Crystal River site;
- The LNP site is located several miles inland and at an elevation of 50 feet; and
- The tsunami at Fukushima has been reported at 14 meters (47 feet). Although a tsunami of this magnitude is considered to be unrealistic in the Gulf of Mexico, evaluation has determined that a tsunami of this magnitude would not result in flooding of the LNP.

The Company also recognizes that there are risks associated with all LNP regulatory approvals and schedule milestones in the Company's risk management process including approvals for the FSEIR, the review and issuance of a FEIS, and a formal hearing for any admissible contentions to the COL issuance by the NRC Atomic Safety and Licensing Board (ASLB). All three parts must be completed before a COL can be issued to PEF for the LNP.

The Company works closely with the NRC and other state and federal regulatory agencies whose decisions affect the LNP schedule to monitor and analyze schedule determinations and events affecting the LNP COLA review schedule.

6. FEASIBILITY ASSESSMENT – SUMMARY

The Florida Public Service Commission (FPSC) Nuclear Cost Recovery Clause (NCRC) Rule and Order No. PSC-09-0783-FOF-EI require annual feasibility studies. These feasibility assessments were last completed in April 2010 and filed with the FPSC on April 30, 2010. Updates are being prepared for inclusion in the NCRC filings scheduled for April 29, 2011. As the discussion below reflects, it is anticipated that the results of the updated CPVRR assessment will indicate that the plan including the LNP is favorable in more cases than not.

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One aspect of the feasibility assessment is a life-cycle net present worth assessment (also known as cumulative present value of revenue requirements, or CPVRR) of the project. These CPVRR assessments are typically prepared by PEF's System Planning group in support of need petitions. In the 2009 NCRC Proceeding, FPSC Staff required that PEF provide an updated CPVRR analysis for the LNP in a manner consistent with the assessment filed in the Need Proceeding (FPSC Docket 080148-EI). The CPVRR assessment was updated for the 2010 filing based on the Company's current forecasts and the revised anticipated construction schedule and cost estimate. Based on the forecast assumptions used in the 2010 filing, the results of the CPVRR assessment indicated that the plan including the LNP would be favorable in more cases than not. Based on the information presented in the 2010 filing, including the CPVRR study updates and other qualitative factors set forth, the LNP was deemed feasible based on PEF's assessment of the revised estimate and forecasts.

In anticipation of this requirement in the 2011 NCRC Proceeding, PEF is in the process of updating the CPVRR assessment based on the Company's current forecasts for submission in the 2011 filing, and the results of this assessment are not yet available. However, the results submitted in the 2010 filing provide directional guidance on the results anticipated in the updated studies and can be referred to for the purposes of this IPP update.

In considering the results submitted in the 2010 filing, several key considerations provide guidance on referring to the 2010 results at this juncture.

- Capital expenditures for the LNP and alternative projects are one of the key inputs to the feasibility assessment. The "rough order of magnitude (ROM)" estimates prepared for the 2010 filing for projected in-service dates of June 2021 for Unit 1 and December 2022 for Unit 2 are still applicable as a basis for these feasibility updates with minor refinements incorporated in the cost estimate provided in Section 3. While these are being updated and refined for the assessment underway, they are very similar to the forecasts used in the 2010 study.
- The long range expectations for cost of capital and operating costs, long-range forecasts of customer growth, and expectations surrounding future environmental legislation are also among the key inputs. In each of these areas, the forecasts being developed for use in the updated assessment are very similar to those used in the 2010 study.
- The long range forecasts for fuels have changed since the 2010 study was performed. The forecasts used in the 2010 study provide forecast sensitivities that are similar to the forecast ranges being developed for the updated assessment which provides reference points for this review.

In addition to completing the feasibility analysis, the importance of the long term benefits of the LNP cannot be ignored or dismissed. These long term benefits are consistent with the legislative policy of this state and the purpose of the nuclear cost recovery statute and are the reasons to encourage utility investment in nuclear power plants. The Commission must determine whether the nuclear power plant will provide the most cost effective source of power taking into account the need to improve the balance of fuel diversity, reduce Florida's dependence on fuel oil and natural gas, reduce

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air emission compliance costs, and contribute to the long-term stability and reliability of the Florida electric grid.

The CPVRR assessments performed address the relative impacts of key forecast sensitivities on the life cycle cost effectiveness projections for the optimized PEF resource plans including LNP (LNP Plan) and competing resource plans excluding the LNP (an All Gas Reference Plan). The results summary tables report the differences in CPVRR between these competing plans. A positive value in the results table depicts a scenario where the LNP Plan is economically favorable to the All Gas Reference Plan over the life cycle period being evaluated.

The first CPVRR summary table below refers to the sensitivities surrounding fuel forecasts and carbon policy scenarios. The fuel forecast sensitivities assessed address the relative impacts of the selected fuel forecast scenarios on life cycle cost effectiveness projections for both plans. From the 2010 studies, the Low BW fuel sensitivity is comparable to the mid reference fuel forecast being developed for the 2011 update, so the columns on the summary table have been annotated to reflect this relative shift. This provides an approximation of the results of the pending study and is intended to offer directional guidance for early review. The CPVRR results for carbon policy scenarios assess the relative cost impacts of compliance with carbon emission restrictions which may be influenced by factors including, but not limited to, the compliance levels required, the timing of policy implementation and the technologies and advancements believed to be available to help reduce emissions in the future. The carbon emission cost forecasts are the same as those used in the 2010 study.

Preliminary 2011 Estimates Based on 2010 Results					
Fuel Sensitivities			Levy Case Versus All Gas CPVRR \$Million		
April 2010 Results - 100% Ownership, 2021 COD - 6.75%					
2010 Base Capital Reference Case	Low Fuel Reference	Low BW Fuel	Mid Fuel Reference	High BW Fuel	High Fuel Reference
2011 Preliminary Indications ➡➡	2011 Low Estimate	2011 Mid Estimate		2011 High Estimate	
No CO2	(\$11,170)	(\$3,545)	\$5,755	\$5,069	\$19,776
EPA WM	(\$7,437)	\$865	\$4,792	\$8,908	\$23,614
CRA WM	(\$5,145)	\$3,309	\$7,201	\$11,330	\$26,001
EPRI Full	(\$2,843)	\$5,796	\$8,669	\$13,817	\$21,450
EPRI Ltd	\$2,110	\$10,935	\$14,748	\$18,867	\$33,593
April 2010 Results - 50% Ownership, 2021 COD - 6.75%					
2010 Base Capital Reference Case	Low Fuel Reference	Low BW Fuel	Mid Fuel Reference	High BW Fuel	High Fuel Reference
2011 Preliminary Indications ➡➡	2011 Low Estimate	2011 Mid Estimate		2011 High Estimate	
No CO2	(\$6,496)	(\$2,461)	(\$2,133)	\$1,880	\$9,494
EPA WM	(\$4,601)	(\$371)	\$1,633	\$3,738	\$11,354
CRA WM	(\$3,441)	\$813	\$2,801	\$4,900	\$12,510
EPRI Full	(\$2,260)	\$2,080	\$4,036	\$6,160	\$13,693
EPRI Ltd	\$235	\$4,678	\$6,605	\$8,709	\$16,129

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The second CPVRR results summary table below provides the sensitivities surrounding capital cost forecasts and carbon policy scenarios. In these sensitivities, the initial capital costs of the LNP and the competing alternatives are adjusted in a range of (-15%) to (+25%) to assess the relative impacts on life cycle cost effectiveness comparisons between the plans. The carbon policy sensitivities are the same. For consistency with the first table, the "Mid Fuel Reference" values have been adjusted to reflect the values from the 2010 studies that were previously associated with the Low BW Fuel forecast scenario.

Preliminary 2011 Estimates Based on 2010 Results						
CapEx Sensitivities			Levy Case Versus All Gas CPVRR \$Million			
April 2010 Results - 100% Ownership, 2021 COD - 6.75%						
2010 Low BW Fuel Reference Case	LNP CapEx (15%)	LNP CapEx (5%)	Low BW Fuel	LNP CapEx +5%	LNP CapEx +15%	LNP CapEx +25%
2011 Preliminary Indications	LNP CapEx (15%)	LNP CapEx (5%)	2011 Mid Estimate	LNP CapEx +5%	LNP CapEx +15%	LNP CapEx +25%
No CO2	(\$2,000)	(\$3,030)	(\$3,545)	(\$4,060)	(\$5,090)	(\$6,119)
EPA WM	\$2,410	\$1,380	\$865	\$350	(\$680)	(\$1,709)
CRA WM	\$4,854	\$3,824	\$3,309	\$2,794	\$1,764	\$734
EPRI Full	\$7,341	\$6,311	\$5,796	\$5,281	\$4,251	\$3,221
EPRI Ltd	\$12,480	\$11,450	\$10,935	\$10,420	\$9,390	\$8,360
April 2010 Results - 50% Ownership, 2021 COD - 6.75%						
2010 Low BW Fuel Reference Case	LNP CapEx (15%)	LNP CapEx (5%)	Low BW Fuel	LNP CapEx +5%	LNP CapEx +15%	LNP CapEx +25%
2011 Preliminary Indications	LNP CapEx (15%)	LNP CapEx (5%)	2011 Mid Estimate	LNP CapEx +5%	LNP CapEx +15%	LNP CapEx +25%
No CO2	(\$1,691)	(\$2,204)	(\$2,461)	(\$2,717)	(\$3,230)	(\$3,743)
EPA WM	\$399	(\$115)	(\$371)	(\$628)	(\$1,141)	(\$1,654)
CRA WM	\$1,583	\$1,070	\$813	\$557	\$44	(\$469)
EPRI Full	\$2,849	\$2,336	\$2,080	\$1,823	\$1,310	\$797
EPRI Ltd	\$5,448	\$4,935	\$4,678	\$4,422	\$3,909	\$3,395

Given the range of forecast assumptions and the relative comparisons that are possible reflecting back on the 2010 results, it is anticipated that the results of the updated CPVRR assessment will indicate that the plan including the LNP is favorable in more cases than not.

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7. CONTRACT UPDATE

The table below identifies the major contracts that have been issued by PEF for the Levy Project. PEF has contracted with the Joint Venture Team (JVT) of Sargent & Lundy, CH2M Hill, and WorleyParsons for preparation and support of the COLA and SCA. PEF has contracted with a Consortium comprised of Westinghouse Electric Company and Stone & Webster for the engineering and procurement of plant equipment (including the nuclear island and balance-of-plant equipment) as well as for the construction of the plant. Finally, PEF has contracted with WEC for the fabrication of the initial core load of nuclear fuel.

Levy Major Contract Portfolio (\$ in millions)

Contractor Name	Contract Type	2010 IPP Value	Current Value (Notes 2, 3)
EPC Consortium (Westinghouse Electric Company, Stone & Webster Inc.)	Various (Note 1)		
Westinghouse Electric Company – Nuclear Fuel Initial Core Load	Firm		
Joint Venture Team (Sargent & Lundy, CH2M Hill, WorleyParsons)	T&M		

Note 1 –

Note 2 –

Note 3 –

EPC Consortium increase from 2010 IPP:

-
-
-
-

JVT increase from 2010 IPP:

- Additional NRC RAI Support
- Offset Boring Program
- Roller Compacted Concrete (RCC) and bedding mix design
- RCC specialty testing
- Foundation design calculation revisions

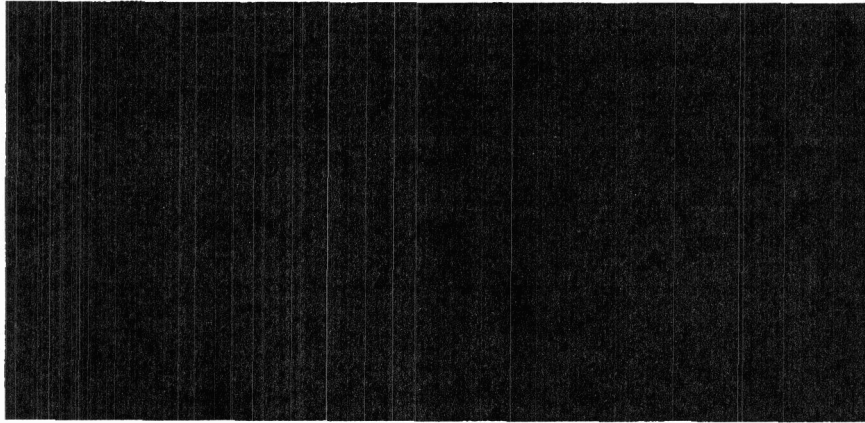
REDACTED

March 29, 2011 Levy Nuclear Project

7.1 LONG LEAD EQUIPMENT UPDATE

The timeline below includes key activities for LLE disposition.

Key Points:



Long Lead Equipment Summary:

- June 2010 – LLE PO disposition evaluation was completed. (Results of the LLE evaluation showed _____)
- July 2010 – Project team began working with Consortium and LLE vendors to negotiate selected disposition
- September 2010 - Consortium receives preliminary LLE continue/suspension terms from vendors
- February 1, 2011 – Consortium provided final information package _____
- Targeting completion of LLE negotiations by April 2011

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Long Lead Equipment Status by Component (as of 3/18/2011):

Equipment	June 2010 Recommendation	Current Disposition (as of 3/18/2011)	Notes
[REDACTED]			

8. REGULATORY

Updates to the COL schedule and status are discussed in detail in Sections 2 and 4 of this IPP. The COL is expected to be issued by the NRC early to mid-2013.

In addition to the COL, PEF must obtain required environmental permits to support LNP plant construction and operation. Environmental permitting for the LNP involves certain basic steps: first, an application to the NRC for a COL; second, an application to the State of Florida for site certification; and third, applications for certain additional federal environmental permits, including the following:

- National Pollutant Discharge Elimination Permit for water discharge
- Prevention of Significant Deterioration air permit
- 316(b) demonstration for the proposed cooling water intake
- U.S. Army Corps of Engineers Section 404 and Section 10 permits to construct structures in wetlands and regulated waterways
- Hazardous waste management and disposal
- Determination of consistency under the requirements of the Coastal Zone Management Act to ensure the LNP is consistent with existing federal and state coastal zone management plans.

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The Florida Power Plant Siting Act mandates a site certification process for obtaining a single site-related license that will include state, regional, and local requirements for construction and operation of an energy facility of the type and magnitude of the LNP and associated transmission system additions. The Site Certification for LNP was approved by the State on August 26, 2009.

Initial coordination has begun and will continue through meetings and informal consultations as the Environmental Impact Statement (EIS) is developed. During the EIS development process, the regulatory agencies will be a part of the stakeholder group, and therefore, are likely to provide formal comments on the draft and final EIS. Several of the permit processes can be started prior to finalization of the EIS; however, it is likely that coordination with the regulatory agencies will influence the exact timing and submission of the permits associated with this project.

The Final EIS is being prepared by the NRC with the U.S. Army Corps of Engineers (USACE) as a cooperating agency. The Draft EIS was issued for comment in August 2010. The USACE will use the Final EIS as a basis for their Record of Decision to grant the Clean Water Act Section 404 Dredge and Fill Permit, which will be needed to allow construction activities in waters of the State.

Current milestones for the safety and environmental reviews are shown below:

Safety Review Phase	Target Date
Phase A – RAIs and Supplemental RAIs	5/5/10 (Completed 3/24/10)
Phase B – Advanced Safety Evaluation Report	September 2011
Phase C – Advisory Committee on Reactor Safeguards (ACRS) Review	January 2012
Phase D – Final Safety Evaluation Report (FSER) Issued	April 2012
Environmental Review Phase	Target Date
Phase 1 – Environmental Scoping Report	5/28/09 (Complete)
Phase 2 – Draft Environmental Impact Statement (DEIS)	8/5/10 (Complete)
Phase 3 – Responses to Public Comment on DEIS	November 2011
Phase 4 – Final Environmental Impact Statement (FEIS)	April 2012

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Three contentions were initially admitted and one environmental contention has been dismissed. There was one additional contention filed at the time of the Draft Environmental Impact Statement (DEIS) that is under review by the ASLB [ref. No. 12 below]. The two admitted contentions [ref. No. 4a and 8a below] and any additional contentions admitted must be resolved by the hearing process prior to COL approval; the table below provides a summary of all contentions as of 3/18/2011.

Summary of LNP COLA Contentions (as of 3/18/2011):

Green – Contention dismissed; Yellow – Contention in review; Red – Contention confirmed for hearing

Contention		Admitted	Appeal	Filed at DEIS or Late File	Appeal	Confirmed for Hearing
No.	Title					
		Not Admitted				
		Not Admitted				
		Not Admitted				
				Admitted		
		Not Admitted				
		Not Admitted				

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Contention		Admitted	Appeal	Filed at DEIS or Late File	Appeal	Confirmed for Hearing
No.	Title					
8a	Revised – Low Level Waste – Safety Considerations			Admitted	Reconsideration Denied. Will request dismissal after FSAR update. Also, NRC Staff appeal pending	
		Not Admitted				
		Not Admitted				
		Not Admitted				
12	LNP Not Obviously Superior Site and Prevents Restoration of Withlacoochee River			ASLB Review		

NRC approval of the Westinghouse AP1000™ Design Control Document (DCD) revision is also required to support issuance of the LNP COLA. Based on the revised NRC review schedule we expect to receive the LNP COL in mid-2013.

In addition, PEF and/or its contractors will be required to follow and adhere to all applicable state and federal Occupational Safety and Health Administration (OSHA) regulations and requirements regarding worker safety. All necessary permits will be obtained prior to and during the pre-construction and construction phases of the project.

Finally, the project team has worked with Regulatory Planning and PEF legal counsel during late 2010 through the current date to ensure all key cost recovery milestones are met. The following items are complete through the first quarter of 2011:

- Data Request 1 (Nuclear Controls Review)
- 2010 Cost true-up filings and associated testimony to support 2010 costs
- Support of FPSC financial audit

Key cost recovery milestones over the next 60 days include April 29 filings for cost projections and feasibility, associated testimony and response to ongoing data requests as we prepare for Nuclear Cost Recovery hearings scheduled for August 2011.

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APPENDIX

Definitions & Acronyms:

- AACEI – Association for the Advancement of Cost Estimating International
- ACRS – Advisory Committee on Reactor Safeguards
- AFUDC – Allowance for Funds Used During Construction
- APOG – AP1000™ Owners Group
- ASER – Advanced Safety Evaluation Report
- ASLB – Atomic Safety and Licensing Board
- CO – Change Order
- COL(A) – Combined Operating License (Application)
- CPVRR – Cumulative Present Value of Revenue Requirements
- DCD – Design Control Document
- DCP – Design Change Proposal
- DEIS – Draft Environmental Impact Statement
- EIS – Environmental Impact Statement
- EPA – Environmental Protection Agency
- EPC – Engineering, Procurement and Construction
- FDEP – Florida Department of Environmental Protection
- FEIS – Final Environmental Impact Statement
- FNTF – Full Notice to Proceed
- FPSC – Florida Public Service Commission
- FSER – Final Safety Evaluation Report
- JVT – Joint Venture Team
- LEDPA – Least Environmentally Damaging Practicable Alternative
- LLE – Long Lead Equipment
- LOLA – Loss of Large Areas
- LLW – Low-Level Waste
- NCRC – Nuclear Cost Recovery Clause
- NEI – Nuclear Energy Institute
- NGPPD – New Generation Programs & Projects Department
- NRC – Nuclear Regulatory Commission
- PO – Purchase Order
- RAI – Request for Additional Information
- RCC – Roller Compacted Concrete
- SCA – Site Certification Application
- SER – Safety Evaluation Report
- SGI – Safeguards Information
- SSI – Soil-Structure Interaction
- USACE – US Army Core of Engineers

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Discussion of "green" risk items from the COLA risk matrix:

1. Changes to security rules may delay NRC review and require design changes in physical plant arrangement

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-------------------------------------	-------------	-----	---------------	-----	--------	-----

Risk: If security rule changes are significant, then changes to plant configuration and design may result in delays in the NRC review schedule.

Trend: Previous IPP: New Risk
Current IPP: Probability = Moderate, Impact = Minimal

Response/Plan: The project team will do the following:

- Develop plan to address Loss of Large Areas (LOLA) new reactor construction security.
- Ensure security plans comply with appropriate Nuclear Energy Institute (NEI) documents and NRC Reg. Guides and follow reference plant guidance as much as practical.
- Continue to monitor NRC position on security items related to new plant development.
- Continue participation with NEI New Plant Security Committee and NuStart New Plant Security Task Force.
- Routinely attend NRC hosted information sessions related to:
 - a. Construction security
 - b. Construction FFD
 - c. Construction access control
 - d. Safety and security interface
 - e. Aircraft impact
 - f. NRC position on Safeguards Information (SGI) handling
 - g. Possible DBT changes that may affect construction security
- Maintain NGPPD Security representation and focus on facilitating discussion and/or implementing Progress Energy agenda on items related to new security regulations.

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2. Complex RAI – Probable Maximum Tsunami

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-------------------------------------	-------------	-----	---------------	-----	--------	-----

Risk: If the response to NRC RAI Letter 94 on Probable Maximum Tsunami is not found acceptable by NRC reviewers or is subjected to additional scrutiny or review as a result of the recent events in Japan, then a schedule delay may result from additional or alternative analysis needed to resolve the issue.

Trend: Previous IPP: Probability = Moderate, Impact = Significant
Current IPP: Probability = Moderate, Impact = Minimal

Response/Plan: The project team will interface with the NRC Project Manager on a biweekly basis to understand status of NRC review of Letter 94 (probable maximum tsunami) response and obtain early indication of potential concerns with response so that any additional actions required for resolution may be initiated.

3. Complex RAI – Seismic/Structural

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-------------------------------------	-------------	-----	---------------	-----	--------	-----

Risk: If the project team is not able to provide adequate information regarding the geotechnical conditions at Levy and plans to address or if there are new requirements as a result of the recent events in Japan, then the COL for Levy may be delayed or denied.

Trend: Previous IPP: Probability = Moderate, Impact = Significant
Current IPP: Probability = Low, Impact = Moderate

Response/Plan: The project team will do the following:

- Complete grout test and Roller Compacted Concrete (RCC) test pad programs to gather information required to address NRC RAIs.
- Complete the RCC mix design specialty testing by

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4/2011 in order to gather information required to support NRC RAIs associated with SER preparation.

- Develop contingency plan if additional information is needed.
- Interface immediately after receiving RAI with NRC reviewers to ensure understanding of information needs and discuss PEF's resolution path.
- Ensure sample data is collected during grout test; monitor and review.
- Ensure resources properly aligned to respond to RAIs as promptly as possible.

4. Contested hearings could impact schedule

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
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Risk: If contentions filed and admitted by the ASLB are not thoroughly addressed or if new contentions are filed and admitted due to the recent events in Japan, then the contested hearing could be delayed or result in unfavorable recommendation by ASLB which would delay the COL.

Trend: Previous IPP: Probability = High, Impact = Moderate
Current IPP: Probability = Low, Impact = Minimal

Response/Plan: The project team will do the following:

- Contention 4 (Environmental – Dewatering & Salt Drift) – Provide detailed computer modeling and associated calculation information to interveners as ordered by ASLB.
- Contention 8A (Safety – Low-Level Waste (LLW) Storage) – Update details in FSAR Chapter 11 to address concerns identified. Ensure that recommendations in ASLB order and Vogtle FSAR submittal are considered.

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5. Failure to control design changes impacting license

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-------------------------------------	-------------	-----	---------------	-----	--------	-----

Risk: If design changes that impact the license are not properly controlled and addressed, then NRC violations and significant work to reconcile changes could be required.

Trend: Previous IPP: New Risk
Current IPP: Probability = Very Low, Impact = Minimal

Response/Plan: The project team will do the following:

- Conduct appropriate departure evaluations per NGGS-NPD-002.
- Screen proposed changes per NRC ISG-11.
- Support NuStart in developing process to review design changes with licensing impact and complete required departure and 50.59 evaluations.

6. Lack of public acceptance influences decision-makers

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-------------------------------------	-------------	-----	---------------	-----	--------	-----

Risk: If the public does not support the project, then it will be very difficult to obtain required license and permit approvals and significant delay to resolve concerns would be required.

Trend: Previous IPP: New Risk
Current IPP: Probability = Very Low, Impact = Minimal

Response/Plan: The project team will do the following:

- Work closely with FDEP and USACE to develop sound permitting strategies to help streamline reviews.
- To address the three contentions admitted:
 1. Appeal contentions (appeal denied)
 2. Request motion to compel (denied)
 3. Implement actions to resolve LLW contentions

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- outside of hearing.
- Evaluate feasible construction alternatives if permitting delays the availability of the barge canal.
- Review lessons learned from recent Japan events and ensure that any items that impact LNP COLA are understood and addressed.
- Corporate Communications has initiated working groups to identify and address resident concerns. The Manager of Community Relations provides updates at the management review meetings on an ongoing basis.

7. Lack of understanding of the permitting process and ineffective scheduling

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-------------------------------------	-------------	-----	---------------	-----	--------	-----

Risk: If environmental permits are not received in a timely manner or maintained as required, then schedule delays could occur.

Trend: Previous IPP: New Risk
Current IPP: Probability = Low, Impact = Minimal

Response/Plan: The project team will develop a Levy Environmental Permitting Schedule document; this document should include schedules for completion of SCA conditions of certification and other environmental commitments relative to construction and operation. The project team will ensure personnel understand the Levy environmental permitting strategy.

8. QA program implementation

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-------------------------------------	-------------	-----	---------------	-----	--------	-----

Risk: If NQA-1 requirements are not implemented correctly, then NRC violations and corrective actions to address quality concerns could result.

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Trend: Previous IPP: New Risk
Current IPP: Probability = Very Low, Impact = Minimal

Response/Plan: The project team will establish a team to review processes required at COL and procedures associated with those required processes.

Discussion of "green" risk items from the Non-COLA Near Term risk matrix:

2. LLE Negotiations

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-------------------------------------	-------------	-----	---------------	-----	--------	-----

Risk:

Trend: Previous IPP: New Risk
Current IPP: Probability = Moderate, Impact = Minimal

Response/Plan:

3. LLE Negotiations

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-------------------------------------	-------------	-----	---------------	-----	--------	-----

Risk:

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March 29, 2011 Levy Nuclear Project

Trend: Previous IPP: New Risk
Current IPP: Probability = Moderate, Impact = Minimal

Response/Plan:



5. Potential changes to transmission scope

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-------------------------------------	-------------	-----	---------------	-----	--------	-----

Risk: If the revised transmission study or other transmission system analysis changes the scope of work, then both cost and schedule may be impacted.

Trend: Previous IPP: New Risk
Current IPP: Probability = Moderate, Impact = Minimal

Response/Plan: PEF has outlined a timeline to do a transmission study that will confirm the transmission scope of work. Following the study, PEF will assess the impacts and adjust the scope accordingly. PEF is focusing its land acquisition efforts on the common corridor.

7. 

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
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Risk:



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March 29, 2011 Levy Nuclear Project

Trend: Previous IPP: New Risk
Current IPP: Probability = Very Low, Impact = Significant

Response/Plan:

8.

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	n/a	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-----	-------------	-----	---------------	-----	--------	-----

Risk:

Trend: Previous IPP: New Risk
Current IPP: Probability = Moderate, Impact = Moderate

Response/Plan:

10. Change in timing and scope of Crystal River switchyard work

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-------------------------------------	-------------	-----	---------------	-----	--------	-----

Risk: If the revised transmission study or other transmission system analysis changes requires additional work to be done at the Crystal River switchyard, then there is an increased potential that this will adversely affect the cost and schedule of this work.

Trend: Previous IPP: New Risk
Current IPP: Probability = Low, Impact = Moderate

Response/Plan: PEF plans to re-conduct a transmission study that will confirm the transmission scope. Following the study, the project team will inform management of any changes and will adjust the plan accordingly.

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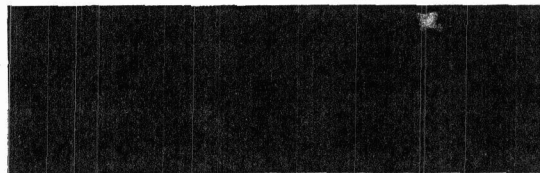
March 29, 2011 Levy Nuclear Project

11. [REDACTED]

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-------------------------------------	-------------	-----	---------------	-----	--------	-----

Risk:



Trend:

Previous IPP: New Risk
Current IPP: Probability = Low, Impact = Significant

Response/Plan:



12. Recruiting nuclear operators

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-------------------------------------	-------------	-----	---------------	-----	--------	-----

Risk:

If PEF is unable to attract the necessary number of nuclear operators to support startup, commissioning and operations, then PEF may need to train a higher percentage of new reactor operators than planned which potentially could affect the project cost and schedule.

Trend:

Previous IPP: New Risk
Current IPP: Probability = Very Low, Impact = Minimal

Response/Plan:

The project team will develop a staffing and recruiting plan to support the project.

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13. Land acquisition required to support transmission, pipeline routing and wetland mitigation

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-------------------------------------	-------------	-----	---------------	-----	--------	-----

Risk: If the percentage of parcels in eminent domain is greater than planned, then PEF may incur additional costs for land acquisition.

Trend: Previous IPP: Probability = Moderate, Impact = Significant
Current IPP: Probability = Very Low, Impact = Minimal

Response/Plan: The project team will manage the land acquisition process using the Land Acquisition Plan and inform management of potential trends.

14. Recruiting project staffing and project controls refinement

Impact to:

Cost	<input checked="" type="checkbox"/>	Schedule	<input checked="" type="checkbox"/>	Performance	n/a	Environmental	n/a	Safety	n/a
------	-------------------------------------	----------	-------------------------------------	-------------	-----	---------------	-----	--------	-----

Risk: If PEF is unable to attract the necessary personnel to support the project and setup the systems within the current estimate, then PEF may incur additional costs to support this effort.

Trend: Previous IPP: New Risk
Current IPP: Probability = Very Low, Impact = Minimal

Response/Plan: The project team will finalize the staffing plan well in advance of the staffing need dates and monitor progress to staff the positions. The project team will also closely monitor the refinement of the project controls systems.

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PROGRESS ENERGY

Levy Nuclear Project

Integrated Project Plan

Nuclear Plant Development

April 28, 2010

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10NC-OPCPOD3-60-000001
11PMA-DR1LEVY-11-000001
11NC-OPCPOD1-1-000001

April 28, 2010 Levy Nuclear Project

Key Project Contacts

Role, Department / Group	Name	Internal Phone No.
VP – Nuclear Plant Development	John Elnitsky	230-4481
Mgr – Nuclear Plant Engineering	Vann Stephenson	770-6698
GM – CDG Business Services	Sue Hardison	770-3062
Mgr – Nuclear Plant Licensing	Bob Kitchen	770-6992
Mgr – NPD Project Controls	Leigh Formanek	770-6377
Mgr – NPD Financial Services	Joan Borger	280-2479

Plan Revision Control

Rev No.	Primary Author(s)	Revision Description	Rev Date
0	G. Miller/ D. Roderick/ G. Furman	Initial Consolidated Presentation	09/05/08
1	V. Stephenson/ S. Hardison	Interim update for schedule shift and funding for first quarter 2010 key milestones	12/18/09
2	V. Stephenson/ S. Hardison	Rev 2 to approve 2010 annual spending for Levy Partial Suspension and provide updates related to decision to continue partial suspension	4/28/10

The plan is required to be updated for significant revisions of +/-5% and \$5 million impact to total project cost, approved milestone funding or annual budget or if schedule changes impact the in-service date.

April 28, 2010 Levy Nuclear Project

Project Review Group Approval

Approving Party	Reviewing Position	Signature	Date
John Elitsky	VP - Nuclear Plant Development		
Peter Toomey	VP - PEF Finance		
Ken Karp	GM - Levy Baseload Transmission	<i>Ken Karp</i>	4/26/10
Vann Stephenson	Acting GM - Nuclear Plant Development	<i>Vann Stephenson</i>	4/26/10
Sue Hardison	GM - CDG Business Services	<i>Sue Hardison</i>	4/26/10

Reviews were held with core support personnel for the integrated Levy project, including Legal and Contract Management.

Senior Management Approval

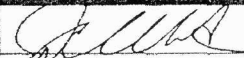
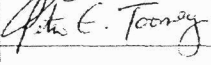
This section contains formal sign-offs and approval of the IPP by senior management. "Approving" includes approving project milestone progression and funding.

Approving Party	Reviewing Position	Signature	Date
Bill Johnson	Chairman & CEO - PGN	<i>William Johnson</i>	4/28/10
Vinny Dolan	President & CEO - PGN Florida		
Jeffrey J Lyash	Executive VP - Corporate Development	<i>Jeffrey J Lyash</i>	4/28/10
Mark F Mulhern	Chief Financial Officer	<i>Mark F Mulhern</i>	4/28/10

(1) Approval subject to LHA update mid-year w/ some for RO disposition

April 28, 2010 Levy Nuclear Project


Project Review Group Approval

Approving Party	Reviewing Position	Signature	Date
John Elnitsky	VP – Nuclear Plant Development		4/21/10
Peter Toomey	VP – PEF Finance		4/27/10
Ken Karp	GM – Levy Baseload Transmission		
Vann Stephenson	Acting GM – Nuclear Plant Development		
Sue Hardison	GM – CDG Business Services		

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Approving Party	Reviewing Position	Signature	Date
Bill Johnson	Chairman & CEO - PGN		
Vinny Dolan	President & CEO – PGN Florida		4-28-10
Jeffrey J Lyash	Executive VP – Corporate Development		
Mark F Mulhern	Chief Financial Officer		

April 28, 2010 Levy Nuclear Project

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April 28, 2010 Levy Nuclear Project

1. EXECUTIVE SUMMARY

OVERVIEW

In September 2008, the Nuclear Plant Development (NPD) department (then Nuclear Projects and Construction) requested funding authorization to add approximately 1,105 MWe of electrical generating resources to the PEF system in the summer of 2016, and 1,105 MWe of electrical generating resources to its system in the summer of 2017. The project was scheduled to conclude with commercial operation of two state-of-the-art Westinghouse AP1000 Advanced Passive nuclear power plants in Levy County, Florida.

Along with the planned construction of two nuclear plants in Levy County, Florida, funding was requested to construct the additional system baseload transmission required to support the addition of the Levy Plant. Specifically, the added transmission is scheduled to include two (2) new 500/230kV substations, approximately 91 miles of 500 kV and 88 miles of 230kV transmission lines, upgrades to five (5) transmission substations and two (2) new distribution substations, as well as certain low-voltage line upgrades across the full system to accommodate the added nuclear generation.

In September 2008, Senior Management approved the IPP including continued spending on the project through 2009 in the amount of \$607M. On May 1, 2009, the Company announced a schedule shift of no less than 20 months due to the NRC's decision to defer issuing a Limited Work Authorization (LWA) until after Combined Operating License (COL) issuance. In the subsequent months, the NPD was engaged in ongoing analysis and negotiation with the EPC Consortium to determine the appropriate schedule and cost related to shifts in the LNP. NPD included the impacts of emergent enterprise risks in ongoing analysis such as, risks associated with schedule shifts due to licensing and permit review and approval delays, continued economic recession, increased financial pressures on credit, changing sales and load forecasts, federal and state energy and environmental policy, federal and state legislation and regulation, and federal and state support for nuclear generation development. Periodic updates were provided to senior management and to the Levy Program Performance Review Committee (formerly known as LINC).

The table below provides a summary timeline of events that resulted in the Company executing an amendment to the EPC contract that allows the project to remain in partial suspension until such time as the COLA is obtained:

Date	Events
April 30, 2009	<ul style="list-style-type: none"> • PEF Notice of Change Letter. Requests Schedule Scenario Analysis and Associated Cash Flow Analysis.
May 1, 2009	<ul style="list-style-type: none"> • Filing and public announcement of at least 20 month schedule shift for LNP. • Decision to Withdraw Request for LWA.
May 12, 2009	<ul style="list-style-type: none"> • PEF Reorganized Nuclear Plant Development to focus on overall

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April 28, 2010 Levy Nuclear Project	
	program management of Levy Nuclear Power Plant Program.
May –August 2009	<div style="background-color: black; width: 100%; height: 40px;"></div> <ul style="list-style-type: none"> Parallel Track – Base load transmission schedule, scope, budget and work plan revised.
July 8, 2009	<ul style="list-style-type: none"> Atomic Safety Licensing Board (ASLB) admits 3 contentions for hearing.
July 28, 2009	<ul style="list-style-type: none"> Consortium meeting. Discussion of structure of Consortium six scenarios report.
August 11, 2009	<ul style="list-style-type: none"> Site Certification Application (SCA) Approval (signed on August 26, 2009.)
August 13, 2009	<ul style="list-style-type: none"> Six Scenario Analysis results received. Consortium priced 24/18 and 36/18 scenarios but does not price 60 month suspension scenarios due to concerns with ability to maintain supply chain agreements.
August 2009 – October 2009	<ul style="list-style-type: none"> PEF taking results of scenario analysis and conducting ongoing dialogue regarding clarification, review of costs analysis, estimates, etc. Based on consortium's analysis PEF back to fill in the gaps from Consortium scenarios for SMC discussion. As of August PEF's focus was 36/18 scenario.
October 15, 2009	<ul style="list-style-type: none"> SMC Presentation. SMC asked for a longer term partial suspension scenario. Not satisfied that 36/18 schedule is best option. Key issues: Minimize impact to Rate Payers, Minimize Near Term Cash Flow, Maximize Flexibility, and help Keep Value of EPC. Options (1) Cancel Project (2) Cancel EPC (finish COL) (3) Cancel Purchase Orders for Long Lead Materials, Suspend EPC. Keep Value of Contract (4) Continue with Base Case (36/18)
October 15, 2009	<ul style="list-style-type: none"> NRC Sends Letter to Westinghouse regarding AP1000 DCD Revision 17, indicating that modifications to the shield building are needed.
October 23, 2009	<ul style="list-style-type: none"> Scenarios work complete. Preliminary Consortium discussion regarding potential long-term suspension and <div style="background-color: black; width: 100px; height: 1em;"></div>
October 26, 2009	<ul style="list-style-type: none"> Bill Johnson and Jeff Lyash call with Consortium CEOs to discuss options. <div style="background-color: black; width: 100px; height: 1em;"></div> also discussed. Consortium agreed to negotiate a long term suspension and <div style="background-color: black; width: 150px; height: 1em;"></div>
Oct 2009 – Dec 2009	<ul style="list-style-type: none"> Negotiations around Purchase Orders for Long Lead Materials disposition, Levy partial suspension, and continuing work scope. 2nd round of PO dialogue is held. Every Purchase Order is a separate discussion and decision.
December 16, 2009	<ul style="list-style-type: none"> Consortium meetings, continuing discussion on amendment terms and schedule shift <div style="background-color: black; width: 100px; height: 1em;"></div>

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December 29, 2009	<ul style="list-style-type: none"> Amendment 1 to EPC and Fuels contract executed for Levy Partial Suspension is effective to allow for [REDACTED]
December 31, 2009	<ul style="list-style-type: none"> Deadline for [REDACTED]
February 15, 2010	<ul style="list-style-type: none"> SMC Presentation on Options: (1) 36 month shift (2) Cancel (3) Suspend.
March 5, 2010	<ul style="list-style-type: none"> Amendment 2 to EPC and Fuels Contract executed [REDACTED]
March 8, 2010	<ul style="list-style-type: none"> SMC presentation on schedule options, disposition of Purchase Orders for Long Lead Materials, Continuing work scope, and terms and conditions of Amendment 3 to EPC.
March 17, 2010	<ul style="list-style-type: none"> BOD approval prior to execution of Amendment 3 to Fuels and EPC contracts
March 19, 2010	<ul style="list-style-type: none"> Amendment 3 to Fuels Agreement executed [REDACTED]
March 25, 2010	<ul style="list-style-type: none"> Amendment 3 to EPC Contract executed.

RECOMMENDATION

Consistent with Senior Management and Board decisions, the Project Team recommends continued funding of the Levy Project in the amounts set forth below through 2012. This funding will allow the Company to preserve the long-term benefits of nuclear generation – improved fuel portfolio diversity, reduced reliance on fossil fuels, carbon free energy generation, and base load capacity at a low cost fuel source. It will also allow for the deferral of significant capital investment until after the COL is obtained, which will benefit PEF's customers by reducing the near-term project costs during the immediate recessionary period. It also benefits the Company by deferring capital expenditures to a later time period when the Company may benefit from, among other things, additional certainty with respect to federal and state energy policy, plant licensing, and improved economic and financial conditions.

2. SCOPE UPDATE

Although the overall project scope has not changed, there are some updates regarding the NRC licensing process. The original licensing scope included a request for a Limited Work Authorization (LWA) and a Combined Operating License Application (COL). The LWA was withdrawn by Progress

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Energy on May 1, 2009 when the NRC determined that the LWA review could not be completed in advance of the COL.

Current milestones for the safety and environmental reviews are shown below:

Safety Review Phase	Target Date
Phase A – RAIs and Supplemental RAIs	5/5/10 (Completed 3/24/10)
Phase B – Advanced Safety Evaluation Report	12/14/10
Phase C – Advisory Committee on Reactor Safeguards (ACRS) Review	4/21/11
Phase D – Final Safety Evaluation Report (FSER) Issued	7/14/11
Environmental Review Phase	Target Date
Phase 1 – Environmental Scoping Report	5/28/09 (Complete)
Phase 2 – Draft Environmental Impact Statement (DEIS)	8/6/10
Phase 3 – Responses to Public Comment on DEIS	2/25/11
Phase 4 – Final Environmental Impact Statement (FEIS)	7/20/11

Note: At the time of the previous IPP, the COLA had been submitted but the NRC had not yet docketed the application and therefore NRC review dates were not available.

Three contentions were initially admitted; however, the one safety contention (Low Level Waste storage) was dismissed by the ASLB on 4/21/10. The remaining two environmental contentions must be resolved by the hearing process prior to COL approval. The NRC review of the Westinghouse AP1000 Design Control Document (DCD) revision may also impact the Levy COL schedule. As a result of these actions, we do not expect to obtain the LNP COL approval until the end of 2012 or possibly later.

The overall scope of the transmission activities planned for the LNP have not materially changed; however, the schedule and timing of costs incurred within which this work will be performed has been adjusted to account for the schedule shift. Levy Baseload Transmission transferred responsibility for Phase I of the Central Florida South substation (CFS Sub) to Transmission Operations, effective year-end 2009. All costs associated with this phase were moved to

REDACTED

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Transmission Operations, as well. This sub-project was scheduled in two-phases, with the Levy Project assuming costs for Phase I, and Transmission Operations assuming responsibility of Phase II. It had previously been determined that CFS sub would require expansion to accommodate the additional generation from Levy. A second expansion had been identified by Transmission Operations that was to be constructed subsequent to the Levy work to address Transmission Planning needs for additional transformer capacity. As the schedule for the Levy Project remained uncertain at year-end, Transmission management and Levy Project Team together determined that it was likely that Transmission's expansion needs would precede the Levy need and the cost and planning adjustments noted above were made. The Levy Project continues to carry costs associated with the Levy-required expansion phase in its total cost.

PEF continues to review the impact of the schedule shift on the transmission portion of the LNP. Most of the activities will be deferred past receipt of the COL and will be rescheduled based on new in-service dates for the Levy Plants and additional system planning studies that may impact overall Levy Transmission project scope will be performed as needed.

3. COST UPDATE

An updated construction and milestone payment schedule will be negotiated with the consortium nearer to receipt of the LNP COL when pre-license risks are mitigated. In order to complete an updated project baseline estimate, target in-service dates were assumed that are consistent with the Company's desire to minimize near-term spending while maintaining long-term flexibility. This estimate assumes Unit 1 goes in service mid-year 2021, and Unit 2 in-service follows eighteen months later. The table below provides the key components of the estimate range:

#	Description	Est. Costs (Millions \$s)
1	Transmission	
2	T-Lines	
3	Substations	
4	Real Estate	
5	PE Indirects / Staffing	
6	Owner Contingency	
7	Escalation (Owner & Contractor)	
8	Burdens	
9	Subtotal- Transmission	\$2,017
10	Generation	
11	EPC	
12	EPC Base Scope	
13	EPC Incremental Schedule Shift	
14	DCP's / Current CO's	

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15	EPC Contract Contingency		
16	Estimated EPC Escalation		
17	Subtotal EPC		
18	Owner Managed Scope		
	COLA (Labor & Contingency in Owner Labor & Contingency line items.)		
19	Owner Managed Scope		
20	Owner Labor & Staff Augmentation		
21	Perm Plant Equip (Spares, Maintenance Equip etc.)		
22	Real Estate		
23	Other Owner Indirects (Fees, Permits, Taxes, Warranty, Ins, Temp Facilities, etc.)		
24	Subtotal Owner Managed Scope		\$1,460
25	Other		
26	Owner Escalation		
27	Owner Contingency		
28	Burdens		
29	Subtotal- Other		
30	Total w/o Fuel		
31	Fuel		
32	Fuel		
33	Total with Fuel		
34			

Key assumptions of the estimate include:

1. Class 5 / Class 4 estimate according to Association for the Advancement of Cost Estimating International (AACEI) Guidelines
2. In-service dates are: Unit 1 Jun-21, U2 Dec-22
3. General terms of the existing EPC contract were maintained
4. Estimate excludes AFUDC
5. Estimate includes estimated escalation dollars through in-service dates
6. Assumed partial suspension through COL (Q4-2012)
7. Allowances were estimated for incremental costs associated with partial suspension

Existing EPC terms and conditions apply to elements of the EPC contract

[REDACTED]

REDACTED

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- Transmission estimate is based on route studies and system needs completed during 2006-2008
- Transmission contingency and escalation estimates were adjusted to account for the schedule shift

The last approved estimate presented in the combined 2008 IPP was [REDACTED] excluding AFUDC. Primary differences between the March 2010 approved estimate and the 2008 IPP are:

Major Areas of Change from IPP to Current Estimate (excluding AFUDC)
(\$'s millions)

Description	Delta	Notes
[REDACTED]		

The estimate has been provided to PEF System Planning for further analysis and modeling in order to re-assess the Nuclear Cost Recovery feasibility. This analysis is required for annual filings to the Florida Public Service Commission (FLPSC). Preliminary scenario sensitivities on rough order of magnitude (ROM) costs provided in January indicate continued feasibility for the project. The analysis was based on both quantitative and qualitative factors, including but not limited to:

- Total project cost, including capital expenditures, anticipated O&M and fuel
- Customer price impact and acceptance
- Carbon reduction
- Fuel diversity
- PEF baseload energy needs
- Technical and regulatory feasibility

The approved estimate included in this IPP is less than earlier ROM inputs to feasibility scenarios.

The current 3-year plan for spending under the partial suspension is included in the table below, stated in millions of dollars:

Continue w/ EPC Amendment	PTD	2010	2011	2012	2010 - 12 3-Yr Total
EPC Payments	[REDACTED]				
LLM Payments & WEC Support	[REDACTED]				
LLM PO Disposition	[REDACTED]				
Transmission	[REDACTED]				
COLA	[REDACTED]				
Wetland mitigation	[REDACTED]				
Other Owner's Cost	[REDACTED]				
Total	[REDACTED]				

REDACTED

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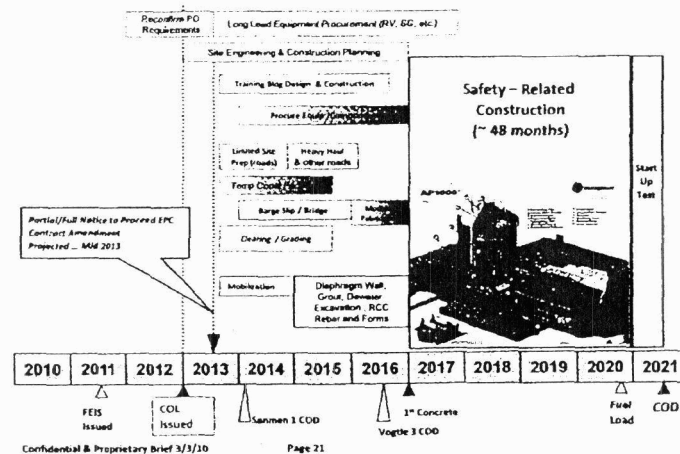
The above costs do not include AFUDC, which is being calculated by PEF Regulatory Planning. These amounts include estimated [REDACTED] purchase order disposition with WEC. Although the timing and nature of the LLM costs have not been negotiated with WEC, PEF's required FL PSC regulatory filing on April 30, 2010 includes a [REDACTED] estimate for these costs.

Through the December 2009 Interim IPP, Senior Management approved the Project Team's first quarter 2010 spending of [REDACTED] during the EPC negotiation period.

4. SCHEDULE UPDATE

The Project Team has developed a scenario for the estimate which meets the objective of moving significant costs and risk past the receipt of the COL. The COL is currently expected to be received in late 2012. The estimate is based on in-service date for Unit 1 of June 2021, with Unit 2 following eighteen months later.

The illustration below highlights key schedule milestones for generation:



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Key Project Work Planned for 2010

NRC QA implementation audit for [REDACTED] Levy COLA completed in April 2010
Submit Revision 2 to the Levy COLA by October 6, 2010
Continue to monitor Emergency Planning Rulemaking which has 11 areas of regulatory changes. If the Rule becomes effective mid-2010, it may require a COLA revision to be done in mid-2011
Provide RAI responses regarding the draft Environmental Impact Statement and COL
Complete required Conditions of Certification Reports
Finalize Wetland Mitigation Plan development for submittal to Florida Department of Environmental Protection (FDEP) and answer subsequent RAI responses to support a target approval from the FDEP by Sep-10
Upon approval of the Wetland Mitigation Plan by the FDEP, negotiate mitigation options with private and public land owners.
Continue Engineering Support of NuStart Standard Plant Design Finalization
Complete Roller Compacted Concrete (RCC) Mix Design and Specialty Test Plan
Support NRC Advisory Committee on Reactor Safeguards meetings/presentations
Cooling Tower Blowdown Route Finalization and land acquisition
Communicate project status and plans to the public, established community working groups, property owners and other interested stakeholders
Complete negotiations to amend the EPC contract for the revised Levy project schedule
Complete the disposition analysis of all long lead material purchase orders

Key Transmission Project Work Planned for 2010

Continuation of strategic land acquisition for the transmission lines
Submit upland easement application to the Florida Acquisition and Restoration Council (ARC) for all Plant and Transmission land needs.
Continuation of engineering design and environmental permitting work on the Crystal River Switchyard expansion project
Continuation of Transmission related project licensing and permitting requirements
Complete Transmission contract administration work on suspended contracts
Continue project management, scheduling and estimating work for projects/activities listed above

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5. RISK MATRIX

Top Tier Project Risks:

1. Land Acquisition
2. Complex RAIs could impact NRC review schedule (NRC Licensing Risk)
3. Material & labor escalation exceeds estimated numbers
4. Contested Hearings could impact schedule (NRC Licensing Risk)
5. Westinghouse response to NRC review issues for AP1000 DCD certification (NRC Licensing Risk)
6. Resolution of Least Environmentally Damaging Practicable Alternatives (LEDPA) analysis for US Army Corps of Engineers (USACE) and EPA
7. Long-lead material (LLM) Purchase Order (PO) disposition costs

Probability	Minimal	Moderate	Significant	Severe	Critical
Very High					
High		4, 5			
Moderate			1, 2, 3, 6, 7		
Low					
Very Low					
	Minimal	Moderate	Significant	Severe	Critical

5.1.1 Project Risk Summary

Land Acquisition: Acquisition of land and land routes are necessary for certain transmission lines and substations, and for certain wetland mitigation. There is uncertainty involved with acquiring land from private owners and/or with authorization to use public lands as alternatives to mitigate identified wetlands.

If choice land acquisition is not available, then the Company may experience increased costs to acquire alternative routes and/or land. There is potential, but minimal, expected impact to schedule.

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Mitigation

1. Ensure close engagement with environmental agencies to determine diverse mitigation strategies for wetlands
2. [REDACTED]
3. Conduct community outreach planning, land procurement strategy and permitting plan
4. Work with local officials to facilitate timely administrative hearings

Complex RAIs could impact NRC review schedule (NRC Licensing Risk)

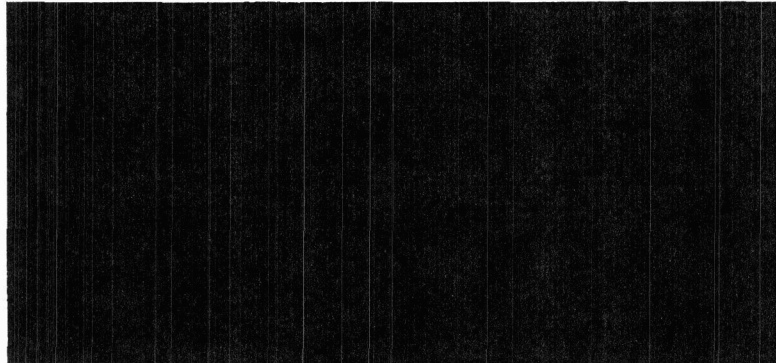
If RAI response requires data gathering, modeling or significant analysis then more time may be required than the response time assumed in the NRC review schedule which may result in FEIS, FSEI and COL schedule delay.

Mitigation

Although NRC has completed RAI phase of review, additional questions may be received to obtain information needed to support completion of the FEIS and FSEI. The following mitigation actions remain:

1. Establish and track interim milestones for completion of each RAI response.
2. Discuss with NRC promptly any RAI response which is anticipated to exceed the expected response time.
3. Review RAI response development status at least weekly with assigned personnel
4. For complex RAIs, such as the recently received RAIs related to seismic/structural, develop a response plan and review with NRC to ensure information needs will be met.

Material and labor escalation exceeds estimated numbers



REDACTED

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Contested Hearings could impact schedule (NRC Licensing Risk)

Two contentions that were admitted must be resolved in a contested hearing. If contested and mandatory hearings are not completed as planned there would be delays in the COL approval process.

Mitigation

1. Complete and deploy effective communication plan for key milestone events
2. Develop focused outreach, communication with key stakeholders
3. Ensure communications are transparent and open with consistent messaging
4. Engage subject matter experts with legal representatives in preparing for contested and mandatory hearings.
5. Work with ASLB, NRC staff and intervenors to establish efficient schedule for conduct of hearings. Conduct of contested and mandatory hearings in parallel is desired to minimize delay in COL approval.

Westinghouse Response to NRC Review Issues for AP1000 DCD Certification (NRC Licensing Risk)

Westinghouse was notified by the NRC in mid-October 2009 that additional work was required on the testing for aircraft crash on the shield building. Other design issues are also under review.

If Westinghouse is unable to obtain timely AP1000 DCD certification, then the overall schedule for the plant could be in jeopardy.

Mitigation

1. The Company has allowed adequate contingency in the schedule by initiating partial suspension with the EPC
2. Assign appropriate subject matter experts and collaborate with Nustart and AP1000 utilities to ensure appropriate action is taken.
3. Actively support the AP1000 Licensing Finalization team and interface with NRC to develop efficient sequence to complete DCD and RCOLA review and approval.

Resolution of Least Environmentally Damaging Practicable Alternatives (LEDPA) analysis for US Army Corps of Engineers (USACE) and EPA.

USACE has questions regarding the LEDPA analysis. If the USACE/EPA questions regarding the LEDPA cannot be resolved in a reasonable time, then the FEIS and 404 permit schedules could be impacted.

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Mitigation

The USACE questions are focused on the structure of the analysis to clearly show that the LNP site has the least environmental impact of the practical sites.

1. Develop response that incorporates USACE comments and clearly shows that Levy is the least environmentally damaging site
2. Meet with USACE prior to submitting the revised LEDPA analysis to ensure that the analysis/responses to RAI's are comprehensive and address the USACE concerns.

Long-lead material (LLM) PO disposition

If the PO's are improperly dispositioned, then the project cost estimate and schedule could be adversely affected.

Mitigation

1. Obtain necessary PO information from the Consortium and vendors required to support decision analysis.
2. Utilize Quantitative and Qualitative analysis methodology to ensure the proper disposition of all LLM.
3. Perform independent third party review of decision methodology and Progress Energy decisions to ensure reasonable and prudent disposition of all LLM.

5.1.2 Enterprise Risk Summary

In addition to the project specific risks previously discussed, there are a number of what the Company calls "enterprise risks" for the project. The enterprise risks are those risks that are generally outside the control of the Company that can affect the Company's ability to proceed with the LNP project.

These enterprise risks are constantly monitored as part of the LNP risk management and include economic conditions in Florida; economic conditions for the Company including capital market reactions; load growth impacts; customer rates for nuclear generation; continued state legislative support for nuclear generation; state energy efficiency policy and regulation; state energy and environmental policy and regulation; federal energy and environmental policy and regulation; and federal support for nuclear generation.

The Company considered the effects of the enterprise risks in its qualitative analysis of the feasibility of completing the LNP. The Company's evaluation of the enterprise risks identified for the LNP involves identifying events or circumstances that represent fundamental changes in the project's enterprise risks. The Company's qualitative analysis of the LNP enterprise risks indicate that there is a noticeable increase in the amount of uncertainty associated with multiple factors that impact the LNP, and certainly the timing and cost of the LNP are impacted by the schedule shift when the decision is made to move forward with the project. As a result of this analysis, however, the

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Company does not believe that any of the enterprise risk events or circumstances represents a fundamental change that prevents the Company from completing the LNP. Rather, these risk events show that the LNP should proceed at a slower pace with a narrowed scope of near term work. PEF's conclusion, based on its qualitative feasibility analysis, is that the LNP can be completed, but on a different schedule.

The Company also recognizes that there are risks associated with all LNP regulatory approvals and schedule milestones in the Company's risk management process including approvals for the FSER, the review and issuance of a FEIS, and a formal hearing for any admissible contentions to the COL issuance by the NRC Atomic Safety and Licensing Board (ASLB). All three parts must be completed before a COL can be issued to Progress Energy Florida for the LNP.

The Company works closely with the NRC and other state and federal regulatory agencies whose decisions affect the LNP schedule to monitor and analyze schedule determinations and events affecting the LNP COLA review schedule.

6. FEASIBILITY ASSESSMENT - SUMMARY

The Florida Public Service Commission (FPSC) Nuclear Cost Recovery Clause (NCRC) Rule and Order No. PSC-09-0783-FOF-EI require annual feasibility studies. Various sensitivities were assessed during the late fourth quarter of 2009 and early first quarter 2010 using Level 5 'rough order of magnitude (ROM)' estimates for the LNP. These ROMs were provided in lieu of final estimate completion, and reflected a higher capital expenditure estimate than the final updated LNP estimate presented in this IPP.

One aspect of the feasibility assessment is a life-cycle net present worth assessment (also known as cumulative present value of revenue requirements, or CPVRR) of the project. These CPVRR assessments are typically prepared by PEF's System Planning group in support of need petitions. In the 2009 NCRC Proceeding, FPSC Staff required that PEF provide an updated CPVRR analysis for the LNP in a manner consistent with the assessment filed in the Need Proceeding (FPSC Docket 080148-EI). In anticipation of that requirement in the 2010 NCRC Proceeding, PEF updated the CPVRR assessment based on the Company's current forecasts for submission in this year's filing. The results of this updated CPVRR assessment are summarized below, based on the best information available at the time and consistent with the estimates included in this IPP.

Capital expenditures for the LNP and alternative projects are one of many inputs to the feasibility assessment. Long-range cost expectations for fuel options, long range expectations for cost of capital and operating costs, long-range forecasts of customer growth, and expectations surrounding future environmental legislation are also among the key inputs.

In addition to completing the feasibility analysis, the importance of the long term benefits of the LNP cannot be ignored or dismissed. These long term benefits are consistent with the legislative policy of this state and the purpose of the nuclear cost recovery statute and are the reasons to

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encourage utility investment in nuclear power plants. The Commission must determine whether the nuclear power plant will provide the most cost effective source of power taking into account the need to improve the balance of fuel diversity, reduce Florida's dependence on fuel oil and natural gas, reduce air emission compliance costs, and contribute to the long-term stability and reliability of the electric grid.

The final feasibility assessment will be filed with PEF's required NCRC filing on April 30, 2010. The table below provides a summary of the CPVRR results that will be included in the updated feasibility assessment. The CPVRR assessments address the relative impacts of key forecast sensitivities on the life cycle cost effectiveness projections for the optimized PEF resource plans including LNP (LNP Plan) and competing resource plans excluding the LNP (an All Gas Reference Plan). The results summary tables report the differences in CPVRR between these competing plans. A positive value in the results table depicts a scenario where the LNP Plan is economically favorable to the All Gas Reference Plan over the life cycle period being evaluated.

The first CPVRR results summary table below addresses the sensitivities surrounding fuel forecasts and carbon policy scenarios. The fuel forecast sensitivities provide both a wide (statistical) forecast range and narrow (strategic) forecast range to assess the relative impacts of these fuel scenarios on the life cycle cost effectiveness projections for both plans. The CPVRR results for carbon policy scenarios assess the relative cost impacts of compliance with carbon emission restrictions which may be influenced by factors including, but not limited to, the compliance levels required, the timing of policy implementation and the technologies and advancements believed to be available to help reduce emissions in the future.

PEF Summary CPVRR Review for 2010 NCRC Filing

April'10 NCRC CPVRR Economic Results Summary Table					
Fuel Sensitivities					
Base Capital Reference Case	Low Fuel Reference	Low BW Fuel Sens	Mid Fuel Reference	High BW Fuel Sens	High Fuel Reference
NCRC APR'10: 100% Ownership, 2021 COD Levy Case Versus All Gas CPVRR \$Million, 6.75% Discount Rate					
No CO ₂	(\$11,170)	(\$3,545)	\$975	\$5,069	\$19,776
EPA WM CO ₂	(\$7,437)	\$865	\$4,792	\$8,908	\$23,614
CRA WM CO ₂	(\$5,145)	\$3,309	\$7,201	\$11,330	\$26,001
EPRI Full CO ₂	(\$2,843)	\$5,796	\$9,669	\$13,817	\$28,450
EPRI Ltd CO ₂	\$2,110	\$10,935	\$14,748	\$18,867	\$33,531
NCRC APR'10: 50% Ownership, 2021 COD Levy Case Versus All Gas CPVRR \$Million, 6.75% Discount Rate					
No CO ₂	(\$6,496)	(\$2,461)	(\$213)	\$1,880	\$9,494
EPA WM CO ₂	(\$4,601)	(\$371)	\$1,633	\$3,738	\$11,354
CRA WM CO ₂	(\$3,441)	\$813	\$2,801	\$4,900	\$12,510
EPRI Full CO ₂	(\$2,260)	\$2,080	\$4,036	\$6,160	\$13,693
EPRI Ltd CO ₂	\$235	\$4,678	\$6,605	\$8,709	\$16,129

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The second CPVRR results summary table below provides the sensitivities surrounding capital cost forecasts and carbon policy scenarios. In these sensitivities, the initial capital costs of the LNP and the competing alternatives are adjusted in a range of (-15%) to (+25%) to assess the relative impacts on life cycle cost effectiveness comparisons between the plans. The carbon policy sensitivities are the same.

PEF Summary CPVRR Review for 2010 NCRC Filing

April'10 NCRC CPVRR Economic Results Summary Table						
CapEx Sensitivities						
Mid Fuel Reference Case	LNP CapEx (-15%)	LNP CapEx (5%)	Mid Fuel Reference	LNP CapEx +5%	LNP CapEx +15%	LNP CapEx +25%
NCRC APR'10: 100% Ownership, 2023 COD: Levy Case Versus All Gas CPVRR \$/MWh, 6.75% Discount Rate						
No CO ₂	\$2,520	\$1,490	\$975	\$460	(\$570)	(\$1,600)
EPA WM CO ₂	\$6,337	\$5,307	\$4,792	\$4,277	\$3,247	\$2,218
CRA WM CO ₂	\$8,746	\$7,716	\$7,201	\$6,686	\$5,656	\$4,626
EPRI Full CO ₂	\$11,214	\$10,184	\$9,669	\$9,154	\$8,124	\$7,094
EPRI Ltd CO ₂	\$16,293	\$15,263	\$14,748	\$14,234	\$13,204	\$12,174
NCRC APR'10: 50% Ownership, 2023 COD: Levy Case Versus All Gas CPVRR \$/MWh, 6.75% Discount Rate						
No CO ₂	\$557	\$44	(\$213)	(\$469)	(\$982)	(\$1,495)
EPA WM CO ₂	\$2,402	\$1,889	\$1,633	\$1,376	\$863	\$350
CRA WM CO ₂	\$3,571	\$3,058	\$2,801	\$2,544	\$2,031	\$1,518
EPRI Full CO ₂	\$4,805	\$4,292	\$4,036	\$3,779	\$3,266	\$2,753
EPRI Ltd CO ₂	\$7,375	\$6,862	\$6,605	\$6,349	\$5,836	\$5,323

Given the range of forecast assumptions, the results of the updated CPVRR assessment indicate that the plan including the LNP is favorable in more cases than not. This is one of many indicators that have been reviewed in considering the ongoing feasibility of the project. Based on the information presented above, and other qualitative factors set forth in PEF's April 30 NCRC filing, LNP continues to be a viable generation option with the revised estimate.

7. CONTRACT UPDATE

SUMMARY OF EPC AGREEMENT CHANGES

Description	Date	Key provisions
Amendment 1	29-Dec-2009	<ul style="list-style-type: none">
Amendment 2	5-Mar-2010	<ul style="list-style-type: none">
Amendment 3	25-Mar-2010	<ul style="list-style-type: none">

REDACTED

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SUMMARY OF JVT CONTRACT CHANGES		
Description	Date	Key provisions
SCA Conditions of Certification Amendment #3	29-Mar-2010	• •
Levy COLA Phase II RAI's Amendment # 4	24-Mar-2010	• •
Pending Levy COLA Phase II RAI's Amendment # 5	Expected May 2010	• • •
Pending Work Authorization LNP Roller Compacted Concrete (RCC) Mix Design & Specialty Test Plan	Expected April – May 2010	• • • • •
Pending Work Authorization LNP COLA Revision #2	Expected April 2010	• • • • •
SUMMARY OF FUELS AGREEMENT CHANGES		
Description	Date	Key provisions
Amendment 1	29-Dec-2009	
Amendment 2	5-Mar-2010	
Amendment 3	19-Mar-2010	
8. REGULATORY		
21		

10PMA-DR4LEVY-3S1-000022
10NC-OPCPOD3-60-000022
11PMA-DR1LEVY-11-000022
11NC-OPCPOD1-1-000022

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The Project Team has worked with Regulatory Planning and PEF legal counsel during late 2009 through the current date to ensure all key regulatory milestones are met. The following items are complete through the first quarter of 2010:

- 2009 Cost true-up filings and associated testimony to support 2009 costs
- Initial Production of Documents and Interrogatory responses by FL PSC and the Office of Public Counsel
- Initial meeting with FL PSC audit staff for assessment of internal controls

Key regulatory milestones over the next 60 days include April 30 filings for cost projections and feasibility, associated testimony and response to ongoing data requests as we prepare for Nuclear Cost Recovery hearings scheduled for late August 2010.

9. RECOMMENDATION

Consistent with Senior Management and Board decisions, the Project Team recommends continued funding of the Levy Project in the amounts set forth below through 2012. This funding will allow the Company to preserve the long-term benefits of nuclear generation – improved fuel portfolio diversity, reduced reliance on fossil fuels, carbon free energy generation, and base load capacity at a low cost fuel source. It will also allow for the deferral of significant capital investment until after the COL is obtained, which will benefit PEF's customers by reducing the near-term project costs during the immediate recessionary period. It also benefits the Company by deferring capital expenditures to a later time period when the Company may benefit from, among other things, additional certainty with respect to federal and state energy policy, plant licensing, and improved economic and financial conditions.

The Project Team recommends a

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SMC Strategic Planning Meeting

Progress Energy Florida

Scenario Analysis

July 27, 2010



11PMA-DR1LEVY-17S3-000334
11NC-OPCPOD5-29-000042

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[REDACTED]

[REDACTED]



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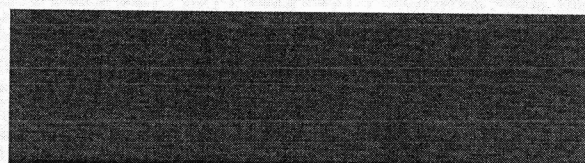
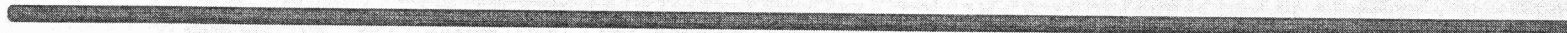


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11PMA-DR1LEVY-17S3-000338
11NC-OPCPOD5-29-000046

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11PMA-DR1LEVY-17S3-000339
11NC-OPCPOD5-29-000047

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Scenario Analysis

What to Keep in Mind

Near-Term Decisions

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- Levy

[REDACTED]

[REDACTED]

Considerations

- Rate increases and trends
- Capital constraints
- Investment prioritization
- Financial flexibility
- Uncertainties
- Milestones and timing
- Fuel diversity
- CO2 performance and cost
- Fleet operations
- We're not "picking" a scenario

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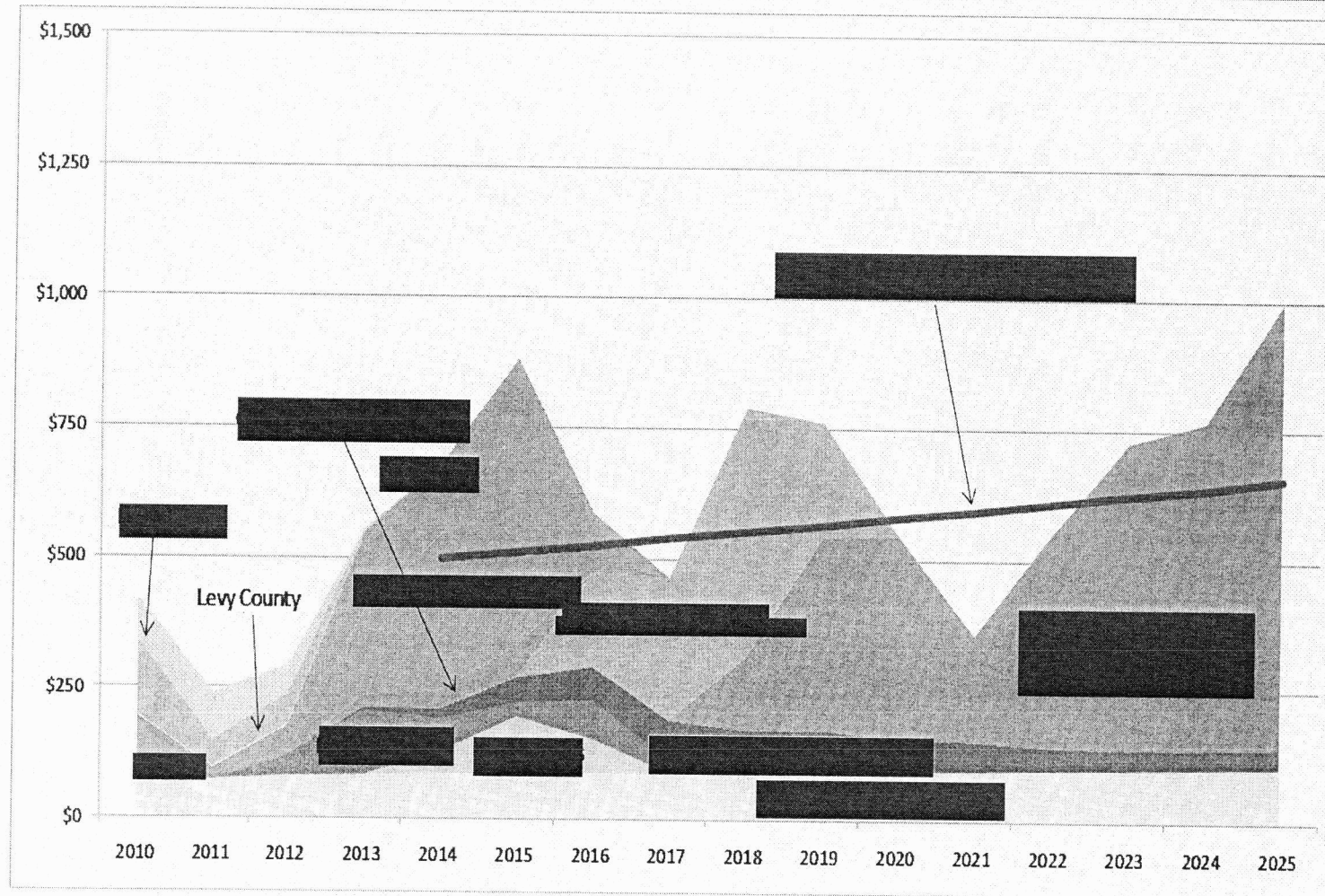
Resource Plan Comparison

	BAU	Mod	Tech	Aggressive
[REDACTED]	[REDACTED]			
[REDACTED]	[REDACTED]			[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]		
Levy	N/A		'27, '28	'24, '26
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]			
[REDACTED]	[REDACTED]			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]		
[REDACTED]	[REDACTED]	[REDACTED]		
[REDACTED]	[REDACTED]	[REDACTED]		
[REDACTED]	[REDACTED]	[REDACTED]		

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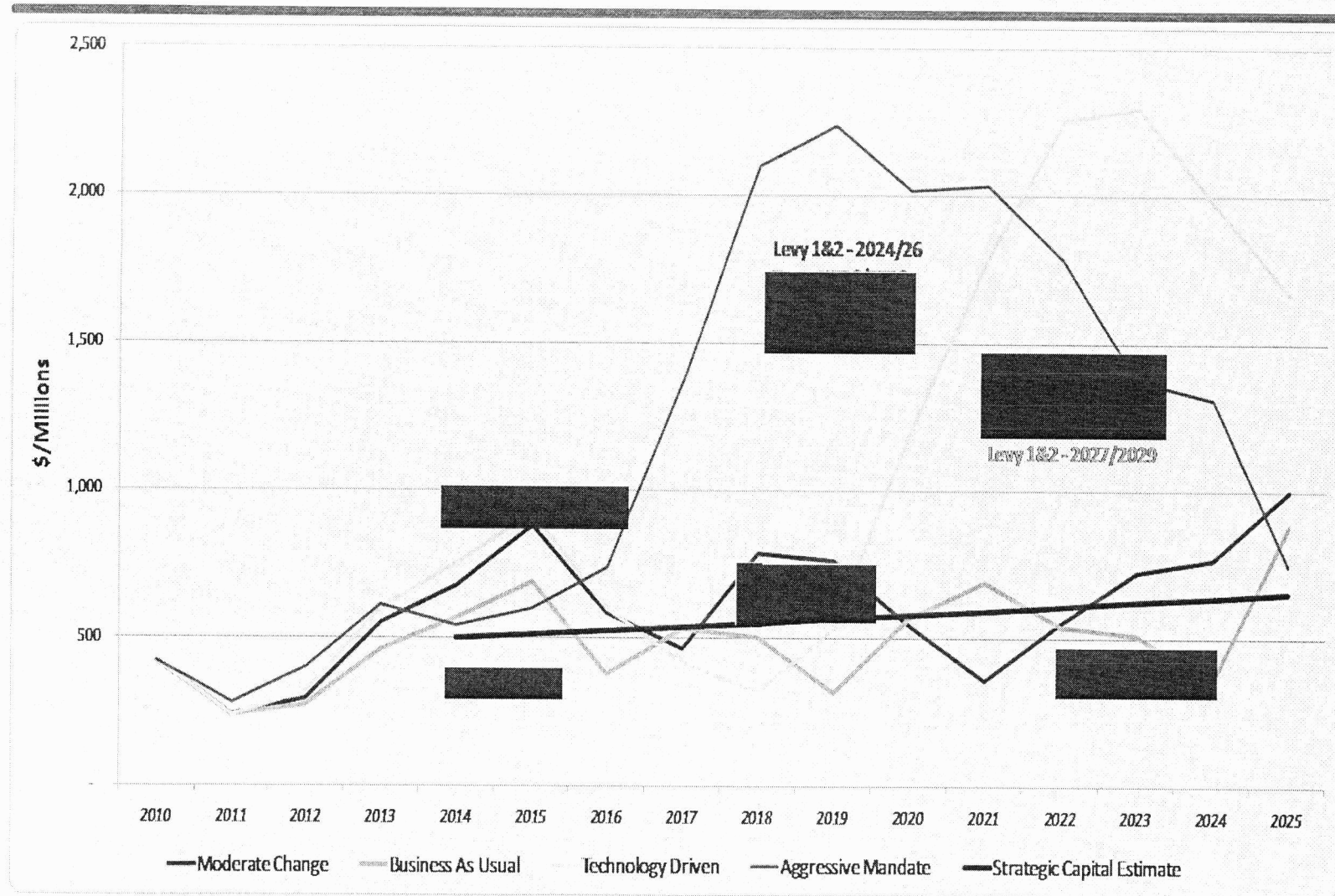
Scenario: Moderate Change

Strategic Capital



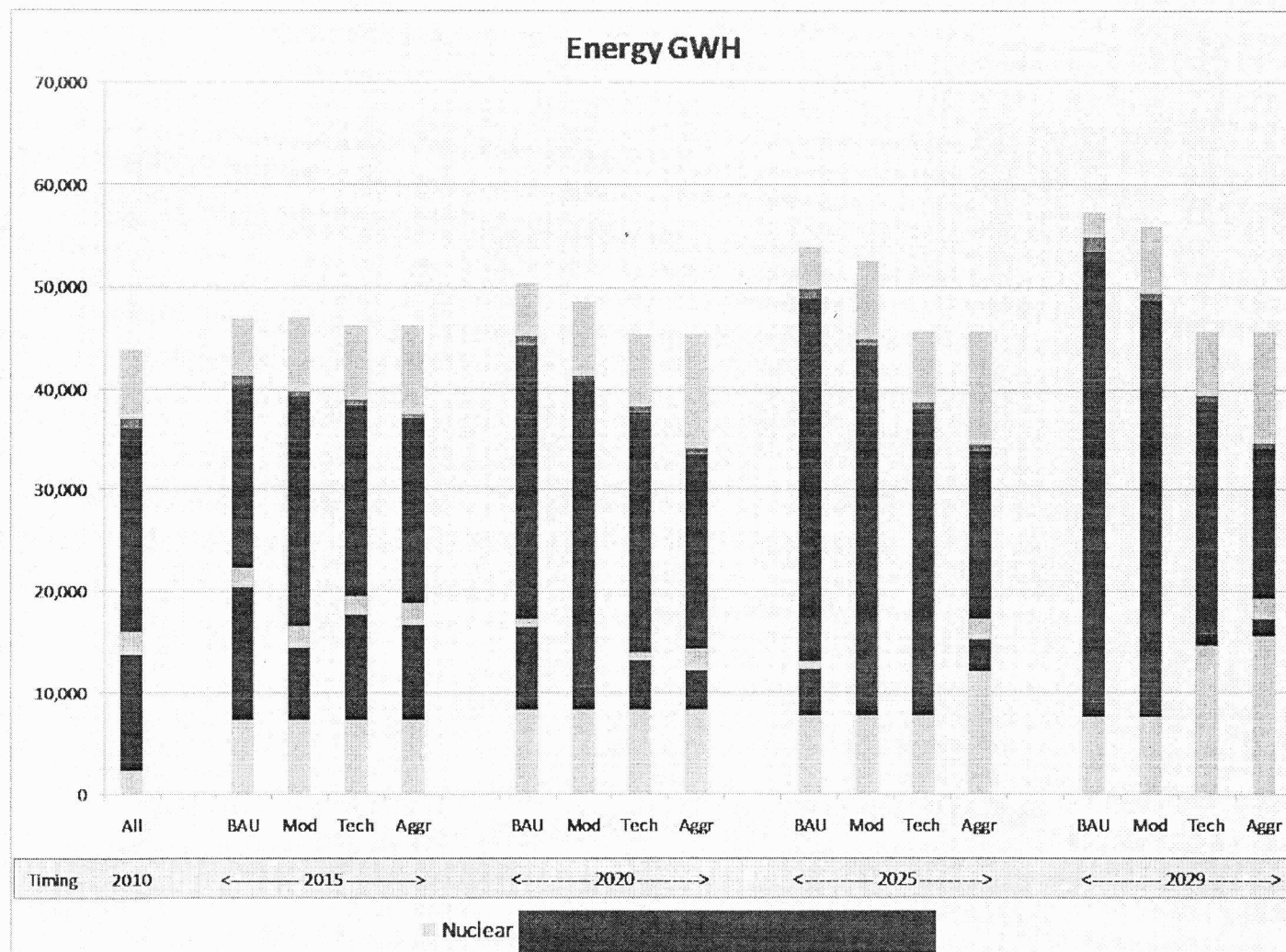
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Strategic Capital



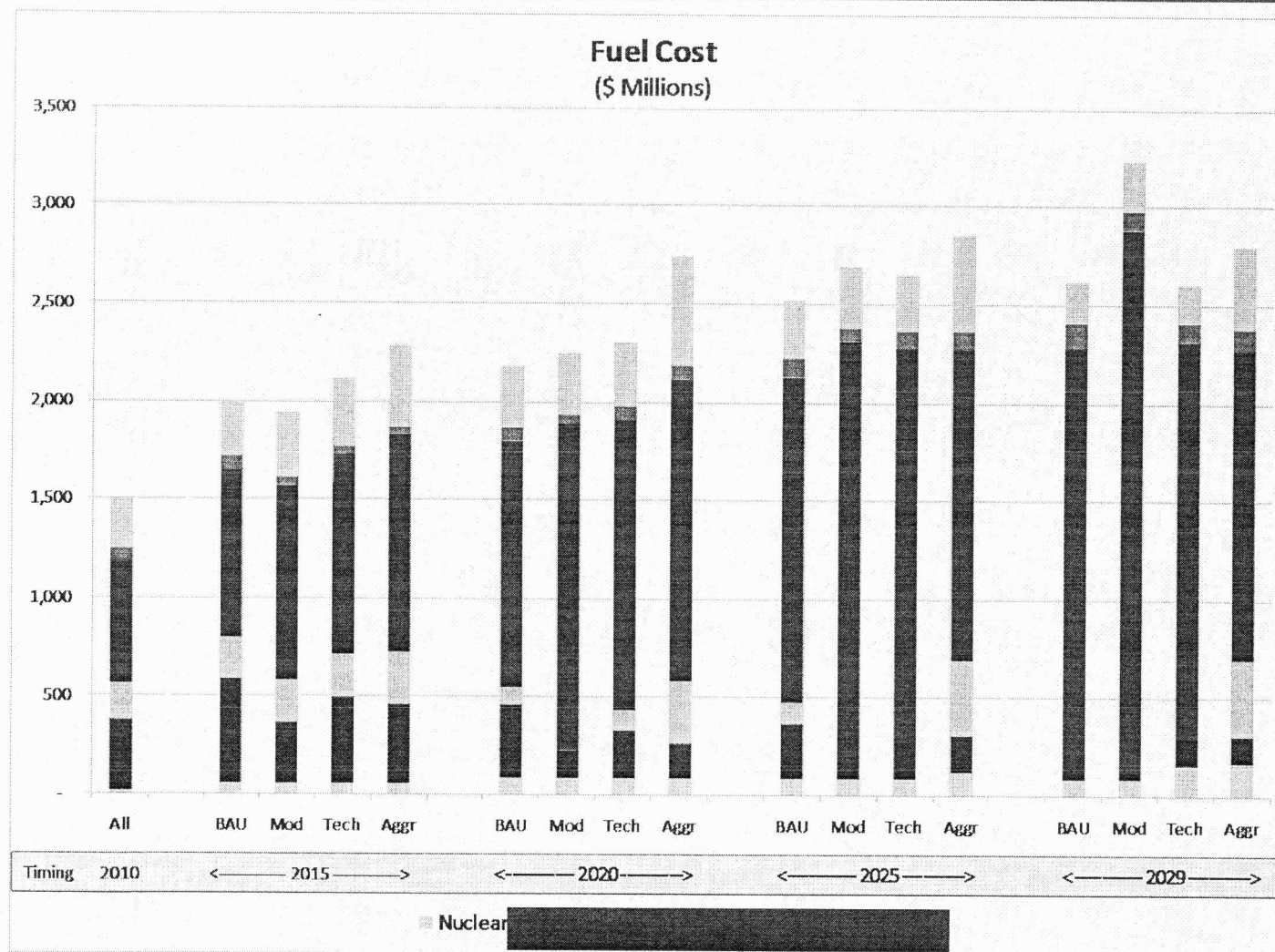
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System Energy Mix



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Components of Fuel Cost



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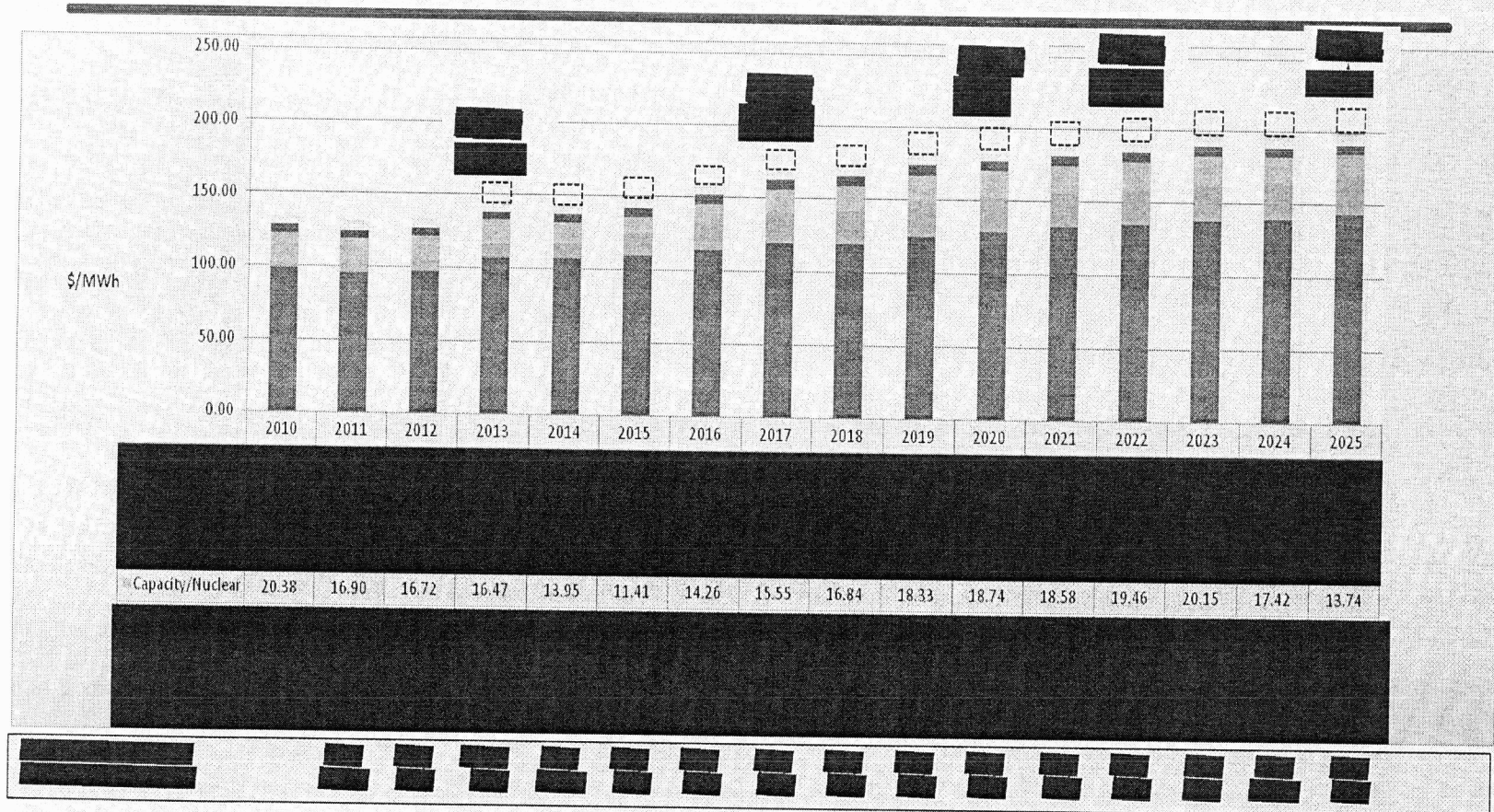
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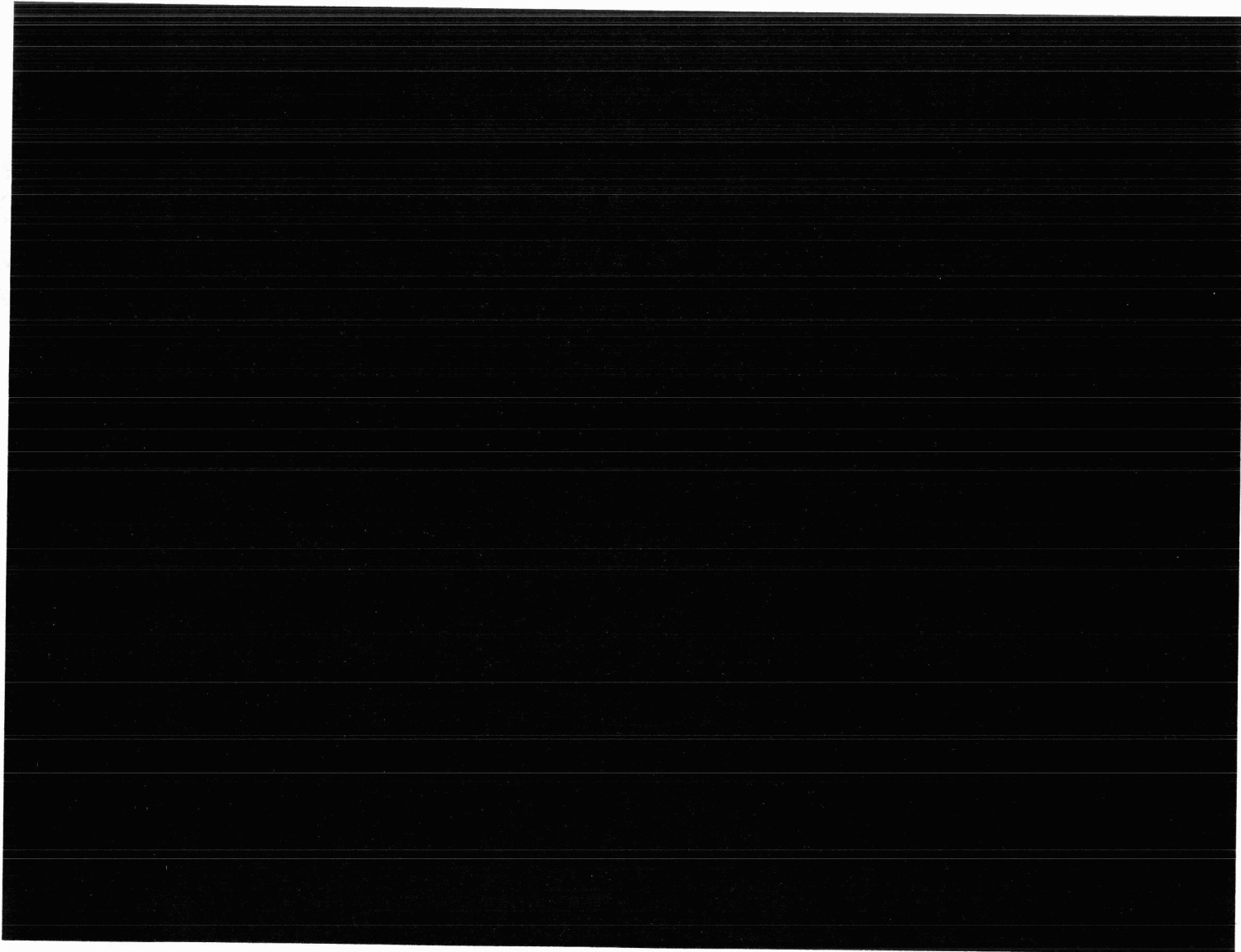
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Scenario: Moderate Change

Residential Rate for 1,000 kWh

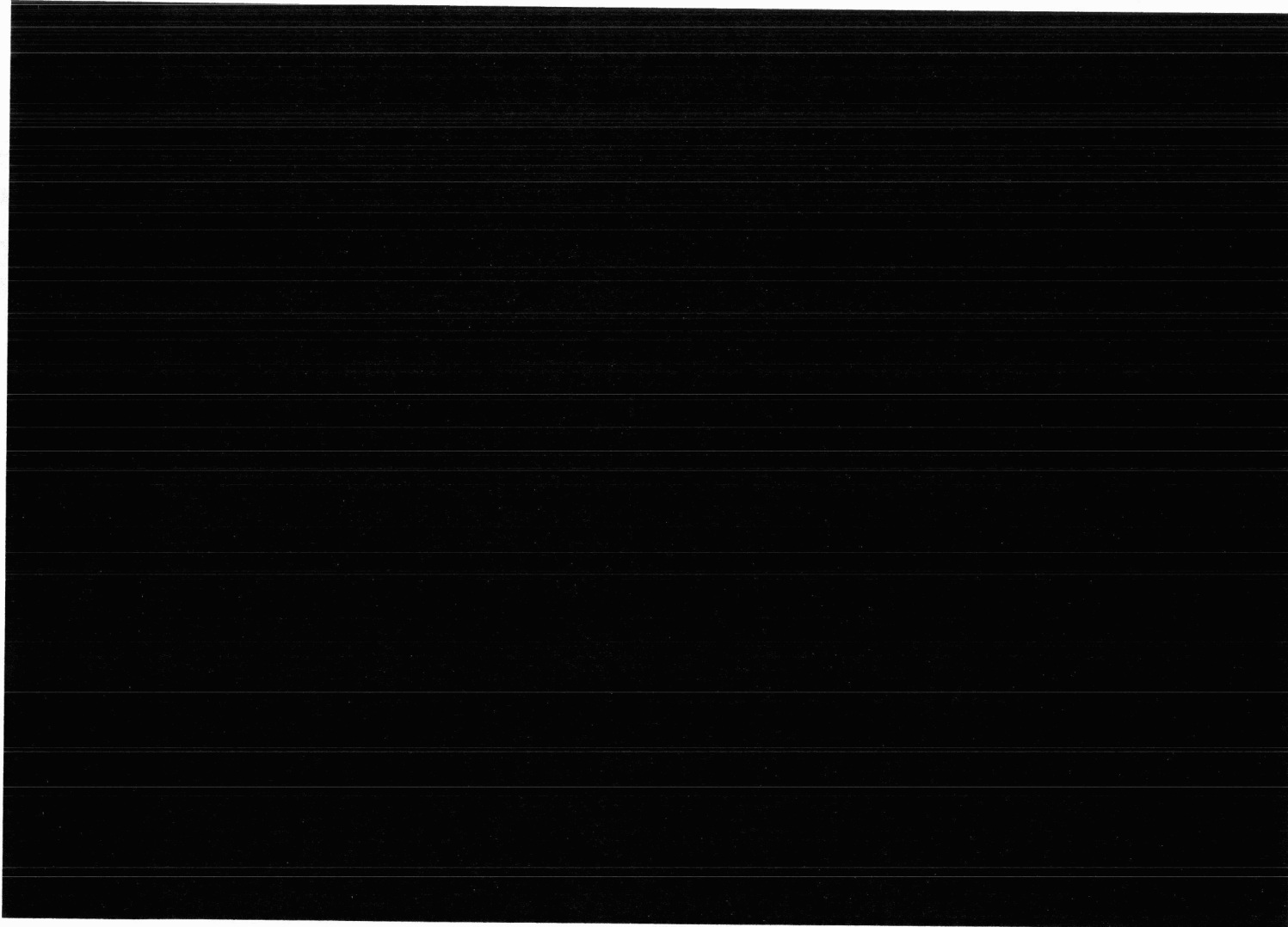


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11PMA-DR1LEVY-17S3-000351
11NC-OPCPOD5-29-000059

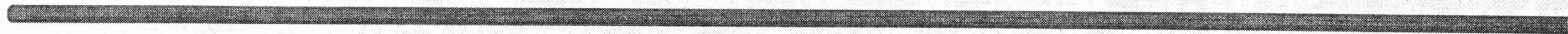
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11PMA-DR1LEVY-17S3-000354
11NC-OPCPOD5-29-000062

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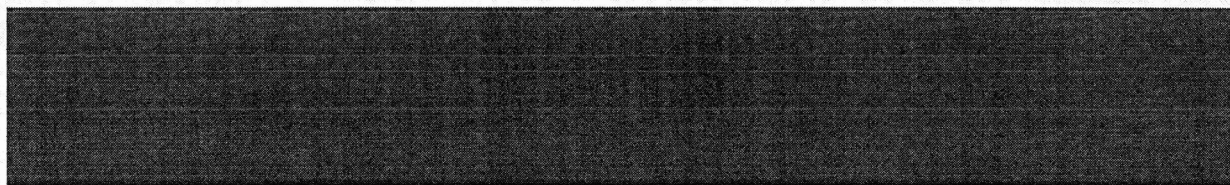
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11PMA-DR1LEVY-17S3-000358
11NC-OPCPOD5-29-000066

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Preliminary / For Discussion

Scenario Implications - For Key Plan Components

Moderate Change		Key differences in other scenarios, if any		
		BAU	Technology	Aggressive
[REDACTED]	[REDACTED]			
[REDACTED]	[REDACTED]			[REDACTED]
[REDACTED]	[REDACTED]			
[REDACTED]	[REDACTED]			[REDACTED]
Levy	<ul style="list-style-type: none"> Preferred resource, but dependent on robust policy support 	<ul style="list-style-type: none"> Not economic due to low gas and no GHG 		
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	

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Preliminary / For Discussion

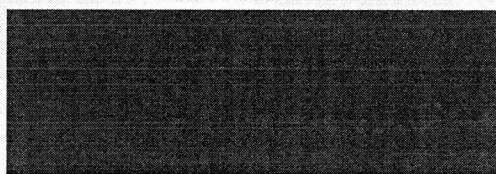
Decision Matrix

Near-Term Decision		Longer-Term Strategy Considerations
Levy	<ul style="list-style-type: none">• Secure COLA• Build policy support for nuclear	<ul style="list-style-type: none">• COLA option value• Value of Levy project and/or site

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11PMA-DR1LEVY-17S3-000363
11NC-OPCPOD5-29-000071

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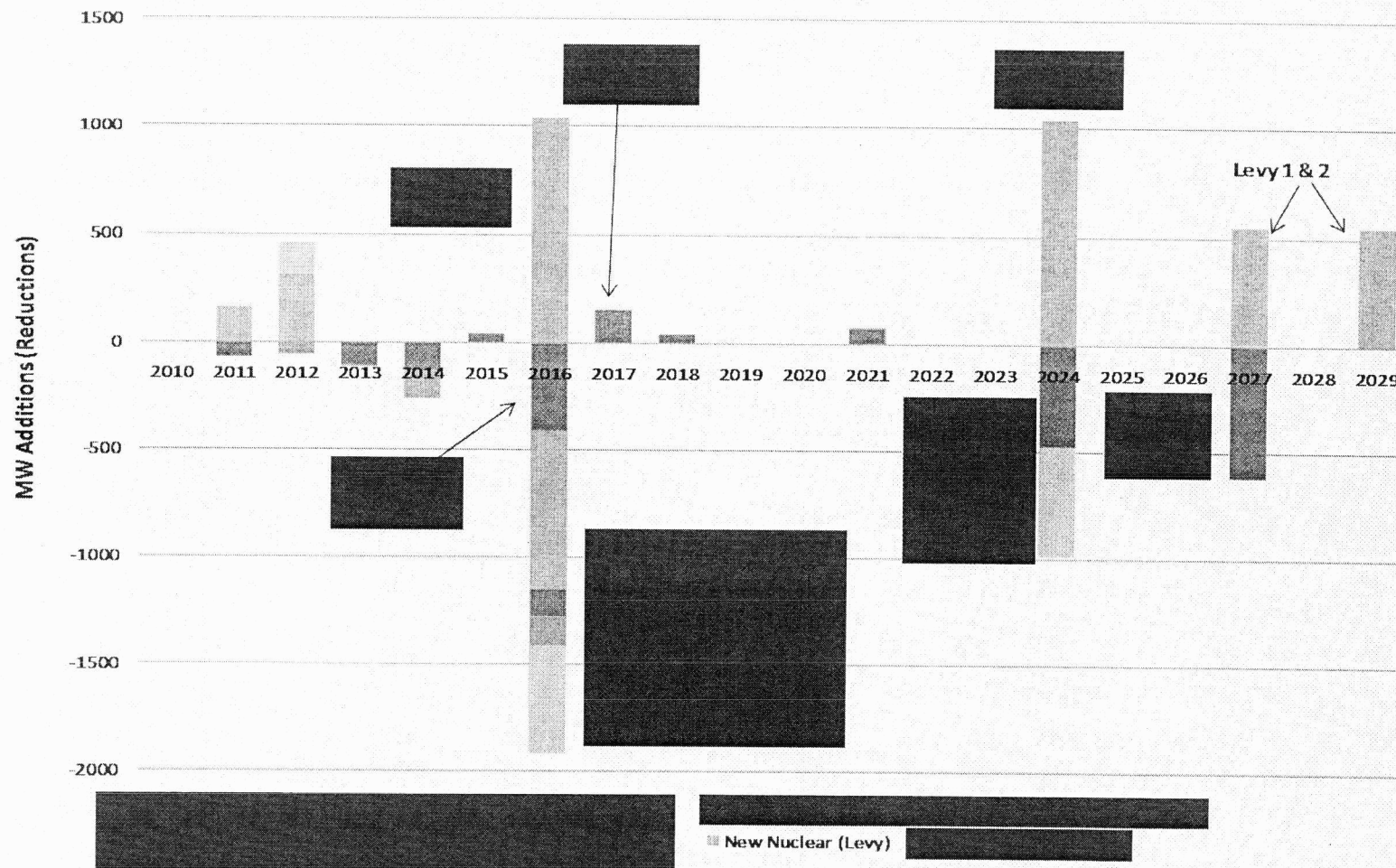


11PMA-DR1LEVY-17S3-000364
11NC-OPCPOD5-29-000072

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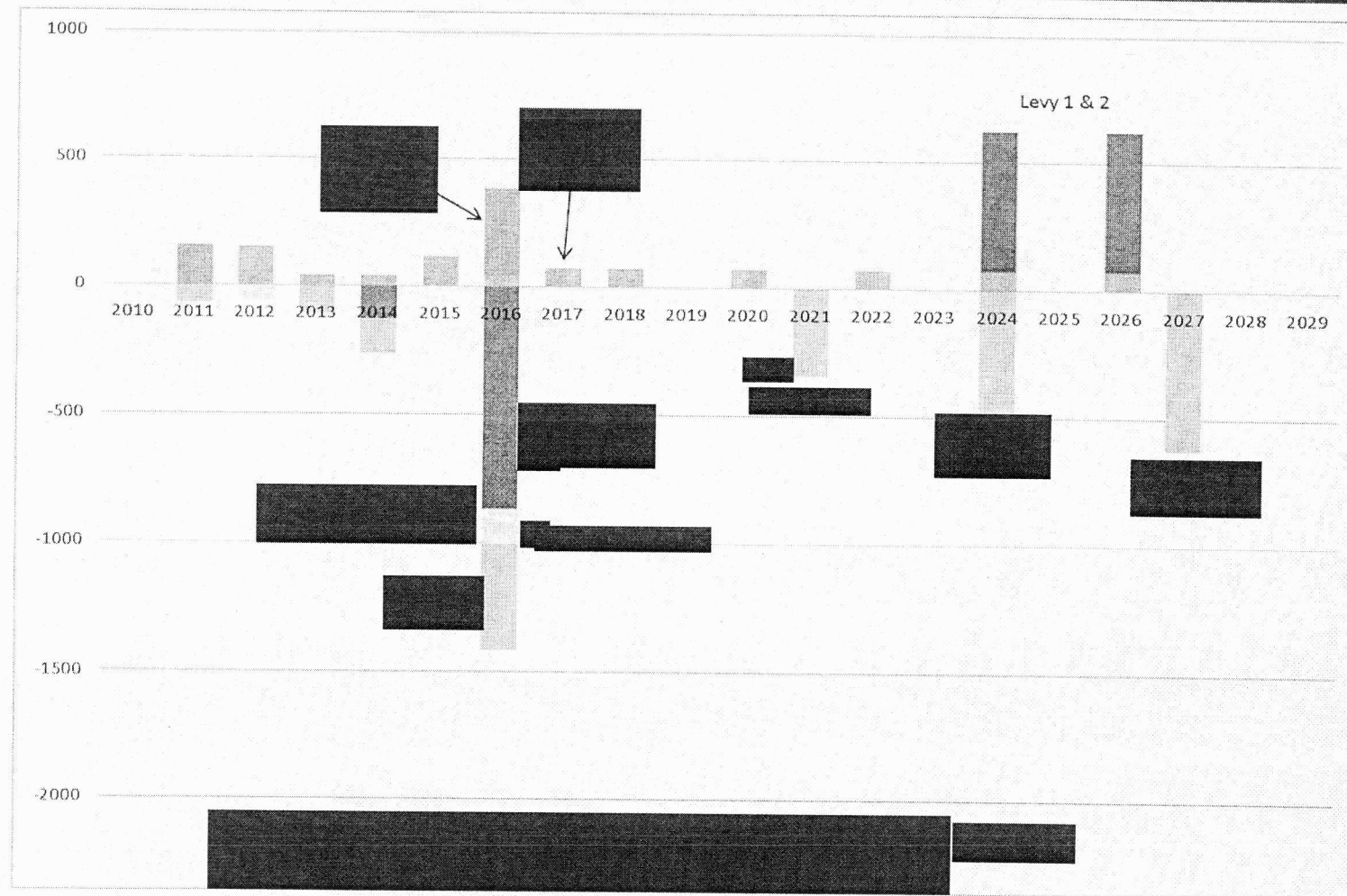
Scenario: Technology Driven Change

Resource Plan



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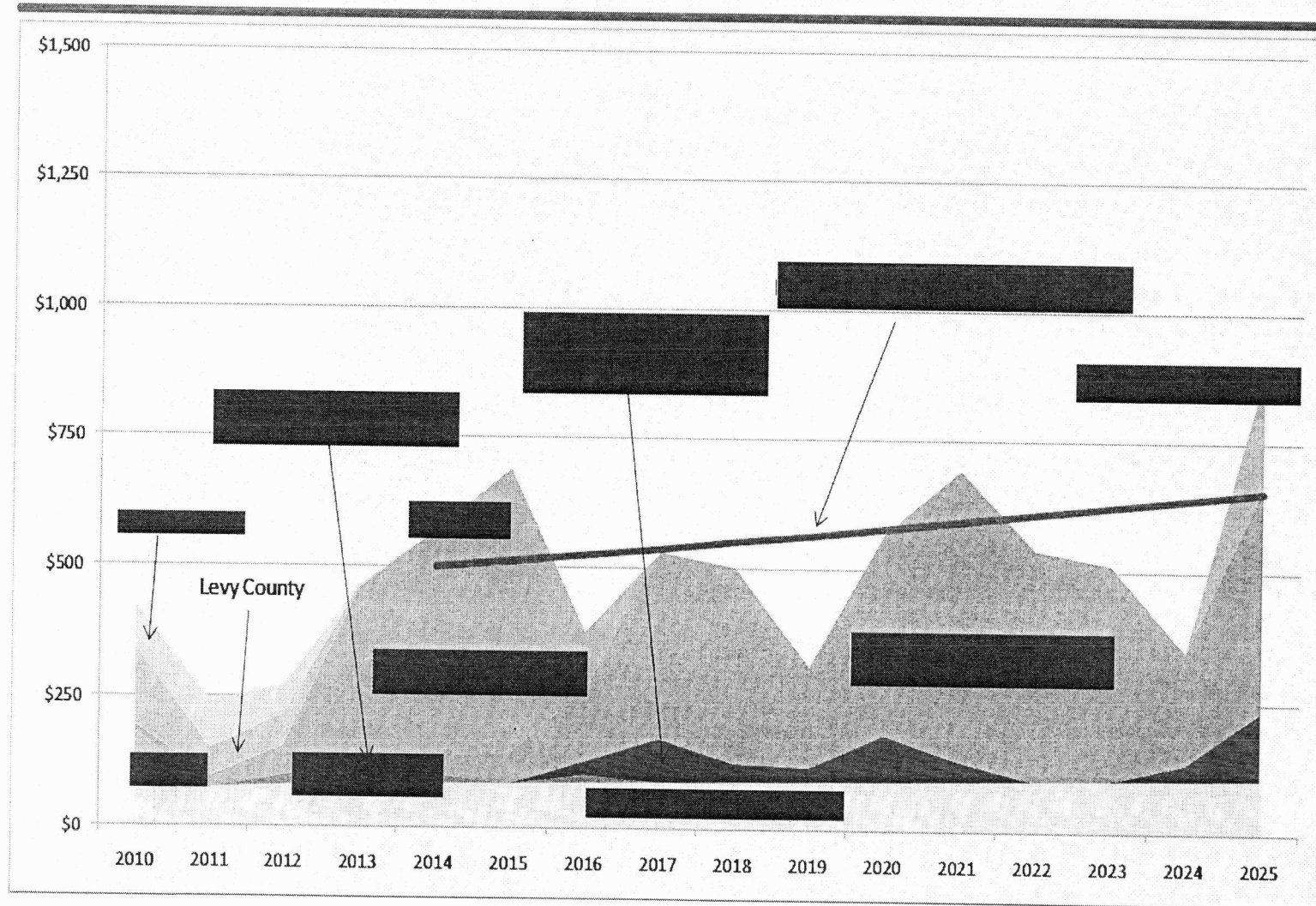
Scenario: Aggressive Mandate for Change Resource Plan



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Scenario: Business as Usual

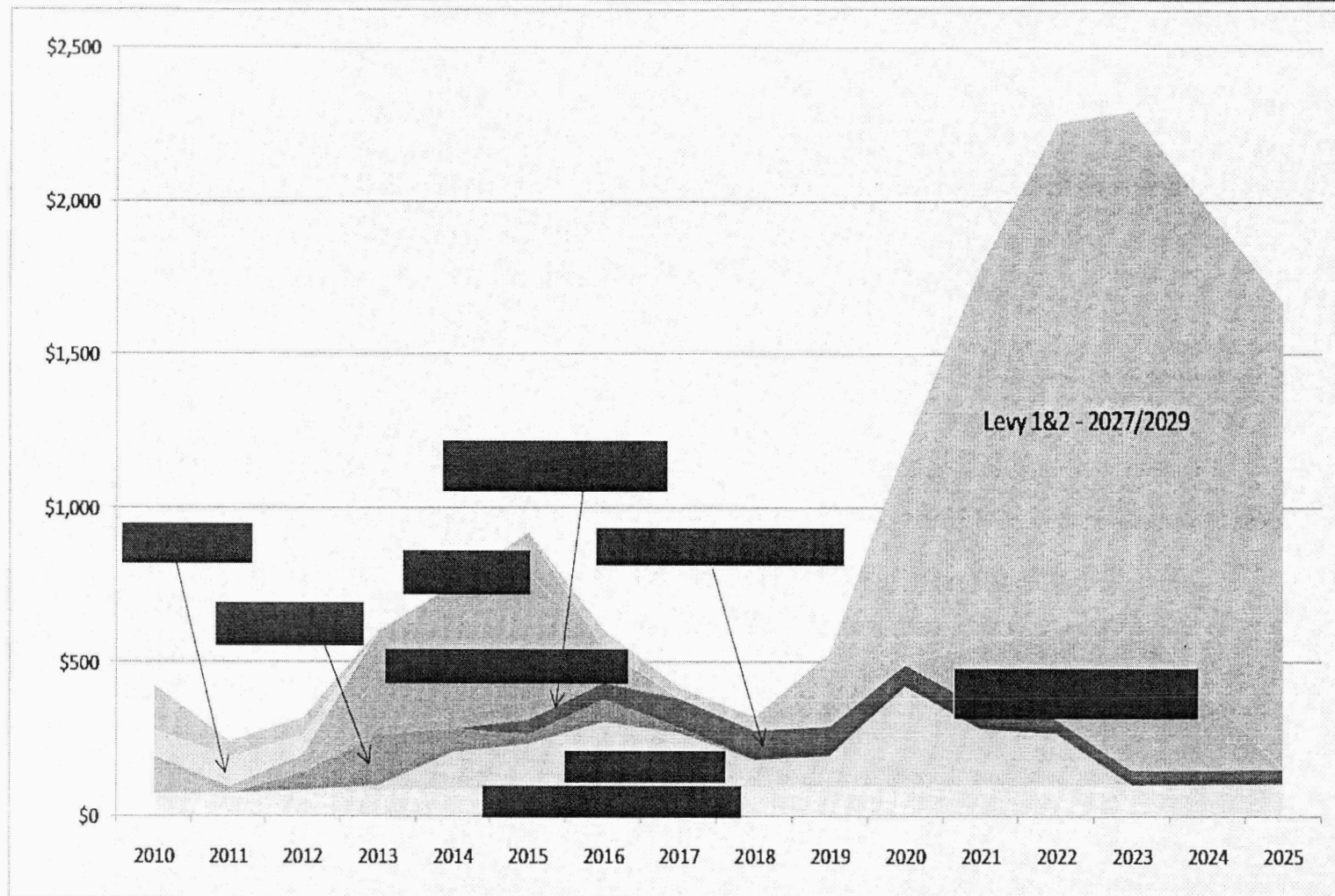
Strategic Capital



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Scenario: Technology Driven Change

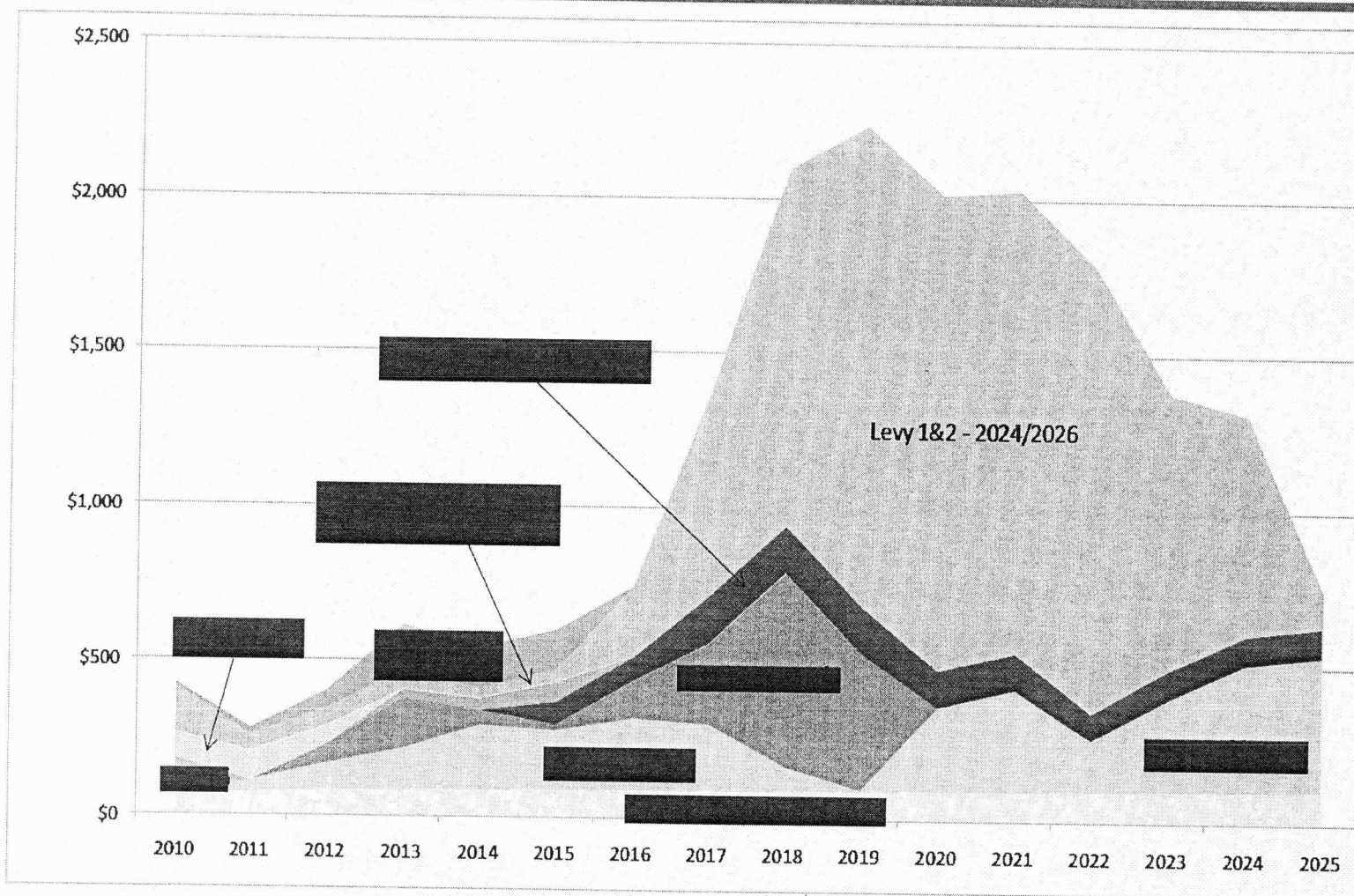
Strategic Capital



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Scenario: Aggressive Mandate for Change

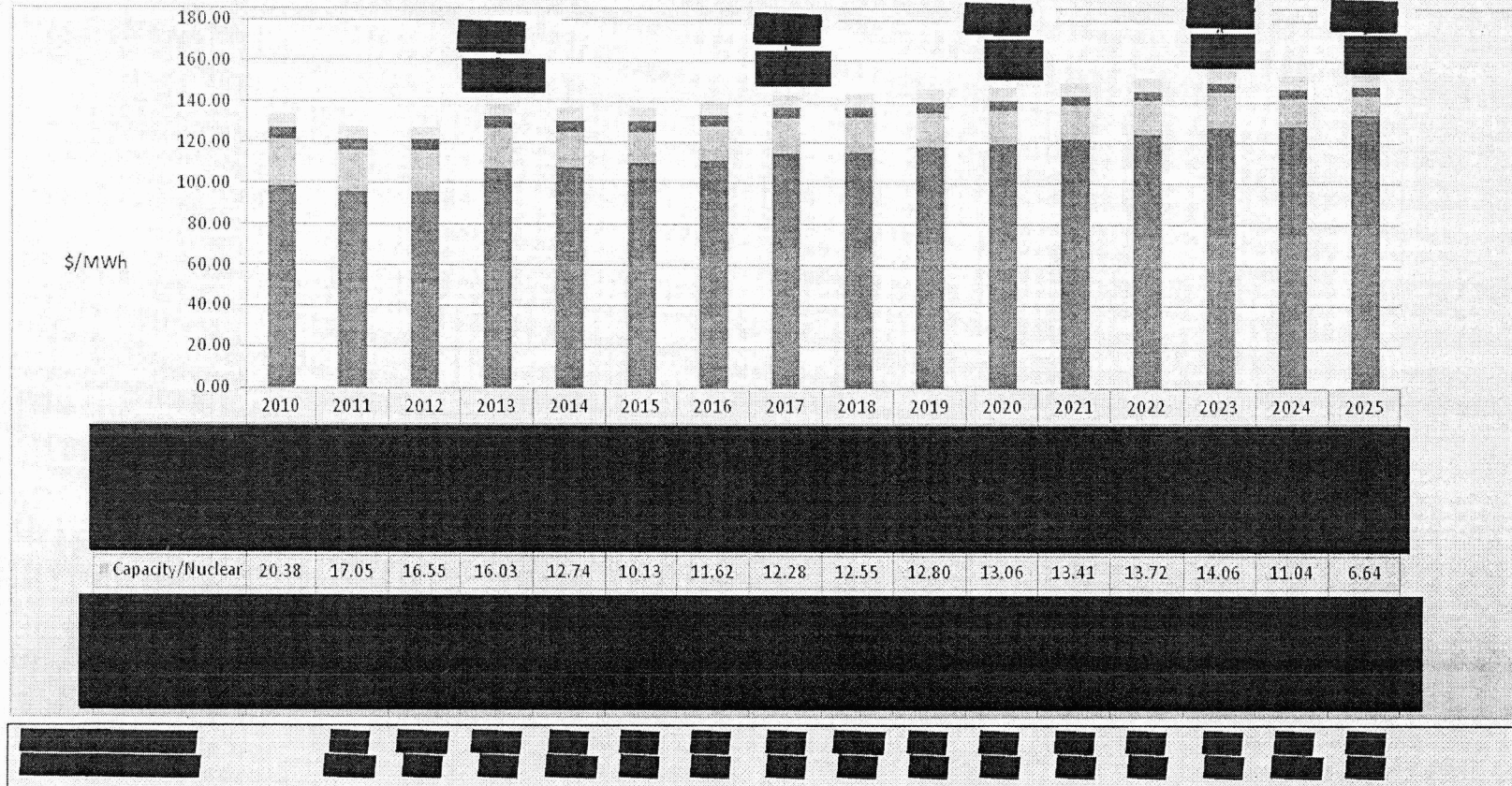
Strategic Capital



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Scenario: Business as Usual

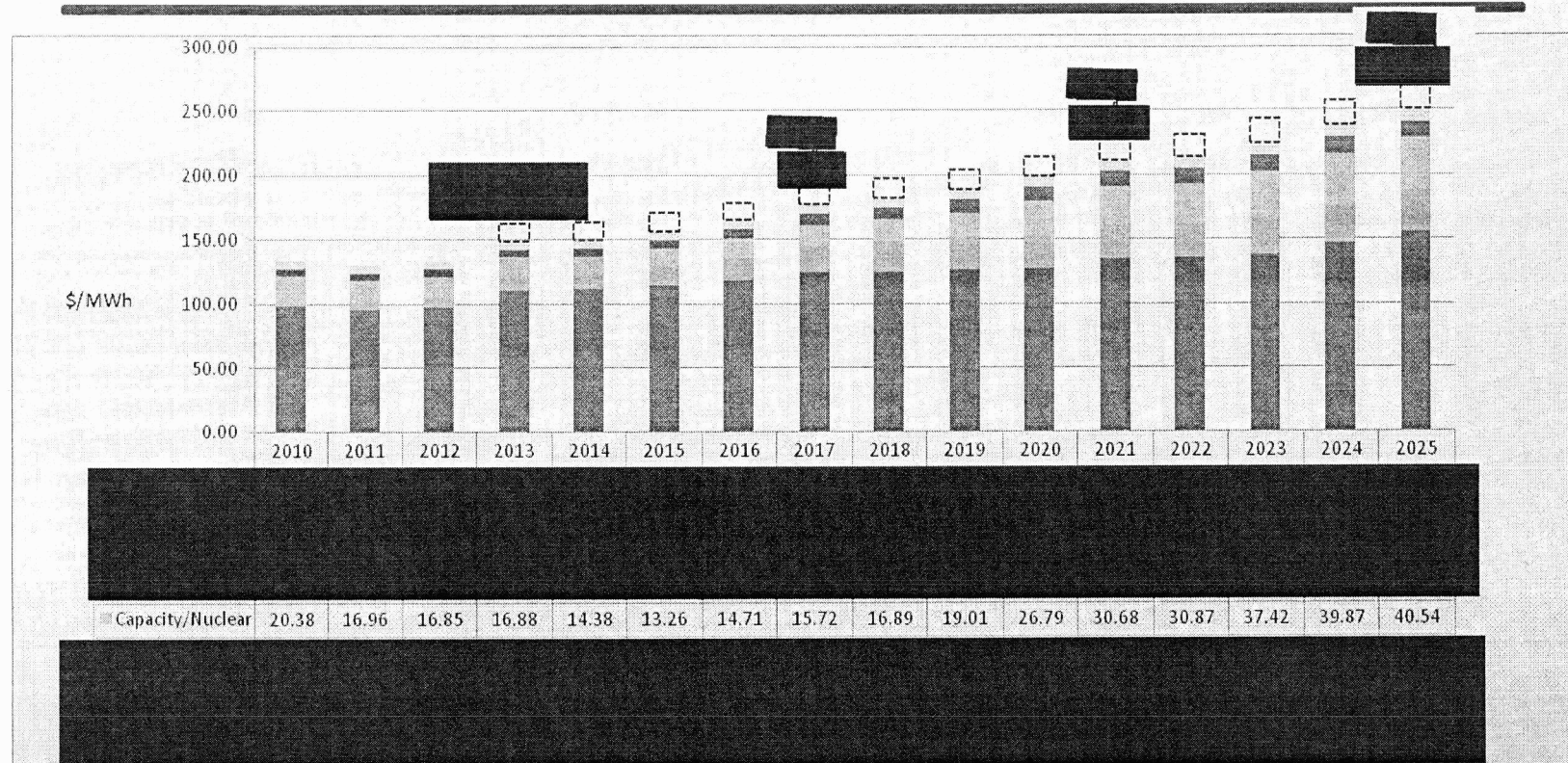
Residential Rate for 1,000 kWh



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Scenario: Technology Driven Change

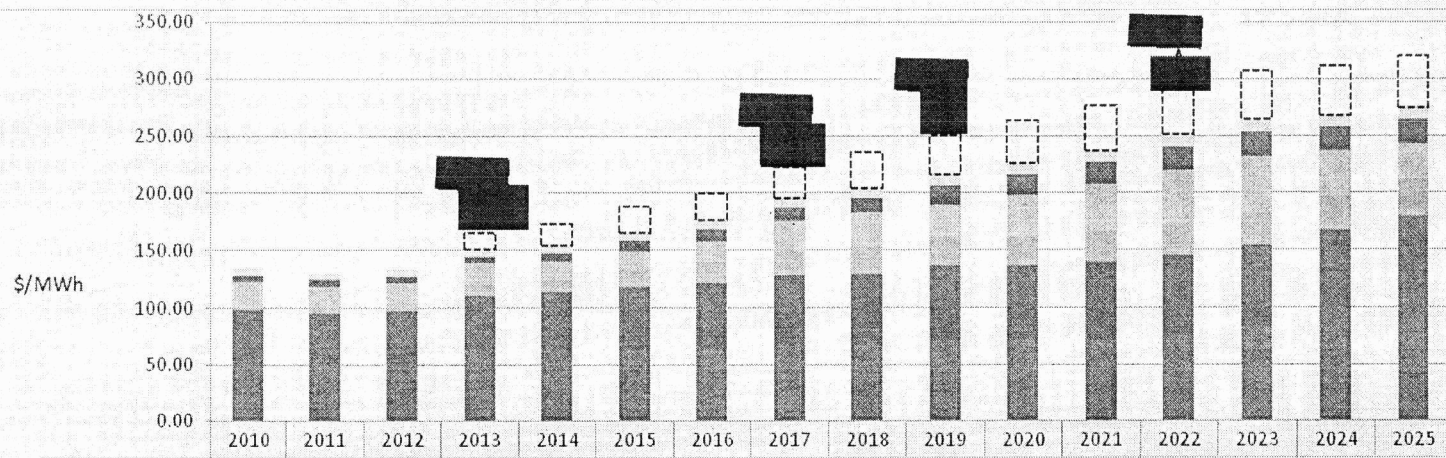
Residential Rate for 1,000 kWh



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Scenario: Aggressive Mandate for Change

Residential Rate for 1,000 kWh



Capacity/Nuclear 20.38 16.96 16.85 18.40 15.72 15.36 18.23 25.39 29.55 27.71 35.25 41.61 48.60 50.37 39.74 30.51

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Nuclear Cost Recovery)
Clause.)
_____)

Docket No. 110009-EI

Served: June 13, 2011

**PROGRESS ENERGY FLORIDA, INC.'S RESPONSE TO
CITIZENS' FIFTH REQUEST FOR PRODUCTION OF DOCUMENTS TO
PROGRESS ENERGY FLORIDA (NOS. 27-36)**

Progress Energy Florida, Inc. ("PEF" or the "Company") responds to the Office of Public Counsel's ("OPC" or "Citizens") Fifth Request for Production of Documents (Nos. 27-36) as follows:

DOCUMENTS REQUESTED

27. As identified in Interrogatory No. 62, for the period starting January 1, 2009 through the present, please provide a copy of minutes of Senior Management Committee (SMC) meetings where the Levy Nuclear Project (LNP) was discussed along with any handouts, presentations, PowerPoints, etc. from those meetings.

Response:

Subject to PEF's general and specific objection filed on May 31, 2011, incorporated herein by reference, and without waiving same, there are no minutes kept for the meetings of the SMC. See also SMC documents produced previously in response to OPC's 1st Production of Documents, Questions 3 and 4 and documents in Bates range 11NC-OPCPOD5-27-000001 and documents in Bates range 11NC-OPCPOD5-27-000002—000045 which are confidential and subject to PEF's Third Notice of Intent to Request Confidential Classification filed and served contemporaneously with this response.

28. For the period starting January 1, 2009 through the present, please provide a copy of the minutes from meetings among the LNP team where the LNP was discussed along with any handouts, presentations, PowerPoints, etc. from those meetings.

Response:

Subject to PEF's general and specific objection filed on May 31, 2011, incorporated herein by reference, and without waiving same, please see documents in Bates range 11NC-OPCPOD5-28-000001—001480. Documents in Bates range 11NC-OPCPOD5-28-000001—000092; 000106-000107; 000299-000382; 000404-000728; 000737---001055; 001136-001183; and 001384—001480 are confidential and subject to PEF's Third Notice of Intent to Request Confidential Classification filed and served contemporaneously with this response.

29. For the period starting January 1, 2009 through the present, please provide a copy of all documents (including but not limited to ten-year site plans drafts, long range generation planning scenarios, resource plans, strategic plans or similarly named or functionally equivalent documents) provided to the SMC which include options for the LNP in service dates.

Response:

Subject to PEF's general and specific objection filed on May 31, 2011, incorporated herein by reference, and without waiving same, please see documents in Bates range 10NC-OPCPOD3-64-003043—003104 (previously produced) and 11NC-OPCPOD5-29-000001—000115 which are confidential and subject to PEF's Third Notice of Intent to Request Confidential Classification filed and served contemporaneously with this response.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Nuclear Power Plant Cost Recovery)
 Clause.)

)

Docket No. 100009-EI

Served: April 6, 2010

PROGRESS ENERGY FLORIDA'S RESPONSE TO CITIZENS' FIRST REQUEST FOR PRODUCTION OF DOCUMENTS TO PROGRESS ENERGY FLORIDA. (Nos. 1-43)

Progress Energy Florida, Inc., ("PEF" or "Company"), responds to Office of Public Counsel's ("OPC" or "Citizens") First Request for Production of Documents (Nos. 1-43), as follows:

DOCUMENTS REQUESTED

Question #1

Please provide all analyses, studies, reports or other documents related to the Company's decision to either continue or cancel the LNP project. Consider this to be a continuing request and please provide all responsive analyses, studies, reports or other documents that are produced subsequent to the response to this request.

Response:

Subject to PEF's general and specific objections filed March 29, 2010, and without waiving same, please see the documents produced in Bates ranges 10NC-OPCPOD1-1-000001 through 10NC-OPCPOD1-1-000110. In addition, other documents prepared for the Company will be made available for review to the Office of Public Counsel in the Tallahassee office of counsel for the Consortium at a mutually convenient time.

Documents in Bates ranges 10NC-OPCPOD1-1-000001 through 10NC-OPCPOD1-1-000110 are confidential and subject to PEF's First Notice of Intent to Request Confidential Classification and PEF's First Motion for Temporary Protective Order filed April 6, 2010.

Question #9

Please provide any and all updates including meeting handouts to the PEF Board Nuclear Oversight Committee, the Senior Management Committee and the Board of Directors in 2009 and 2010.

Response:

Subject to PEF's general objections filed March 29, 2010, and without waiving same, please see the documents produced in Bates ranges 10NC-OPCPOD1-9-000001 through 10NC-OPCPOD1-9-000371. Also please see the documents produced in response to Question 1.

Documents in Bates ranges 10NC-OPCPOD1-9-000007 through 10NC-OPCPOD1-9-000371 are confidential and subject to PEF's First Notice of Intent to Request Confidential Classification and PEF's First Motion for Temporary Protective Order filed April 6, 2010.

Question #10

Provide all meeting handouts from and meeting minutes of the Senior Management Committee during 2009 and 2010.

Response:

Subject to PEF's general objections filed March 29, 2010, and without waiving same, please see the SMC presentations produced in response to Question 1. The SMC does not keep minutes of its meetings.

IN THE MATTER OF

In Re: Nuclear Power Plant Cost Recovery Clause

Transcript of Deposition of
William R. Jacobs, Jr., Ph. D.
Volume I
On July 27, 2009

CONFIDENTIAL TRANSCRIPT

*Reported by Elizabeth R. Hollingworth
Certified Court Reporter*



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Nuclear Power Plant Docket No. 090009-E1
 Cost Recovery Clause

- - -

Deposition of WILLIAM R. JACOBS, JR., Ph.D.,
 Taken by J. MICHAEL WALLS,

 Before Elizabeth R. Hollingsworth,
 Certified Court Reporter,

 At the Offices of GDS Associates, Inc.,
 Marietta, Georgia,

 On Monday, July 27, 2009,
Beginning at 9:04 a.m. and ending at 2:28 p.m.

- - -

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In Re: Nuclear Power Plant Cost Recovery Clause Jacobs, Jr., Ph. D.

July 27, 2009

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14 Tallahassee, FL 32399
15 850.488.9330
16 rehwinkel.charles@leg.state.fl.us

17 ALSO PRESENT:

18 Garry Dale Miller, Progress Energy
19 Florida, Inc.

20 ALSO PRESENT: (Telephonically)

21 F. ALVIN TAYLOR
22 Brickfield Burchette
23 Ritts & Stone, PC
24 8th Floor, West Tower
25 1025 Thomas Jefferson Street, NW
Washington, DC 20007
202.342.0800

Paul Lewis, Jr., Progress Energy
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Jim Breman, Florida Public Service
Commission

Cayce Hinton, Florida Public Service
Commission

Dale Buys, Florida Public Service
Commission

Mark Laux, Florida Public Service
Commission

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In Re: Nuclear Power Plant Cost Recovery Clause Jacobs, Jr., Ph. D.

July 27, 2009

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In Re: Nuclear Power Plant Cost Recovery Clause Jacobs, Jr., Ph. D.

July 27, 2009

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1 July 27, 2009

2 9:04 a.m.

3 (Whereupon the reporter provided a
4 written disclosure to all counsel
5 pursuant to OCGA 9-11-28.)

6 MR. WALLS: I think Al Taylor is the
7 only one on the phone that is bound by a
8 confidentiality agreement. If you could confirm
9 that, Al, so we could start.

10 MR. TAYLOR: That is correct.

11 WILLIAM R. JACOBS, JR., Ph.D.,

12 being first duly sworn, was examined and
13 testified as follows:

14 CROSS-EXAMINATION

15 BY MR. WALLS:

16 Q Dr. Jacobs, I'm going to begin your
17 deposition testimony, and I want to make sure
18 first that you had a chance to review the notice
19 and the requested documents attached to it.

20 A Yes, I did.

21 Q And did you bring documents with you
22 in response to that request?

23 A Yes. I brought the -- well, I brought
24 several documents, one of the documents that we
25 downloaded off the NRC Web site related to these

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In Re: Nuclear Power Plant Cost Recovery Clause Jacobs, Jr., Ph. D.

July 27, 2009

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1 going forward.

2 Q If you could, look at subsection
3 eight, which is the other rule subsection you
4 cite on page 18.

5 A Okay.

6 Q Right?

7 A Yes.

8 Q It says, quote, "A utility shall,
9 contemporaneously with the filing required by
10 paragraph (5)(c) above, file a detailed statement
11 of project costs sufficient to support a
12 Commission determination of prudence, including,
13 but not limited to, the information required in
14 paragraphs (8)(b) to (8)(e) below"; correct?

15 A That's correct.

16 Q And would you agree with me that the
17 determination of prudence then has nothing to do
18 with the determination of feasibility as you just
19 said?

20 A I would agree with that.

21 Q Now, I want to talk a bit about this
22 cost effectiveness test that you described. The
23 company did that under the need determination and
24 obtained a need determination for the plant;
25 correct?

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In Re: Nuclear Power Plant Cost Recovery Clause Jacobs, Jr., Ph. D.

July 27, 2009

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1 A Yes.

2 Q One year out, assume that the load
3 forecast, the gas forecast, and the emission
4 forecast changes such that if you did your little
5 boxes of the analysis that the LNP would not
6 prove cost effective that year.

7 Is it your testimony the Commission
8 should determine that the project should not go
9 forward and the company should determine it's not
10 feasible to go forward with the project?

11 A No.

12 Q Why not?

13 A Well, you really have to look at it
14 from the big picture and look at long-term
15 trends. I don't think a one-year change in any
16 condition is sufficient to consider stopping the
17 project.

18 Q Because this is a long-term project;
19 right?

20 A That's correct.

21 Q No one builds a nuclear plant for
22 what's going to happen in the next five years;
23 right?

24 A That's right. It's a
25 capital-intensive project, and it pays for

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July 27, 2009

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1 itself over a lengthy period of time.

2 Q And, in fact, the company in the need
3 case evaluated that project over 60 years beyond
4 the construction project; correct?

5 A That would be my guess. I didn't see
6 the need case. But that would be 40 years of the
7 initial license and then 20 years for the license
8 renewal. And some people are now talking even
9 additional license renewal beyond that. So it
10 could last longer than that.

11 Q And that's the way you should look at
12 a project of that type, right, because that's the
13 period in which that plant will operate; right?

14 A Yes.

15 Q So you can't look year to year about
16 changes in gas forecast, for example, and decide
17 not to build a nuclear plant. You wouldn't build
18 one, would you?

19 A Probably not.

20 Q You wouldn't build a coal plant on
21 that basis either, would you?

22 A No.

23 Q You wouldn't build any long-term
24 nuclear plant on that basis, would you?

25 A Probably not, no.

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