

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear cost recovery clause.

DOCKET NO. 110009-EI

DATED: JULY 14, 2011

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Direct Testimony of JEFFERY A. SMALL with attached Exhibits JAS-1 and JAS-2 have been served by electronic and U.S. Mail, on this 14th day of July, 2011, to the following:

Progress Energy Service Company, LLC
John T. Burnett / R. Alexander Glenn, Esq.
P.O. Box 14042
St. Petersburg, FL 33733-4042

Progress Energy Florida, Inc.
Mr. Paul Lewis, Jr.
106 East College Avenue, Suite 800
Tallahassee, FL 32301-7740

Florida Industrial Power Users Group
Vicki G. Kaufman / Jon C. Moyle, Jr.
c/o Keefe Law Firm, The Perkins House
118 North Gadsden Street
Tallahassee, FL 32301

Florida Power & Light Company
Bryan S. Anderson, Esq.
Jessica A. Cano, Esq.
Mitchell S. Ross, Esq.
700 Universe Boulevard
Juno Beach, FL 33408-0420

Office of the Public Counsel
J. R. Kelly / Charles Rehwinkel /
Joseph McGlothlin / Erik Sayler
c/o The Florida Legislature
111 W. Madison Street, Room 812
Tallahassee, FL 32399-1400

Brickfield, Burchette, Ritts & Stone, PC
James W. Brew / F. Alvin Taylor
Eighth Floor West Tower
1025 Thomas Jefferson Street, NW
Washington, DC 20007-5201

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Carlton Fields Law Firm
J. Michael Walls / Blaise N. Huhta
P.O. Box 3239
Tampa, FL 33601-3239

Carlton Fields Law Firm
Matthew R. Bernier
215 South Monroe Street, Suite 500
Tallahassee, FL 32301-1866

Federal Executive Agencies
Karen S. White, Staff Attorney
AFCESA/ULFSC
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403-5319

White Springs Agricultural Chemicals, Inc.
Randy B. Miller
15843 Southeast 78th Street
Post Office Box 300
White Springs, FL 32096

Matthew J. Feil
Gunster Yoakley & Stewart, P.A.
215 South Monroe Street, Suite 601
Tallahassee, FL 32301

Rajiv S. Kundalkar
11591 Buckhaven Ln.
West Palm Beach, FL 33412-1607

Ken Hoffman
Florida Power & Light Company
215 S. Monroe St., Suite 810
Tallahassee, FL 32301

Southern Alliance For Clean Energy, Inc.
Gary A. Davis
James S. Whitlock
Gary A. Davis & Associates
61 North Andrews Avenue
P.O. Box 649
Hot Springs, NC 28743



ANNA R. NORRIS
Senior Attorney
Office of the General Counsel
FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
(850) 413-6199

Docket No. 110009-EI: Nuclear cost recovery clause.

Progress Energy Florida, Inc.

Levy Units 1 & 2 Construction

Witness: **Direct Testimony of JEFFERY A. SMALL**, Appearing on Behalf of
the staff of the Florida Public Service Commission

Date Filed: July 14, 2011

1 DIRECT TESTIMONY OF JEFFERY A. SMALL

2 **Q. Please state your name and business address.**

3 A. My name is Jeffery A. Small, and my business address is 4950 West Kennedy Blvd,
4 Tampa, Florida, 33609.

5 **Q. By whom are you presently employed and in what capacity?**

6 A. I am employed by the Florida Public Service Commission as a Professional
7 Accountant Specialist in the Division of Regulatory Compliance.

8 **Q. How long have you been employed by the Commission?**

9 A. I have been employed by the Florida Public Service Commission (FPSC) since January
10 1994.

11 **Q. Briefly review your educational and professional background.**

12 A. I have a Bachelor of Science degree in Accounting from the University of South
13 Florida. I am also a Certified Public Accountant licensed in the State of Florida, and I am a
14 member of the American and Florida Institutes of Certified Public Accountants.

15 **Q. Please describe your current responsibilities.**

16 A. Currently, I am a Professional Accountant Specialist with the responsibilities of
17 planning and directing the most complex investigative audits. Some of my past audits include
18 cross-subsidization issues, anti-competitive behavior, and predatory pricing. I am also
19 responsible for creating audit work programs to meet a specific audit purpose and integrating
20 Electronic Data Processing applications into these programs.

21 **Q. Have you presented expert testimony before this Commission or any other
22 regulatory agency?**

23 A. Yes. I testified in the Southern States Utilities, Inc. rate case, Docket No. 950495-WS,
24 the transfer application of Cypress Lakes Utilities, Inc., Docket No. 971220-WS, and the
25 Utilities, Inc. of Florida rate case, Docket No. 020071-WS.

1 **Q. Have you provided testimony before the Commission in a prior Nuclear Cost**
2 **Recovery Clause (NCRC) docket?**

3 **A.** Yes, I provided testimony in the Progress Energy Florida, Inc., Nuclear Cost Recovery
4 Clause filings, Docket Nos. 080009-EI, 090009-EI and 100009-EI.

5 **Q. What is the purpose of your testimony today?**

6 **A.** The purpose of my testimony is to sponsor the staff audit report of PEF which
7 addresses the Utility's application for nuclear cost recovery in 2010. The audit report was
8 issued April 15, 2011, and addressed the pre-construction and construction cost as of
9 December 31, 2010, for Levy County Units 1 & 2. This audit report is filed with my
10 testimony and is identified as Exhibit JAS-1.

11 **Q. Was the audit prepared by you or under your direction?**

12 **A.** Yes, the audit was prepared by me.

13 **Q. Please describe the work you performed in the Levy Units 1&2 audit.**

14 **A.** We reconciled the Company's filing to the general ledger and verified that the costs
15 incurred were appropriate and were recorded in the correct accounts.

16 We reconciled and recalculated a sample of the monthly jurisdictional recovery
17 accruals displayed on Schedule T-1 to the supporting schedules in the Company's 2010 NCRC
18 filing.

19 We reconciled the monthly site selection and pre-construction carrying cost balances
20 displayed on Schedules T-2.2 and T-2.3, respectively, to the supporting schedules in the
21 Company's 2010 NCRC filing. We recalculated the schedule and reconciled the Allowance
22 for Funds Used During Construction rates applied by the Company to the rates approved in
23 Order No. PSC-05-0945-FOF-EI, issued September 28, 2005.

24 We reconciled the monthly site selection and pre-construction deferred tax carrying
25 cost accruals displayed on Schedules T-3A.2 and T-3A.3, respectively, to the supporting

1 schedules in the Company's 2010 NCRC filing. We recalculated a sample of the monthly
2 carrying cost balances for deferred tax assets based on the equity and debt components
3 established in Order No. PSC-05-0945-FOF-EI.

4 We recalculated a sample of the monthly recoverable O&M expenditures displayed on
5 Schedule T-4 of the Company's 2010 NCRC filing. We sampled and verified the O&M cost
6 accruals and traced the invoiced amounts to supporting documentation. We verified company
7 salary expense accruals and recalculated the respective overhead burdens the Company
8 applied. We reconciled the jurisdictional factors applied by the Company to the eligible
9 carrying cost to the factors approved in Order No. PSC-06-0972-FOF-EI, issued November
10 22, 2006, in Docket No. 060007-EI and in Order No. PSC-10-0131-FOF-EI, issued March 5,
11 2010, in Docket No. 090079-EI.

12 We recalculated a sample of monthly jurisdictional nuclear construction accruals
13 displayed on Schedules T-6.1, T-6.2 and T-6.3 of the Company's 2010 NCRC filing. We
14 sampled and verified the generation and transmission cost accruals and traced the invoiced
15 amounts to supporting documentation. We verified a sample of Company salary expense
16 accruals and recalculated a sample of the respective overhead burdens that the Company
17 applied. We reconciled the jurisdictional factors applied by the Company to the eligible
18 carrying cost to the factors approved in Order Nos. PSC-06-0972-FOF-EI and PSC-10-0131-
19 FOF-EI.

20 **Q. Were there any audit findings in the audit report, Exhibit JAS-1, which address**
21 **the 2010 pre-construction and construction cost for Levy County Units 1 & 2?**

22 **A. No.**

23 **Q. Does this conclude your testimony?**

24 **A. Yes, it does.**

25

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tampa District Office

Auditor's Report

Progress Energy Florida, Inc.
Nuclear Cost Recovery Clause
Levy County Units 1 & 2

As of December 31, 2010

Docket No. 110009-EI
Audit Control No. 11-024-2-2
April 15, 2011

A handwritten signature in black ink, appearing to read "Jeffery A. Small".

Jeffery A. Small
Audit Manager

A handwritten signature in black ink, appearing to read "Linda Hill-Slaughter".

Linda Hill-Slaughter
Reviewer

DOCUMENT NUMBER-DATE
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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request dated March 1, 2011. We have applied these procedures to the attached summary exhibit prepared by Progress Energy Florida, Inc. and to several of its related schedules in support of its 2010 Nuclear Cost Recovery Clause relief for its site selection, preconstruction and construction cost expenditures for Levy Units 1 & 2 activity in Docket No. 110009-EI.

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed upon procedures and the report is intended only for internal Commission use.

Objectives and Procedures

Information

Definitions¹

“Site Selection cost” are cost that are expended prior to the selection of a site.

“Preconstruction cost” are cost that are expended after a site has been selected in preparation for the construction of a nuclear power plant, incurred up to and including the date the utility completes site clearing work.

“Construction Cost” are costs that are expended to construct the nuclear power plant, but not limited to, the costs of constructing power plant buildings and all associated permanent structures, equipment and systems.

Abbreviations

CCRC	Capacity Cost Recovery Clause
NCRC	Nuclear Cost Recovery Clause
PEF/Company	Progress Energy of Florida, Inc.

General

Objective: Our overall objective in this engagement was to verify the 2010 actual cost and true-up calculation in the Company’s NCRC filing in Docket No. 110009-EI and that it is consistent and in compliance with Section 366.93, F.S., and Rule 25-6.0423, F.A.C

Procedure: We performed the following specific objectives and procedures to satisfy the overall objectives identified above.

Specific

1. **Objective:** Our objective was to verify that the Company’s filing agrees with its general ledger and that its books and records are kept in accordance with the Code of Federal Regulations (CFR) and the underlying Uniform System of Accounts (USoA).

Procedures: We reconciled the Company’s filing to the general ledger and verified that the costs incurred were appropriate and were recorded in the correct accounts.

2. **Objectives:** Our objectives were to verify that Schedule T-1 – Jurisdictional Recovery Balance is accurately calculated and that it includes the correct balances from the supporting schedules of the Company’s 2010 NCRC filing.

¹ Rule 25-6.0423, Nuclear or Integrated Gasification Combined Cycle Power Plant Cost Recovery.

Procedures: We reconciled and recalculated a sample of the monthly revenue requirement accruals displayed on Schedule T-1 to the supporting schedules in the Company's 2010 NCRC filing.

3. **Objectives:** Our objectives were to verify that Schedules T-2.1 – Site Selection, T-2.2 – Preconstruction and T-2.3 – Construction Plant Additions, Expenditures and Carrying Cost are accurately calculated and that they include the correct balances from the supporting schedules of the Company's 2010 NCRC filing.

Procedures: We reconciled the monthly site selection, preconstruction and construction carrying cost balances displayed on Schedules T-2.1, T-2.2 and T-2.3, respectively, to the supporting schedules in the Company's 2010 NCRC filing. We recalculated the schedule and reconciled the Allowance for Funds Used During Construction (AFUDC) rates applied by the Company to the rates approved in Order No. PSC-05-0945-FOF-EI, issued September 28, 2005.

4. **Objectives:** Our objectives were to verify that the Deferred Tax Return Requirement amounts displayed on Schedules T-3A.1 – Site Selection, T-3A.2 – Preconstruction and T-3A.3 – Construction Carrying Cost on Deferred Tax Asset which rolls forward to Schedule T-1, are accurately calculated and that they include the correct balances from the supporting schedules of the Company's 2010 NCRC filing.

Procedures: We reconciled the monthly site selection, preconstruction and construction deferred tax carrying cost accruals displayed on Schedules T-3A.1, T-3A.2 and T-3A.3, respectively, to the supporting schedules in the Company's 2010 NCRC filing. We recalculated a sample of the monthly carrying cost balances for deferred tax assets based on the equity and debt components established in Order No. PSC-05-0945-FOF-EI.

5. **Objectives:** Our objectives were to verify that the CCRC Recoverable O&M Expenditure amount displayed on Schedule T-4, which rolls forward to Schedule T-1, is accurately calculated and that it includes the correct balances from the supporting schedules of the Company's 2010 NCRC filing.

Procedures: We recalculated a sample of the monthly recoverable O&M expenditures displayed on Schedule T-4 of the Company's 2010 NCRC filing. We sampled and verified the O&M cost accruals and traced the invoiced amounts to supporting documentation. We verified company salary expense accruals and recalculated the respective overhead burdens the Company applied. We reconciled the jurisdictional factors applied by the Company to the eligible carrying cost to the factors approved in Order No. PSC-06-0972-FOF-EI, issued November 22, 2006, in Docket No. 060007-EI and in Order No. PSC-10-0131-FOF-EI, issued March 5, 2010, in Docket No. 090079-EI.

6. **Objectives:** Our objectives were to verify that the jurisdictional nuclear construction amounts, displayed on Schedules T-6.1 – Site Selection, T-6.2 - Preconstruction and T-6.3 – Construction Capital Additions and Expenditures, which rolls forward to Schedules T-2.1, T-2.2 and T-2.3, are accurately calculated and are supported by original source documentation.

Procedures: We recalculated a sample of monthly jurisdictional nuclear construction accruals displayed on Schedules T-6.1, T-6.2 and T-6.3, respectively, of the Company's 2010 NCRC filing. We sampled and verified the generation and transmission cost accruals and traced the invoiced amounts to supporting documentation. We verified a sample of Company salary expense accruals and recalculated a sample of the respective overhead burdens that the Company applied. We reconciled the jurisdictional factors applied by the Company to the eligible carrying cost to the factors approved in Order Nos. PSC-06-0972-FOF-EI and PSC-10-0131-FOF-EI.

Findings

There were no findings for this audit

Summary Exhibit
Page 1 of 2

LEVY COUNTY NUCLEAR 1 & 2
Site Selection, Preconstruction Costs, and Carrying Costs on Construction Cost Balance
Final True-Up Filing: Summary of Jurisdictional Recovery Amounts

Schedule T-1

EXPLANATION: Provide summary calculation of the monthly Final True-up Amount for each cost category: 1. Site Selection, 2. Preconstruction, and 3. Construction. In the event that no costs were approved for recovery and no costs are being requested, state so. For each category with costs, list and describe the components and levels, identify supporting schedule and line. Include in the final true-up calculation applicable Commission approved projection and estimated true-up amounts for the reported year and identify such orders.

COMPANY:
Progress Energy - FL

[25-6.0423(5)(c)1.a.,F.A.C.]
[25-6.0423 (8)(d),F.A.C.]

Witness: Will Garrett

DOCKET NO.:
110009-EI

For Year Ended 12/31/2010

Line No.	(A) Actual January	(B) Actual February	(C) Actual March	(D) Actual April	(E) Actual May	(F) Actual June	(G) 6 Month Total
Jurisdictional Dollars							
1. Final Site Selection Costs for the Period [25-6.0423(2)(f),F.A.C.]							
a. Additions (Schedule T-2.1, line 1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. Carrying Costs on Additions (Schedule T-2.1, line 7)	0	0	0	0	0	0	0
c. Carrying Costs on Deferred Tax Asset (Schedule T-3A.1, line 12)	0	0	0	0	0	0	0
d. Total Site Selection Amount (Lines 1.a through 1.c)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2. Final Preconstruction Costs for the Period [25-6.0423(2)(g),F.A.C.]							
a. Additions (Schedule T-2.2, line 1)	\$6,461,202	\$9,387,955	\$7,969,897	\$14,296,165	\$2,225,018	\$1,499,635	\$41,839,873
b. Carrying Costs on Additions (Schedule T-2.2, line 9)	3,114,258	3,054,255	3,006,476	2,981,101	2,926,106	2,804,502	17,886,699
c. Carrying Costs on Deferred Tax (Schedule T-3A.2, line 12)	518,274	579,330	639,914	700,518	760,865	820,762	4,019,663
d. Total Preconstruction Amount (Lines 2.a through 2.c)	\$10,093,734	\$13,021,540	\$11,616,287	\$17,977,785	\$5,911,989	\$5,124,899	\$63,746,235
3. Final Construction Costs for the Period [25-6.0423(2)(i),F.A.C.]							
Avg. Net Additions Balance (Schedule T-2.3, line 7)	\$35,190,030	\$39,291,266	\$43,395,938	\$46,119,438	\$48,839,232	\$50,260,684	
a. Carrying Costs on Additions (Schedule T-2.3, line 9)	369,791	413,146	456,586	485,241	513,857	528,813	2,767,435
b. Carrying Costs on Deferred Tax (Schedule T-3A.3, line 12)	(4,978)	(4,545)	(4,112)	(3,679)	(3,246)	(2,813)	(23,373)
c. Total Construction Amount (Lines 3.a through 3.b)	\$364,814	\$408,602	\$452,474	\$481,562	\$510,611	\$525,999	\$2,744,062
4. Allocated or Assigned O&M Amounts (Schedule T-4, line 43)	97,688	353,641	285,917	298,691	312,440	503,720	1,852,097
5. Other Adjustments (Note A)	(5,302)	0	0	0	0	0	(5,302)
6. Total Final Period Amount (Lines 1.d + 2.d + 3.c + 4 + 5)	\$10,550,934	\$13,783,783	\$12,354,679	\$18,758,038	\$6,735,039	\$6,154,618	\$68,337,091
7. Projected Amount for the Period (Order No. PSC 09-0783-FOF-EI)	\$13,863,030	\$13,517,722	\$13,765,003	\$13,677,767	\$13,593,645	\$13,647,963	\$82,065,129
8. Estimated True-up Amount for the Period (Order No. PSC 11-0095-FOF-EI)	\$10,568,549	\$13,774,862	\$4,908,484	\$18,563,909	\$9,694,857	\$14,326,984	\$71,837,645
9. Final True-up Amount for the Period (Line 6 - line 8)	(\$17,615)	\$8,921	\$7,446,195	\$194,129	(\$2,959,818)	(\$8,172,366)	(\$3,500,554)

Note A: Adjustment represents (\$5,302) correction from 2009 T-4 Incremental O&M schedule per Discovery Response to Staff Rog #24c from Docket 100009-EI.

Summary Exhibit
Page 2 of 2

LEVY COUNTY NUCLEAR 1 & 2
Site Selection, Preconstruction Costs, and Carrying Costs on Construction Cost Balance
Final True-Up Filing: Summary of Jurisdictional Recovery Amounts

Schedule T-1

EXPLANATION: Provide summary calculation of the monthly Final True-up Amount for each cost category: 1. Site Selection, 2. Preconstruction, and 3. Construction. In the event that no costs were approved for recovery and no costs are being requested, state so. For each category with costs, list and describe the components and levels, identify supporting schedule and line. Include in the final true-up calculation applicable Commission approved projection and estimated true-up amounts for the reported year and identify such orders.

COMPANY:

Progress Energy - FL

[25-6.0423(5)(c)1.a., F.A.C.]
[25-6.0423 (8)(d), F.A.C.]

Witness: Will Garrett

DOCKET NO.:

110009-EI

For Year Ended 12/31/2010

Line No.	(H) Actual July	(I) Actual August	(J) Actual September	(K) Actual October	(L) Actual November	(M) Actual December	(N) 12 Month Total
Jurisdictional Dollars							
1. Final Site Selection Costs for the Period [25-6.0423(2)(f), F.A.C.]							
a. Additions (Schedule T-2.1, line 1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. Carrying Costs on Additions (Schedule T-2.1, line 7)	0	0	0	0	0	0	0
c. Carrying Costs on Deferred Tax Asset (Schedule T-3A.1, line 12)	0	0	0	0	0	0	0
d. Total Site Selection Amount (Lines 1.a through 1.c)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2. Final Preconstruction Costs for the Period [25-6.0423(2)(g), F.A.C.]							
a. Additions (Schedule T-2.2, line 1)	\$1,060,963	\$8,364,529	\$3,559,314	\$1,093,230	\$2,204,526	\$1,660,289	\$59,782,726
b. Carrying Costs on Additions (Schedule T-2.2, line 9)	2,677,315	2,584,834	2,503,612	2,388,851	2,265,834	2,144,495	32,451,640
c. Carrying Costs on Deferred Tax (Schedule T-3A.2, line 12)	880,413	940,258	999,153	1,056,878	1,114,515	1,172,039	10,182,919
d. Total Preconstruction Amount (Lines 2.a through 2.c)	\$4,618,690	\$11,889,622	\$7,062,079	\$4,538,960	\$5,584,875	\$4,976,823	\$102,417,285
3. Final Construction Costs for the Period [25-6.0423(2)(i), F.A.C.]							
Avg. Net Additions Balance (Schedule T-2.3, line 7)	\$54,678,805	\$59,118,193	\$61,241,335	\$63,354,665	\$64,807,086	\$68,381,683	
a. Carrying Costs on Additions (Schedule T-2.3, line 9)	575,298	622,006	644,345	666,580	681,861	719,471	6,676,995
b. Carrying Costs on Deferred Tax (Schedule T-3A.3, line 12)	(2,381)	(1,948)	(1,515)	(1,082)	(649)	(216)	(31,164)
c. Total Construction Amount (Lines 3.a through 3.b)	\$572,917	\$620,058	\$642,830	\$665,498	\$681,212	\$719,255	\$6,645,832
4. Allocated or Assigned O&M Amounts (Schedule T-4, line 43)	177,664	122,385	54,340	193,449	115,219	(18,429)	2,496,726
5. Other Adjustments	0	0	0	0	0	0	(5,302)
6. Total Final Period Amount (Lines 1.d + 2.d + 3.c + 4 + 5)	\$5,369,272	\$12,632,066	\$7,759,250	\$5,397,907	\$6,381,306	\$5,677,649	\$111,554,540
7. Projected Amount for the Period (Order No. PSC 09-0783-FOF-EI)	\$13,621,952	\$13,822,764	\$13,542,718	\$13,571,280	\$13,671,824	\$13,880,820	\$164,176,487
8. Estimated True-up Amount for the Period (Order No. PSC 11-0095-FOF-EI)	\$7,832,065	\$13,266,311	\$13,802,825	\$48,560,068	\$9,153,233	\$7,845,817	\$172,297,964
9. Final True-up Amount for the Period (Line 6 - line 8)	(\$2,462,793)	(\$634,245)	(\$6,043,575)	(\$43,162,161)	(\$2,771,927)	(\$2,168,168)	(\$60,743,424)

Docket No. 110009-EI
Exhibit JAS - 1

Docket No. 110009-EI: Nuclear cost recovery clause.

Progress Energy Florida, Inc.

Crystal River Unit 3 Power Uprate

Witness: **Direct Testimony of JEFFERY A. SMALL**, Appearing on Behalf of
the staff of the Florida Public Service Commission

Date Filed: July 14, 2011

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1 DIRECT TESTIMONY OF JEFFERY A. SMALL

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7 Accountant Specialist in the Division of Regulatory Compliance.

8 **Q. How long have you been employed by the Commission?**

9 A. I have been employed by the Florida Public Service Commission (FPSC) since January
10 1994.

11 **Q. Briefly review your educational and professional background.**

12 A. I have a Bachelor of Science degree in Accounting from the University of South
13 Florida. I am also a Certified Public Accountant licensed in the State of Florida, and I am a
14 member of the American and Florida Institutes of Certified Public Accountants.

15 **Q. Please describe your current responsibilities.**

16 A. Currently, I am a Professional Accountant Specialist with the responsibilities of
17 planning and directing the most complex investigative audits. Some of my past audits include
18 cross-subsidization issues, anti-competitive behavior, and predatory pricing. I am also
19 responsible for creating audit work programs to meet a specific audit purpose and integrating
20 Electronic Data Processing applications into these programs.

21 **Q. Have you presented expert testimony before this Commission or any other
22 regulatory agency?**

23 A. Yes. I testified in the Southern States Utilities, Inc. rate case, Docket No. 950495-WS,
24 the transfer application of Cypress Lakes Utilities, Inc., Docket No. 971220-WS, and the
25 Utilities, Inc. of Florida rate case, Docket No. 020071-WS.

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2 **Recovery Clause (NCRC) docket?**

3 **A.** Yes, I provided testimony in the Progress Energy Florida, Inc., Nuclear Cost Recovery
4 Clause filings, Docket Nos. 080009-EI, 090009-EI and 100009-EI.

5 **Q. What is the purpose of your testimony today?**

6 **A.** The purpose of my testimony is to sponsor the staff audit report of PEF which
7 addresses the Utility's application for nuclear cost recovery in 2010. The audit report was
8 issued June 1, 2011, and addressed the 2010 power uprate costs for the Crystal River Unit 3
9 nuclear power plant. The audit report is filed with my testimony and is identified as Exhibit
10 JAS-2.

11 **Q. Was this audit prepared by you or under your direction?**

12 **A.** Yes, the audit was prepared under my direction.

13 **Q. Please describe the work you performed in this audit.**

14 **A.** We reconciled the Company's filing to its general ledger and verified that the costs
15 incurred were posted to the proper accounts.

16 We reconciled and recalculated a sample of the monthly revenue requirement accruals
17 displayed on Schedule T-1 to the supporting schedules in the Company's 2010 NCRC filing.

18 We reconciled the monthly construction carrying cost balances displayed on Schedule
19 T-2.3 to the supporting schedules in the Company's 2010 NCRC filing. We recalculated the
20 schedule and reconciled the Allowance for Funds Used During Construction rates applied by
21 the Company to the rates approved in Order No. PSC-05-0945-FOF-EI, issued September 28,
22 2005.

23 We verified that the Deferred Tax Return Requirement amounts displayed on Schedule
24 T-3A.3 – Construction Carrying Cost on Deferred Tax Asset which rolls forward to Schedule
25 T-1, are accurately calculated and that they include the correct balances from the supporting

1 | schedules of the Company's 2010 NCRC filing.

2 | We reconciled and recalculated a sample of the monthly Consumer Price Index
3 | accruals displayed on Schedule T-3B.3 to the supporting schedules in the Company's 2010
4 | NCRC filing. We recalculated the Company's CPI rate and reconciled the component balances
5 | to the Company's general ledger.

6 | We recalculated a sample of the monthly recoverable O&M expenditures displayed on
7 | Schedule T-4 of the Company's 2010 NCRC filing. We sampled and verified the O&M cost
8 | accruals and traced the invoiced amounts to supporting documentation. We verified salary
9 | expense accruals and recalculated the respective overhead burdens the Company applied. We
10 | reconciled the jurisdictional factors applied by the Company to the eligible carrying cost to the
11 | factors approved in Order No. PSC-06-0972-FOF-EI, issued November 22, 2006, in Docket
12 | No. 060007-EI and in Order No. PSC-10-0131-FOF-EI, issued March 5, 2010, in Docket No.
13 | 090079-EI.

14 | We recalculated a sample of monthly jurisdictional nuclear construction accruals
15 | displayed on Schedule T-6.3 of the Company's 2010 NCRC filing. We sampled and verified
16 | the generation cost accruals and traced the invoiced amounts to supporting documentation.
17 | We verified a sample of salary expense accruals and recalculated a sample of the respective
18 | overhead burdens that the Company applied. We reconciled the jurisdictional factors applied
19 | by the Company to the eligible carrying cost to the factors approved in Order Nos. PSC-06-
20 | 0972-FOF-EI and PSC-10-0131-FOF-EI.

21 | **Q. Were there any audit findings in the audit report, Exhibit JAS-2, which address**
22 | **the 2010 power uprate costs for the Crystal River Unit 3 (CR3) nuclear power plant?**

23 | **A. No.**

24 | **Q. Does this conclude your testimony?**

25 | **A. Yes, it does.**

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis

Bureau of Auditing

Tampa District Office

Auditor's Report

Progress Energy Florida, Inc.
Nuclear Cost Recovery Clause

As of December 31, 2010

Docket No. 110009-EI
Audit Control No. 11-024-2-1

June 1, 2011

A handwritten signature in cursive script, appearing to read "Jeffery A. Small".

Jeffery A. Small
Audit Manager

A handwritten signature in cursive script, appearing to read "Linda Hill-Slaughter".

Linda Hill-Slaughter
Reviewer

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economic Regulation in its audit service request dated January 25, 2011. We have applied these procedures to the attached summary exhibit prepared by Progress Energy Florida, Inc. and to several of its related schedules in support of its 2010 Nuclear Cost Recovery Clause relief for its construction cost expenditures for the Crystal River 3 Uprate activity in Docket No. 110009-EI.

This audit was performed following general standards and fieldwork standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

Information

Definitions¹

“Construction Cost” are costs that are expended to construct the nuclear power plant, but not limited to, the costs of constructing power plant buildings and all associated permanent structures, equipment and systems.

Abbreviations

CCRC	Capacity Cost Recovery Clause
NCRC	Nuclear Cost Recovery Clause
PEF/Company	Progress Energy of Florida, Inc.

General

Objective: Our overall objective in this engagement was to verify that the Company’s 2010 NCRC filings in Docket No. 110009-EI are consistent and in compliance with Section 366.93, F.S., and Rule 25-6.0423, F.A.C.

Procedures: We performed the following specific objectives and procedures to satisfy the overall objective identified above.

Specific

1. **Objective:** Our objective was to verify that the Company’s filing is properly recorded on its books and records according to the Code of Federal Regulations (CFR) and the Uniform System of Accounts (USoA).

Procedures: We reconciled the Company’s filing to its general ledger and verified that the costs incurred were posted to the proper accounts.

2. **Objectives:** Our objectives were to verify that Schedule T-1 – Summary of Jurisdictional Recovery Amounts is accurately calculated and that it includes the correct balances from the supporting schedules of the Company’s 2010 NCRC filing.

Procedures: We reconciled and recalculated a sample of the monthly revenue requirement accruals displayed on Schedule T-1 to the supporting schedules in the Company’s 2010 NCRC filing.

3. **Objectives:** Our objectives were to verify that Schedule T-2.3 – Construction Plant Additions, Expenditures and Carrying Cost was accurately calculated and that it includes the correct balances from the supporting schedules of the Company’s 2010 NCRC filing.

¹ Rule 25-6.0423, Nuclear or Integrated Gasification Combined Cycle Power Plant Cost Recovery.

Procedures: We reconciled the monthly construction carrying cost balances displayed on Schedule T-2.3 to the supporting schedules in the Company's 2010 NCRC filing. We recalculated the schedule and reconciled the Allowance for Funds Used During Construction (AFUDC) rates applied by the Company to the rates approved in Order No. PSC-05-0945-FOF-EI, issued September 28, 2005.

4. **Objectives:** Our objectives were to verify that the Deferred Tax Return Requirement amounts displayed on Schedule T-3A.3 – Construction Carrying Cost on Deferred Tax Asset which rolls forward to Schedule T-1, are accurately calculated and that they include the correct balances from the supporting schedules of the Company's 2010 NCRC filing.

Procedures: We reconciled the monthly construction deferred tax carrying cost accruals displayed on Schedule T-3A.3 to the supporting schedules in the Company's 2010 NCRC filing. We recalculated a sample of the monthly carrying cost balances for deferred tax assets based on the equity and debt components established in Order No. PSC-05-0945-FOF-EI.

5. **Objectives:** Our objectives were to verify that the Construction Period Interest (CPI) amounts displayed on Schedule T-3B.3, which rolls forward to Schedule T-3A.3, is accurately calculated and that it includes the correct balances from the supporting schedules of the Company's 2010 NCRC filing.

Procedures: We reconciled and recalculated a sample of the monthly CPI accruals displayed on Schedule T-3B.3 to the supporting schedules in the Company's 2010 NCRC filing. We recalculated the Company's CPI rate and reconciled the component balances to the Company's general ledger.

6. **Objectives:** Our objectives were to verify that the CCRC Recoverable O&M Expenditure amount displayed on Schedule T-4, which rolls forward to Schedule T-1, is accurately calculated and that it includes the correct balances from the supporting schedules of the Company's 2010 NCRC filing.

Procedures: We recalculated a sample of the monthly recoverable O&M expenditures displayed on Schedule T-4 of the Company's 2010 NCRC filing. We sampled and verified the O&M cost accruals and traced the invoiced amounts to supporting documentation. We verified salary expense accruals and recalculated the respective overhead burdens the Company applied. We reconciled the jurisdictional factors applied by the Company to the eligible carrying cost to the factors approved in Order No. PSC-06-0972-FOF-EI, issued November 22, 2006, in Docket No. 060007-EI and in Order No. PSC-10-0131-FOF-EI, issued March 5, 2010, in Docket No. 090079-EI.

7. **Objectives:** Our objectives were to verify that the jurisdictional nuclear construction amounts, displayed on Schedule T-6.3, which rolls forward to Schedule T-2.3, are accurately calculated and are supported by original source documentation.

Procedures: We recalculated a sample of monthly jurisdictional nuclear construction accruals displayed on Schedule T-6.3 of the Company's 2010 NCRC filing. We sampled and verified the generation cost accruals and traced the invoiced amounts to supporting documentation. We verified a sample of salary expense accruals and recalculated a sample of the respective overhead burdens that the Company applied. We reconciled the jurisdictional factors applied by the Company to the eligible carrying cost to the factors approved in Order Nos. PSC-06-0972-FOF-EI and PSC-10-0131-FOF-EI.

Audit Findings

None:

Exhibits

Exhibit 1: Summary of Jurisdictional Recovery Amounts

CRYSTAL RIVER UNIT 3 UPRATE Site Selection, Preconstruction Costs, and Carrying Costs on Construction Cost Balance Final True-Up Filing: Summary of Jurisdictional Recovery Amounts							
Schedule T-1							
<p>EXPLANATION: Provide summary calculation of the monthly Final True-up Amount for each cost category: 1. Site Selection, 2. Preconstruction, and 3. Construction. In the event that no costs were approved for recovery and no costs are being requested, state so. For each category with costs, list and describe the components and levels, identify supporting schedule and line. Include in the final true-up calculation applicable Commission approved projection and estimated true-up amounts for the reported year and identify such orders.</p>							
<p>COMPANY: Progress Energy - FL</p>							<p>[25-6.0423(5)(c)1.a.,F.A.C.] [25-6.0423 (8)(d),F.A.C.]</p>
							<p>Witness: Will Garrett</p>
<p>DOCKET NO.: 110009-EI</p>	<p>For Year Ended 12/31/2010</p>						
Line No.	(A) Actual January	(B) Actual February	(C) Actual March	(D) Actual April	(E) Actual May	(F) Actual June	(G) 6 Month Total
Jurisdictional Dollars							
1. Final Site Selection Costs for the Period [25-6.0423(2)(f),F.A.C.]							
a. Additions (Schedule T-2.1, line 1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. Carrying Costs on Additions (Schedule T-2.1, line 7)	0	0	0	0	0	0	0
c. Carrying Costs on Deferred Tax Asset (Schedule T-3A.1, line 12)	0	0	0	0	0	0	0
d. Total Site Selection Amount (Lines 1.a through 1.c)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
2. Final Preconstruction Costs for the Period [25-6.0423(2)(g),F.A.C.]							
a. Additions (Schedule T-2.2, line 1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. Carrying Costs on Additions (Schedule T-2.2, line 9)	0	0	0	0	0	0	0
c. Carrying Costs on Deferred Tax (Schedule T-3A.2, line 12)	0	0	0	0	0	0	0
d. Total Preconstruction Amount (Lines 2.a through 2.c)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
3. Final Construction Costs for the Period [25-6.0423(2)(i),F.A.C.]							
Avg. Net Additions Balance (Schedule T-2.3, line 8)	\$52,237,341	\$50,061,550	\$66,815,575	\$71,717,287	\$75,455,000	\$78,573,489	
a. Carrying Costs on Additions (Schedule T-2.3, line 10)	549,610	621,410	702,993	754,566	793,902	826,703	4,249,185
b. Carrying Costs on Deferred Tax (Schedule T-3A.3, line 12)	18,642	17,399	16,087	18,825	19,805	20,422	110,981
c. Total Construction Amount (Lines 3.a through 3.b)	<u>\$56,805,593</u>	<u>\$56,699,359</u>	<u>\$73,534,655</u>	<u>\$79,490,678</u>	<u>\$85,267,707</u>	<u>\$89,420,614</u>	<u>\$4,380,166</u>
4. Allocated or Assigned O&M Amounts (Schedule T-4, line 43)	6,800	30,523	389,320	305,652	81,002	(209,033)	604,224
5. Other Adjustments (Note A)	(158,693)	(246,105)	(246,734)	(247,389)	(248,011)	(248,859)	(1,395,571)
6. Total Final Period Amount (Lines 1.d + 2.d + 3.c + 4 + 5)	<u>\$414,419</u>	<u>\$423,227</u>	<u>\$863,067</u>	<u>\$831,575</u>	<u>\$646,498</u>	<u>\$389,433</u>	<u>\$3,568,810</u>
7. Projected Amount for the Period (Order No. PSC 09-0783-FOF-EI)	\$122,576	\$263,180	\$362,407	\$404,741	\$432,622	\$463,879	\$2,040,494
8. Estimated True-up Amount for the Period (Order No. PSC 11-0095-FOF-EI)	\$301,545	\$385,002	\$769,052	\$701,562	\$411,704	\$474,912	\$3,053,777
9. Final True-up Amount for the Period (Line 6 - line 8)	<u>\$112,874</u>	<u>\$28,225</u>	<u>\$94,015</u>	<u>\$130,013</u>	<u>\$234,794</u>	<u>(\$85,479)</u>	<u>\$515,042</u>

Note A: January-December adjustment represents a (\$249,095) refund to customers for Depreciation and Property Tax on the Uprate assets that are in base rates, but not yet in-service (See Appendix A) and the amounts from Appendix B, Line 9. January also includes \$87,288 correction from Audit Finding No. 1 from Audit Control No. 10-006-2-2 and (\$488) correction from 2009 T-4 Incremental O&M schedule per Discovery Response to Staff Rog #24c from Docket 100009-EI.

CRYSTAL RIVER UNIT 3 UPRATE
Site Selection, Preconstruction Costs, and Carrying Costs on Construction Cost Balance
Final True-Up Filing: Summary of Jurisdictional Recovery Amounts

Schedule T-1

EXPLANATION: Provide summary calculation of the monthly Final True-up Amount for each cost category: 1. Site Selection, 2. Preconstruction, and 3. Construction. In the event that no costs were approved for recovery and no costs are being requested, state so. For each category with costs, list and describe the components and levels, identify supporting schedule and line. Include in the final true-up calculation applicable Commission approved projection and estimated true-up amounts for the reported year and identify such orders.

COMPANY:
 Progress Energy - FL

[25-0.0423(5)(c)1.a., F.A.C.]
 [25-0.0423 (8)(d), F.A.C.]

Witness: Will Garrett

DOCKET NO.:
 110009-EI

For Year Ended 12/31/2010

Line No.	(H) Actual July	(I) Actual August	(J) Actual September	(K) Actual October	(L) Actual November	(M) Actual December	(N) 12 Month Total
Jurisdictional Dollars							
1. Final Site Selection Costs for the Period [25-0.0423(2)(f), F.A.C.]							
a. Additions (Schedule T-2.1, line 1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. Carrying Costs on Additions (Schedule T-2.1, line 7)	0	0	0	0	0	0	0
c. Carrying Costs on Deferred Tax Asset (Schedule T-3A.1, line 12)	0	0	0	0	0	0	0
d. Total Site Selection Amount (Lines 1.a through 1.c)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2. Final Preconstruction Costs for the Period [25-0.0423(2)(g), F.A.C.]							
a. Additions (Schedule T-2.2, line 1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. Carrying Costs on Additions (Schedule T-2.2, line 9)	0	0	0	0	0	0	0
c. Carrying Costs on Deferred Tax (Schedule T-3A.2, line 12)	0	0	0	0	0	0	0
d. Total Preconstruction Amount (Lines 2.a through 2.c)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3. Final Construction Costs for the Period [25-0.0423(2)(i), F.A.C.]							
Avg. Net Additions Balance (Schedule T-2.3, line 8)	\$81,068,852	\$84,057,460	\$87,161,588	\$89,915,520	\$93,184,171	\$95,539,281	0,854,218
a. Carrying Costs on Additions (Schedule T-2.3, line 10)	862,427	893,871	917,062	946,037	980,428	1,005,207	0,854,218
b. Carrying Costs on Deferred Tax (Schedule T-3A.3, line 12)	21,277	22,155	23,036	23,938	24,903	25,941	252,232
c. Total Construction Amount (Lines 3.a through 3.b)	\$883,704	\$916,027	\$940,098	\$969,976	\$1,005,331	\$1,031,148	\$10,106,450
4. Allocated or Assigned O&M Amounts (Schedule T-4, line 43)	40,195	46,121	61,431	20,630	19,424	31,442	823,467
5. Other Adjustments (Note A)	(240,315)	(240,077)	(250,647)	(251,323)	(252,006)	(252,067)	(2,901,536)
6. Total Final Period Amount (Lines 1.d + 2.d + 3.c + 4 + 5)	\$674,584	\$712,170	\$750,883	\$739,282	\$772,740	\$809,893	\$8,028,381
7. Projected Amount for the Period (Order No. PSC 09-0783-FOF-EI)	\$500,335	\$533,835	\$550,103	\$502,444	\$633,682	\$671,011	\$5,539,804
8. Estimated True-up Amount for the Period (Order No. PSC 11-0095-FOF-EI)	\$694,755	\$731,341	\$775,430	\$824,855	\$888,152	\$951,460	\$7,919,779
9. Final True-up Amount for the Period (Line 6 - line 8)	(\$20,171)	(\$19,171)	(\$24,556)	(\$85,573)	(\$115,403)	(\$141,567)	\$108,602

Note A: January-December adjustment represents a (\$240,095) refund to customers for Depreciation and Property Tax on the Uprate assets that are in base rates, but not yet in-service (See Appendix A) and the amounts from Appendix B, Line 9. January also includes \$87,288 correction from Audit Finding No. 1 from Audit Control No. 10-006-2-2 and (\$498) correction from 2009 T-4 Incremental O&M schedule per Discovery Response to Staff Rog #24c from Docket 100009-EI.