PROGRESS ENERGY FLORIDA

In re: Nuclear Cost Recovery Clause Docket 100009-EI Twenty-Third Request for Confidential Classification

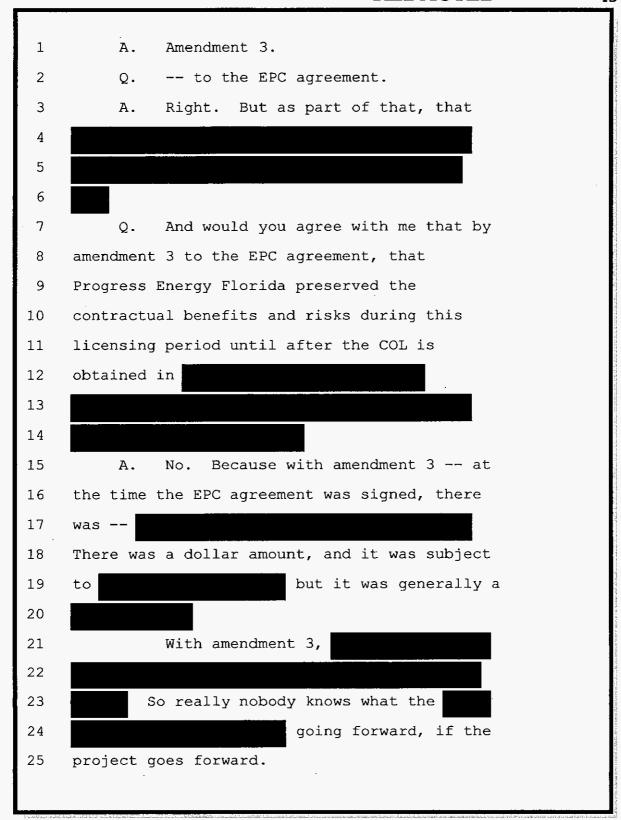
EXHIBIT B

COM ______
APA ____
ECR ____
GCL ____
RAD ___
SSC ____
ADM ___
OPC ____
CLK ___

TPCC CUMINICATON CLERK

REDACTED

1	Q. If that's the case and Progress
2	Energy Florida still has the opportunity to
3	analyze this additional option and make the
4	same or different decision, would you agree,
5	then, that nothing has changed with respect to
6	the project risks from the time Progress
7	Energy evaluated the options it did and made
8	its decision and the time they'll evaluate
9	this option and make a same or different
10	decision?
11	A. The same risks are generally there.
12	They may be slightly greater, slightly less.
13	But the general time frame is short enough
14	that I would agree that there have been no
15	significant changes in the overall risks.
16	Q. Isn't it also true that Progress
17	Energy Florida has that ability to look at
18	this additional option and evaluate it and
19	reevaluate its decision because Progress
20	Energy Florida
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24	
25	Q. I'm referring to amendment 3



1	Q. Would you agree with me that that
2	contractual price in the EPC agreement was
3	always subject to change based on the terms
4	and conditions of that contract?
5	MR. MOYLE: Object to the form.
6	MR. REHWINKEL: That was Jon Moyle.
7	A. The cost was known based on yeah,
8	subject to the terms and conditions in the
9	contract, which included
10	
11	
12	
13	
14	Q. (By Mr. Walls) Would you agree with
15	me that amendment 3 to the contract
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17	
18	
19	MR. MOYLE: Same objection.
20	A. It really didn't amendment 3
21	really did not address that,
22	
23	Q. (By Mr. Walls) Okay. And is that
24	because it didn't change it at all? Right?
25	A. Well, it didn't I don't think you

1	would know until the new cost schedules are
2	agreed upon after the notice to proceed is
3	given, if it is given.
4	Q. I see that you nowhere reference
5	amendment 3 to the EPC contract in your
6	testimony; is that correct?
7	A. That's correct.
8	Q. Is there a reason why you didn't
9	reference amendment 3 to the EPC agreement in
10	your testimony?
11	A. I didn't think it was particularly
12	relevant to the point that I was making on the
13	need for the fourth scenario that I had
14	identified.
15	Q. But you would agree with me that
16	amendment 3
17	
18	
19	; correct?
20	A. Yes. That's correct.
21	MR. MOYLE: Object to the form.
22	Q. (By Mr. Walls) So you would agree
23	that amendment 3 to the EPC agreement
24	therefore
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4	A. I believe that's correct.
5	Q. Did you read staff testimony in the
6	staff audit report regarding the Levy nuclear
7	project?
8	A. Just very briefly.
9	Q. Did you read what the staff audit
10	report concluded about amendment 3 to the EPC
11	agreement?
12	A. I believe I have read that, yes.
13	Q. Do you have any disagreement with
14	what the staff audit report concluded with
15	respect to the EPC agreement amendment in
16	amendment 3?
17	A. I would need to review that again.
18	Q. Okay.
19	MR. REHWINKEL: Would you like him
20	to look at it?
21	MR. WALLS: Sure, if you have it.
22	MR. REHWINKEL: You may want to
23	direct him to exactly what you want him to
24	look at.
25	MR. WALLS: This is the redacted

REDACTED

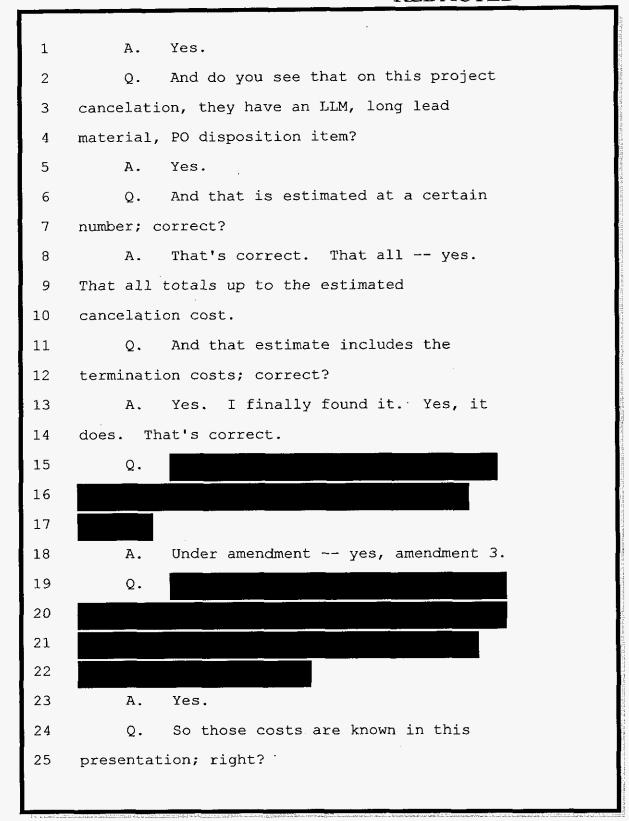
1	MR. REHWINKEL: I've got the other
2	version.
3	Do you need the confidential version
4	for that question?
5	MR. WALLS: Yeah. Because this is a
6	redacted amendment 3 discussion, I
7	believe.
8	MR. REHWINKEL: I think that's back
9	in my room.
10	MR. WALLS: Okay. I don't think I
11	have it. I have the redacted version too,
12	because that's what I
13	Q. (By Mr. Walls) Well, let me ask it
14	this way: After reviewing the staff testimony
15	and the staff audit report, did you have any
16	reason to believe you should change any of
17	your opinions in your own testimony?
18	A. No.
19	Q. If we could turn to page 8, lines 31
20	to 33
21	MR. REHWINKEL: We're still on
22	confidential?
23	MR. WALLS: Yes, because we're
24	talking about the
25	

1 the si	ignificance	of	costs	could	be	very
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- 2 different versus a different, shorter-term
- 3 project?
- 4 A. Yes. Yes.
- 5 Q. Would you also agree with me that
- 6 the evaluation option you say they should
- 7 consider of cancelation two to three years
- 8 later is always going to cost more than
- 9 immediate cancelation now?
- 10 A. Yeah. It clearly will. The
- 11 question is how much.
- 12 Q. And I noticed in your testimony, you
- 13 don't express an opinion that that known fact,
- 14 the fact that you're going to proceed two to
- 15 three years with the project under your
- 16 evaluation of the option of cancelation after
- 17 COL -- that that fact alone justifies
- 18 immediate cancelation; correct?
- 19 A. That's correct. That's about a
- 20 difference between those two
- 21 options.
- Q. Well, didn't the company estimate,
- 23 in its senior manager presentations, that
- 24 those costs were higher than that over the two
- 25 to three years of continuing the project?

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1	A. Higher than what?
2	Q. The number you just gave.
3	A. The number I gave is the difference
4	between prompt cancelation and the option
5	chosen option, option three, which is
6	proceeding to COL.
7	Q. Okay.
8	A. Now, there are some well, there
9	are some unknowns in both of those numbers,
10	really, particularly in prompt cancelation.
11	
12	
13	
14	Q. Would you also agree with me that in
15	that presentation, when they estimated the
16	cost of these options, they did estimate what
17	the cost would be over the next three years to
18	obtain the COL?
19	A. Yes.
20	Q. So that cost is in the presentation;
21	it was known to senior management when they
22	made the decision; correct?
23	A. Right. That's in my shown in my
24	testimony, I believe.
25	Q. And doesn't amendment 3 to the EPC

REDACTED agreement tell you that the 1 2 3 4 MR. MOYLE: Object to the form. 5 6 7 8 (By Mr. Walls) So those costs were 9 known as well and are indicated in the 10 immediate cancelation option that the company 11 evaluated; correct? 12 Α. Yes. 13 So isn't it, for your option that 14 the company -- you say they should have 15 evaluated, those costs are there in the 16 presentation; right? 17 It's the cost of the option to 18 proceed for the next two to three years to get 19 the COL and the cost of the immediate 20 cancelation option on top of that at the high 21 end of those cost estimates; correct? 22 Well, plus whatever additional 23 escalation is involved and 24 25



1 A. Yes.
2 Q. Certainly senior management knew
3 that if they were going to spend that money
4 over the next three years to obtain the COL,
5 they knew what they had estimated those costs
6 to be; correct?
7 A. Yes.
8 Q. And they also knew what the
9 were estimated to be and
10 that
11 correct?
12 A.
13 Q. Yes.
14 A. Yes.
MR. REHWINKEL: Still on
16 confidential?
MR. WALLS: Yes.
18 Q. (By Mr. Walls) Is it your
19 testimony, Dr. Jacobs, that that combined
20 estimate of total cost is significantly more
21 than immediate cancelation?
22 A. It's getting into the range. I
23 haven't concluded whether it is or not, but
24 it's in the
25 which I think is worth looking at.

1	Q. Do you think the
2	range is significant compared
3	to the total project cost and benefits of the
4	Levy nuclear project?
5	A. Certainly not compared to the total
6	cost and benefits, no.
7	Q. Do you think a project of long-term
8	benefits and cost of the Levy nuclear project,
9	a project that's supposed to provide electric
10	service to customers over a period of 40 to 60
11	years do you think that decision about
12	what's significant to decide cancelation
13	should be based on a
14	
15	A. It really depends on what your
16	opinion of the likelihood of cancelation. If
17	you think it if you were to conclude that
18	it's very likely that it would be canceled in
19	2013, then, yes, it's significant spending an
20	additional
21	over prompt cancelation.
22	If you can conclude that it's
23	unlikely or not likely or less likely to be
24	canceled, then they're not significant.
25	Q. And by "conclude," you mean conclude