

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear Cost Recovery Clause

Docket No. 140009-EI

Submitted for filing: July 2, 2014

DUKE ENERGY FLORIDA, INC.'S PREHEARING STATEMENT

Pursuant to the Order Establishing Procedure, Order No. PSC-14-0082-PCO-EI, issued February 4, 2014 (the "Order"), Duke Energy Florida, Inc. ("DEF" or the "Company") submits its Prehearing Statement and states as follows:

A. APPEARANCES:

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B. WITNESSES AND EXHIBITS:

In identifying witnesses and exhibits herein, DEF reserves the right to call such other witnesses and to use such other exhibits as may be identified in the course of discovery and preparation for the final hearing in this matter.

1. WITNESSES.

Direct Testimony.

<u>Witness</u> ¹	<u>Subject Matter</u>	<u>Issues</u>
Thomas G. Foster	March 3, 2014 testimony: Presents for Commission review and approval, the actual costs associated with DEF's Levy Nuclear Project ("LNP") and Crystal River Unit 3 ("CR3") Extended Power Uprate ("EPU") project activities for the period January 2012 through December 2012 and January 2013 through December 2013. Also presents the LNP and EPU project 2012 and 2013 accounting and cost oversight policies and procedures pursuant to the nuclear cost recovery statute and rule. May 1, 2014 testimony: Presents for Commission review, DEF's expected 2014 and 2015 costs associated with the Levy and EPU projects consistent with Rule 25-6.0423(7), F.A.C., in support of setting 2015 rates in the Capacity Cost Recovery Clause ("CCRC").	1,2,2A, 3, 6, 7, 8, 9
Michael R. Delowery	March 3, 2014 testimony: Supports DEF's request for cost recovery and a prudence determination by the Commission for (1) the Company's EPU costs incurred from January 2012 through December 2012 and from January 2013 through December 2013, and (2) DEF's 2012 and 2013 EPU project management, contracting, and cost controls.	6, 7, 8, 9.

¹ Indicates proposed order for witness testimony presentation at the final hearing.

Mr. Delowery also explains the EPU project wind-down progress, the status of disposition for EPU-related contracts, equipment, and materials, and the investment recovery efforts.

May 1, 2014 testimony: Describes the status of the CR3 EPU project wind-down and investment recovery efforts in 2014 to date and projected activities for 2015. Also supports the reasonableness and prudence of DEF's 2014 actual/estimated and 2015 projected costs associated with the cancellation and wind-down of the EPU project.

Christopher M.
Fallon

March 3, 2014 testimony: Supports DEF's request for cost recovery and a prudence determination by the Commission for (1) the Company's LNP generation and transmission costs incurred from January 2012 through December 2012 and from January 2013 through December 2013, and (2) DEF's 2012 and 2013 LNP project management, contracting, and cost controls. Mr. Fallon also explains that the Company elected not to complete the LNP in the 2013 Settlement Agreement and describes how DEF is implementing a prudent LNP long lead equipment ("LLE") disposition plan and project wind-down subsequent to Commission approval of the 2013 Revised and Restated Stipulation and Settlement Agreement (the "2013 Settlement Agreement").

1, 2, 2A, 3, 4,
5, 9.

May 1, 2014 testimony: Describes DEF's wind-down activities for the Levy project, including activities related to the termination of the Engineering, Procurement, and Construction ("EPC") Agreement with Westinghouse Electric Company LLC ("WEC") and Stone & Webster, Inc. ("S&W") (together, the "Consortium") and disposition of LLE with WEC and its suppliers. Also presents DEF's 2014 actual/estimated and 2015 projected costs for

the wind-down of the LNP.

DEF has not identified the need for any rebuttal witnesses at this time. To the extent the need to call rebuttal witnesses becomes apparent due to the nature of discovery in this proceeding, DEF expressly reserves the right to call such rebuttal witnesses or to provide supplemental testimony as necessary.

2. DIRECT TESTIMONY EXHIBITS.

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
TGF-1	Thomas G. Foster	CONFIDENTIAL - contains the Direct Testimony and Exhibits of Thomas G. Foster in Support of Actual Costs on behalf of Progress Energy Florida, Inc. in Docket No. 130009-EI.
TGF-2	Thomas G. Foster	CONFIDENTIAL - reflects the actual costs associated with the LNP and consists of: 2013 True-Up Summary, 2013 Detail Schedule and Appendices A through E, which reflect DEF's retail revenue requirements for the LNP from January 2013 through December 2013. Mr. Fallon will be co-sponsoring portions of the 2013 Detail Schedule and sponsoring Appendices D and E.
TGF-3	Thomas G. Foster	CONFIDENTIAL - reflects the actual costs associated with the EPU project and consists of: 2013 True-Up Summary, 2013 Detail Schedule and Appendices A through E, which reflect DEF's retail revenue requirements for the EPU project from January 2013 through December 2013. Mr. Delowery will be co-sponsoring the 2013 Detail Schedule and sponsoring Appendices D and E.
TGF-4	Thomas G. Foster	CONFIDENTIAL - reflects the actual and estimated costs associated with the LNP and consists of: 2015 Revenue Requirement Summary, 2014 Estimated/Actual Detail Schedule, 2015 Projection Detail Schedule, Estimated Rate Impact Schedule, and Appendices

A through F, which reflect DEF's retail revenue requirements for the LNP from January 2014 through December 2015. Mr. Fallon will be co-sponsoring portions of the 2014 Estimated/Actual Detail Schedule Lines 1 (a – e) and Lines 3 (a – e) 2015 Projection Detail Schedule Lines 1 (a – e) and Lines 3 (a – e) and sponsoring Appendices D and E.

TGF-5	Thomas G. Foster	CONFIDENTIAL - reflects the actual and estimated costs associated with the EPU project and consists of: 2015 Revenue Requirement Summary, 2014 Estimated/Actual Detail Schedule, 2015 Projection Detail Schedule, Estimated Rate Impact Schedule, and Appendices A through F, which reflect DEF's retail revenue requirements for the project from January 2014 through December 2015. Mr. Delowery will be co-sponsoring portions of Schedule 2014 Detail Lines 1 (a – d) and Schedule 2015 Detail Lines 1 (a - d) and sponsoring Appendices D and E.
MRD-1	Michael R. Delowery	Direct Testimony and Exhibits of Jon Franke in Support of 2012 Actual Costs on behalf of Progress Energy Florida, Inc. in Docket No. 130009-EI.
MRD-2	Michael R. Delowery	DEF's EPU LAR Withdrawal Letter to the NRC.
MRD-3	Michael R. Delowery	DEF's contract suspension letters to EPU vendors.
MRD-4	Michael R. Delowery	CONFIDENTIAL -- EPU Project Closeout Plan, Revision 0.
MRD-5	Michael R. Delowery	CR3 Administrative Procedure, AI-9010, Conduct of CR3 Investment Recovery, Revision 0.
MRD-6	Michael R. Delowery	CR3 Investment Recovery Project, Project Execution Plan, Revision 0.
MRD-7	Michael R. Delowery	Investment Recovery Project disposition schedule for major EPU components.

MRD-8	Michael R. Delowery	Investment Recovery Guidance Document, IRGD-001, Sales Track Guidance and Documentation Package Development.
CMF-1	Christopher M. Fallon	CONFIDENTIAL -- Direct Testimony and Exhibits of Christopher M. Fallon in Support of Actual Costs on behalf of Progress Energy Florida, Inc. in Docket No. 130009-EI.
CMF-2	Christopher M. Fallon	CONFIDENTIAL -- chart of the Company's LNP LLE purchase order disposition status entering 2013.
CMF-3	Christopher M. Fallon	CONFIDENTIAL -- Mangiarotti LNP LLE final disposition settlement memo.
CMF-4	Christopher M. Fallon	CONFIDENTIAL --November 7, 2013 DEF letter to the Consortium accepting the Mangiarotti LNP LLE final disposition settlement offer.
CMF-5	Christopher M. Fallon	CONFIDENTIAL -- LNP LLE Disposition Plan memo.
CMF-6	Christopher M. Fallon	CONFIDENTIAL -- memorandum and attachments addressing the process for LLE disposition and wind down of the LNP with WEC subsequent to DEF's decision not to complete the LNP with the execution of the 2013 Settlement Agreement.
CMF-7	Christopher M. Fallon	List of the merged and reconciled Duke Energy and Progress Energy Project Management and Fleet Operating Procedures applicable to the LNP in 2013.
CMF-8	Christopher M. Fallon	Chart of the Company's LNP LLE status.
CMF-9	Christopher M. Fallon	DEF letter to the Consortium terminating the EPC Agreement.
CMF-10	Christopher M. Fallon	CONFIDENTIAL -- Tioga LNP LLE final disposition settlement memorandum.

CMF-11	Christopher M. Fallon	CONFIDENTIAL -- DEF letter to the Consortium accepting the Tioga LNP LLE final disposition settlement offer.
CMF-12	Christopher M. Fallon	CONFIDENTIAL -- graphical representation of the LLE disposition process.
CMF-13	Christopher M. Fallon	Chart of the expected LNP COLA Schedule.

In addition, DEF reserves the right to utilize any exhibits introduced by another party and to introduce additional exhibits necessary for rebuttal or cross examination at the final hearing of this matter.

C. DEF’S STATEMENT OF BASIC POSITION:

1. Levy Nuclear Project

With the execution of the 2013 Settlement Agreement and approval by the Commission in 2013, DEF elected not to complete construction of Levy Nuclear Units 1 and 2 pursuant to Section 366.93(6), Florida Statutes, and Rule 25-6.0423(7), F.A.C. DEF is implementing a wind-down plan for LLE and has dispositioned all LLE that was in active fabrication. DEF is soliciting internal and external interest in the acquisition of the remaining LLE. To this end, DEF is conducting a bid event for the remaining Levy LLE.

DEF prudently incurred necessary licensing and engineering costs in 2012 and 2013 to advance the licensing and permitting processes to obtain the Combined Operating License (“COL”) and required environmental permits for the LNP. DEF further incurred costs in 2012 and 2013 pursuant to its contractual commitments under the EPC Agreement with the Consortium and DEF incurred project management costs. DEF appropriately minimized these costs when DEF decided not to complete construction of the LNP with the 2013 Settlement Agreement. Unnecessary project activities were eliminated and a LLE disposition plan was developed and implemented.

DEF also terminated the EPC Agreement with the Consortium in January, 2014, pursuant to the terms of the EPC Agreement. DEF continues to work with WEC in an attempt to close-out the contract, but to date negotiations are stalled, and both DEF and WEC have initiated litigation against the other for claims under the EPC Agreement. DEF has, however, successfully negotiated a close-out of work with the other Consortium member – S&W.

DEF plans to continue its Combined Operating License Application (“COLA”) work in order to obtain the Levy COL from the Nuclear Regulatory Commission (“NRC”), as long as it is reasonable to do so, and DEF currently anticipates COL receipt in August of 2015 based on the current NRC schedule.

As presented in its financial schedules, DEF projects to incur costs in the categories of (1) project wind-down and (2) LLE disposition. DEF does not include in this filing potential, future wind-down or LLE disposition costs or credits that DEF cannot reasonably quantify at this time. Pursuant to the 2013 Settlement Agreement, DEF is also not including costs related to the Company’s pursuit of the Levy COLA, environmental permitting, wetlands mitigation, conditions of certification, and other costs related to the COL that DEF incurs in 2014 and beyond, in its request for cost recovery. DEF will continue to incur COL costs for Levy in 2014 and 2015, but under the 2013 Settlement Agreement, DEF will not seek to recover these costs from customers through the NCRC.

DEF expects to conclude its LLE disposition efforts in 2014 and, consequently, DEF is only projecting minimal wind-down costs beyond 2014. This projection does not take into account any costs that DEF simply is not able to reasonably quantify at this time. For example, DEF does not include in this filing any estimated costs or credits related to LLE salvage or scrap value because DEF cannot reasonably estimate these costs or credits at this time. Any proceeds from the sale or salvage of Levy assets, however, will be credited against the remaining unrecovered balance.

As more fully developed in DEF’s pre-filed testimony and exhibits, DEF requests that the Commission determine that (1) the Levy project’s actual 2012 and 2013 costs were prudently incurred; and (2) the Levy project’s 2012 and 2013 project management, contracting, accounting, and cost oversight controls were prudent.

2. EPU Project

As a result of the decision to retire CR3, the EPU project was not needed and was accordingly cancelled. In 2013 and 2014, DEF has been working to disposition EPU assets and materials in accordance with CR3 Administrative Procedure, AI-9010, Conduct of CR3 Investment Recovery, and the Investment Recovery Project, Project Execution Plan. The Investment Recovery Project (“IRP”) team is prudently marketing EPU-related assets internally and externally and making disposition decisions in accordance with its policies and procedures.

The IRP has and will continue to conduct bid events for all appropriate EPU-related assets in 2013 and 2014 and DEF currently anticipates that all EPU-related assets will be dispositioned by the end of 2014, with minimal wind-down activities extending beyond 2014. Value received from sales or salvage of EPU-related equipment will be credited against the remaining unrecovered investment.

As Mr. Delowery describes in his direct testimony, EPU project wind-down costs were incurred in 2013 and 2014 and will continue to be incurred in 2015. DEF does not include in this filing any estimated costs or credits related to salvage or scrap value because DEF cannot reasonably estimate these costs or credits at this time. Any proceeds from the sale or salvage of EPU-related assets, however, will be applied to reduce the remaining unrecovered investment.

In addition, the prudence determinations of DEF's 2012 EPU costs and its 2012 EPU project management, contracting, and oversight controls, were deferred from the 2013 NCRC docket to this 2014 NCRC docket when the Commission granted DEF's Motion to Defer and Alternative Petition for a Temporary Variance or Waiver of Rule 25-6.0423(5)(c)2, F.A.C. ("Motion to Defer") in Order No. PSC-13-0493-FOF-EI in the 2013 NCRC docket. Accordingly, DEF's testimony supports DEF's request for cost recovery and a determination by the Commission of the prudence of EPU project 2012 costs and 2012 project management, contracting, accounting, and cost oversight policies and procedures. In 2012 and 2013, DEF incurred license application and permitting, project management, on-site construction, and power block and non-power block engineering costs for the EPU project. These costs are discussed in greater detail in the testimony and exhibits of Mr. Delowery and Mr. Foster. This testimony demonstrates that these costs were necessary for the EPU project and that they were prudently incurred.

As more fully developed in DEF's pre-filed testimony and exhibits, DEF requests that the Commission determine that (1) the EPU project's actual 2012 and 2013 costs were prudently incurred; (2) the EPU project's 2012 and 2013 project management, contracting, accounting, and cost oversight controls were prudent; and (3) the EPU project's actual/estimated 2014 and projected 2015 costs are reasonable.

Pursuant to Section 366.93(6) and Rule 25-6.0423(7), F.A.C. and the 2013 Settlement Agreement, DEF requests that the Commission approve for recovery during the period January through December 2015 the amount consistent with the rates approved in the 2013 Settlement Agreement for the LNP and the amount requested in DEF's filing for the EPU. For all these reasons, DEF respectfully requests that the Commission grant cost recovery for DEF's Levy and EPU projects.

D. DEF'S STATEMENT OF ISSUES AND POSITIONS:

1. Levy Project

Issue 1: Should the Commission find that during the years 2012 and 2013, DEF's project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Levy Units 1 & 2 project?

DEF Position:

Yes, for the year 2012 and 2013, DEF's project management, contracting, accounting and cost oversight controls were reasonable and prudent for the

LNP as discussed in Mr. Fallon's March 3, 2014 direct testimony and in Mr. Foster's March 3, 2014 direct testimony. The Company's 2012 and 2013 LNP management and cost oversight controls, policies, and procedures are substantially the same as the policies and procedures reviewed and previously determined to be prudent by the Commission. These project management and cost oversight controls include regular risk assessment, evaluation, cost oversight, and management. These policies and procedures reflect the collective experience and knowledge of the combined company and they have been vetted, enhanced, and revised to reflect industry leading best project management and cost oversight policies, practices, and procedures. The Company has reasonable and prudent project accounting controls, project monitoring procedures, disbursement services controls, and regulatory accounting controls. (Fallon, Foster).

Issue 2: Has DEF reasonably accounted for COL pursuit costs pursuant to paragraph 12(b) of the 2013 revised and restated stipulation and settlement agreement?

DEF Position:

Yes. DEF reasonably and prudently incurred COL-related costs in 2013 that were necessary for the Levy COLA and consistent with the 2013 Settlement Agreement. In 2014, DEF has taken steps to ensure that COL-related costs, as defined in the 2013 Settlement Agreement, are not included in the NCRC proceeding. As discussed in the testimony of Mr. Fallon, DEF segregates project costs incurred by specific project code. Accordingly, for 2014, the team charges COL-related labor, NRC fees, vendor invoices and all other COL-related cost items to the applicable COL project codes. Thereafter, as discussed in the testimony of Mr. Foster, the Regulatory Accounting and Regulatory Strategy groups ensures that the COL-related project codes and associated costs incurred in 2014 and beyond are not included in the Company's NCRC Schedules, and thus not presented for nuclear cost recovery. COL-related costs will however continue to be tracked for accounting purposes consistent with the 2013 Settlement Agreement. (Fallon, Foster).

Issue 2A: What jurisdictional amounts should the Commission approve as DEF's final 2012 and 2013 prudently incurred cost for the Levy Units 1 & 2 project?

DEF Position:

Based on DEF's March 1, 2013 filing final 2012:

Capital Costs (Jurisdictional) \$25,335,581
O&M Costs (Jurisdictional) \$988,205
Carrying Costs \$48,424,466

The under-recovery of \$3,644,953, should be included in setting the allowed 2014 NCRC recovery.

The 2012 variance is the sum of under-projection preconstruction costs of \$3,707,795 plus an under-projection of O&M expenses of \$60,747 plus an over-projection of carrying costs of \$123,588. (Foster, Fallon).

Based on DEF's March 1, 2014 filing final 2013:

Wind-Down / Exit Costs (Jurisdictional) \$88,441,047
Carrying Costs \$19,593,800

The over-recovery of \$4,727,095 should be included in setting the allowed 2015 NCRC recovery.

The 2013 variance is the sum of over-projection exit/wind-down costs of \$2,487,002 plus an over-projection of carrying costs of \$2,240,093. (Foster, Fallon).

Issue 3: Should the Commission approve DEF's Levy Project exit and wind down costs and other sunk costs as specifically proposed for recovery or review in this docket?

DEF Position:

Yes. DEF dispositioned the LLE in active fabrication and consequently reduced ongoing contractual costs, resulting in savings compared to the committed contractual payments, for DEF and its customers. DEF further reduced WEC's activities and costs to assist with the LLE disposition and wind down the project. DEF terminated the EPC Agreement when it was unable to obtain the COL by January 1, 2014, and, does not owe a termination fee under the EPC Agreement. DEF closed out its relationship with S&W in a timely and cost-effective manner for DEF and its customers. DEF's actions have been and will continue to be reasonable and prudent for DEF and its customers.

DEF's testimony and exhibits only present for recovery those costs that are recoverable consistent with the 2013 Settlement Agreement. There has been no evidence presented that any cost presented for recovery does not comply with the NCRC statute or rule or the 2013 Settlement Agreement. Accordingly, the Commission should approve the costs presented for recovery in this docket. (Fallon, Foster).

Based on DEF's May 1, 2014 filing 2014 Est/Act:

Wind-Down / Exit Costs (Jurisdictional) \$25,216,773
Carrying Costs \$13,534,781

The under-recovery of \$7,990,738 should be included in setting the allowed 2015 NCRC recovery.

The 2014 variance is the sum of under-projection exit/wind-down costs of \$12,627,988 plus an over-projection of carrying costs of \$4,637,250. (Foster, Fallon).

Based on DEF's May 1, 2014 filing 2015 Projection:

Wind-Down / Exit Costs (Jurisdictional) \$1,209,912

Carrying Costs \$5,479,030

For the LNP, an amount necessary to achieve the rates included in Exhibit A (\$3.45/1,000kWh on the residential bill) of the Settlement Agreement approved in Order No. PSC-13-0598-FOF-EI page 176 should be included in establishing DEF's 2015 CCRC. (Foster, Fallon).

Issue 4: What action, if any, should the Commission take in the 2014 hearing cycle with respect to the \$54,127,100 in Long Lead Equipment milestone payments, previously recovered from customers through the NCRC, which were in payment for Turbine Generators and Reactor Vessel Internals that were never manufactured?

DEF Position:

None. The \$54 million referenced by OPC was incurred by DEF in 2008 and 2009 based on the circumstances of the project at that time and was determined by the Commission to be a prudent cost incurred by DEF. To the extent OPC or any party suggests by this issue that the Commission can review the prudence of a cost it previously determined to be prudent, that is contrary to law and Commission rule. See Fla. Admin. Code R. 25-6.0423(6)(a)(3).

DEF is actively pursuing litigation in federal court against WEC in order to recover any and all costs that it can for customers, including the \$54 million payment. If and when a court determines, after appropriate appeal or further review, that DEF is entitled to recover from WEC the \$54 million previously paid WEC for LLE, DEF will credit the amount of the court award to customers. As such, the Commission should take no action in the 2014 NCRC on this issue. (Fallon).

Issue 5: What restrictions, if any, should the Commission place at this time on Duke's attempts to dispose of Long Lead Equipment?

DEF Position:

None. First, as a factual matter, DEF stipulates that DEF's disposition of the Levy Long Lead Equipment (LLE) is separate and independent from DEF's pursuit of the Levy COL. DEF, accordingly, will disposition the LLE without regard to the status of the Levy COL. DEF will disposition the LLE based solely on the reasonable and prudent decisions with respect to the LLE. In no way, will these decisions depend on DEF's decisions with respect to the COL. DEF will continue to pursue the Levy COL consistent with the requirements in the 2013 Settlement Agreement. Based on this stipulation, DEF asserts that this issue is wholly unnecessary as a factual matter.

Second, as a legal matter, this proposed issue appears to suggest that the Commission can issue some sort of prospective injunctive action against DEF to restrain DEF from actions that it may or may not take in the future. Pursuant to the NCRC statute and rule, the Commission is empowered to review DEF's actual activities and costs to determine if DEF's LNP costs were prudently incurred; however, the Commission has no authority to prospectively enjoin DEF from some unknown, speculative future action, nor does the Commission have continuing jurisdiction in this docket related to DEF's pursuit of the COL post-2013 based on the 2013 Settlement Agreement, which removed post-2013 COL costs from the NCRC. Accordingly, the Commission should take no action in the 2014 NCRC on this issue. (Fallon).

EPU PROJECT

Issue 6: Should the Commission find that during the years 2012 and 2013, DEF's project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Crystal River Unit 3 Uprate project?

DEF Position:

Yes, for the year 2012 and 2013, DEF's project management, contracting, accounting and cost oversight controls were reasonable and prudent for the EPU project and close out of the EPU project as discussed in Mr. Delowery's March 3, 2014 direct testimony and in Mr. Foster's March 3, 2014 direct testimony. These project management and cost oversight controls include regular risk assessment, evaluation, and management. These policies, procedures, and controls are continually reviewed, and where necessary, revised and enhanced, all in line with industry best practices. To this end, DEF developed its close out and investment recovery processes and procedures utilizing industry best practices and the project management policies and procedures that have been reviewed and approved as prudent by this Commission in prior year's dockets. The Company has reasonable and prudent project accounting controls, project monitoring procedures, disbursement services controls, and regulatory accounting controls. (Delowery, Foster).

Issue 7: What jurisdictional amounts should the Commission approve as DEF's final 2012 and 2013 prudently incurred cost for the Crystal River Unit 3 Uprate project?

DEF Position:

Based on DEF's March 1, 2013 filing final 2012:

Capital Costs (Jurisdictional, net of joint owners) \$34,217,595
O&M Costs (Jurisdictional, net of joint owners) \$432,585
Carrying Costs \$21,205,814 and Other Adjustments credit of \$3,242,310.

The under-recovery of \$2,596,849 should be included in setting the allowed 2014 NCRC recovery.

The 2012 variance is the sum of an O&M under-projection of \$432,455, and an under-projection of carrying charges of \$2,164,394. (Foster, Delowery).

Based on DEF's March 1, 2014 filing final 2013:

Wind-Down / Exit Costs (Jurisdictional, net of joint owners) \$12,399,539
Carrying Costs \$26,804,602
The over-recovery of \$524,697 should be included in setting the allowed 2015 NCRC recovery.

The 2013 variance is the sum of over-projection of period-recoverable exit/wind-down costs of \$224,283 plus an over-projection of carrying costs of \$300,414 (Foster, Delowery).

Issue 8: Should the Commission approve DEF's Crystal River Unit 3 Uprate Project exit and wind down costs and other sunk costs as specifically proposed for recovery or review in this docket?

DEF Position:

Yes. The Company immediately suspended any additional licensing, contract, and purchase order work, demobilized the EPU project team except for management necessary to wind-down the project, and developed and implemented the EPU Project Closeout Plan. DEF then transitioned the asset recovery efforts to the newly created IR team that was developed specifically for the purposed of asset disposition.

DEF is currently working through its Supply Chain and Investment Recovery organizations to ensure that wind-down of the EPU project and disposition of assets is in accordance with DEF's policies and procedures. Bid events are being developed and conducted for all appropriate EPU components. Any

proceeds from the sale or salvage of EPU-related assets will be credited through the NCRC to reduce the remaining unrecovered investment. Only those costs that are reasonable and prudent project exit or wind-down costs were or will be incurred in 2014 and 2015. For these reasons, as more fully explained above, the exit costs are reasonable to facilitate the prudent wind-down of the EPU project and should be approved for recovery.

There has been no evidence presented that any cost presented for recovery does not comply with the NCRC statute or rule or the 2013 Settlement Agreement. Accordingly, the Commission should approve the costs presented for recovery in this docket. (Delowery).

Based on DEF's May 1, 2014 filing 2014 Est/Act:

Wind-Down / Exit Costs (Jurisdictional, net of joint owners) \$854,377
Carrying Costs \$23,872,966

The under-recovery of \$155,210 should be included in setting the allowed 2015 NCRC recovery.

The 2014 variance is the sum of over-projection exit/wind-down costs of \$182,574 plus an under-projection of carrying costs of \$337,785. (Foster, Delowery).

Based on DEF's May 1, 2014 filing 2015 Projection:

Wind-Down / Exit Costs (Jurisdictional, net of joint owners) \$343,451
Carrying Costs \$19,549,192
Amortization of 2013 Regulatory Asset \$43,681,007
(Foster, Delowery).

Issue 9: What is the total jurisdictional amount to be included in establishing DEF's 2015 Capacity Cost Recovery Clause Factor?

DEF Position:

The total jurisdictional amount to be included in establishing DEF's 2015 Capacity Cost Recovery Clause factor should be \$167,195,304 (before revenue tax multiplier). This consists of \$63,204,163 for the EPU project and an estimated amount of \$103,991,141 for the LNP.

For the LNP, the final amount necessary to achieve the rates included in Exhibit A (\$3.45/1,000kWh on the residential bill) of the Settlement Agreement approved in Order No. PSC-13-0598-FOF-EI page 176 should be included in establishing DEF's 2015 CCRC revenue requirements. (Foster, Fallon, Delowery).

DEF takes no position on FPL specific issues numbers 10 through 17.

E. STIPULATED ISSUES:

None at this time.

F. PENDING MOTIONS OR OTHER MATTERS:

None at this time.

G. DEF'S REQUESTS FOR CONFIDENTIAL CLASSIFICATION:

Document No.	Request	Date Filed
03125-14	Duke Energy Florida, Inc.'s Third Request for Confidential Classification Regarding Portions of the Review of Duke Energy Florida, Inc.'s Project Management Internal Controls for Nuclear Plant Uprate and Construction Projects Audit Report No. PA-14-01-001	6/19/14
03161-14	Duke Energy Florida, Inc.'s Fourth Request for Confidential Classification regarding portions of information provided in response to Citizens' First Set of Interrogatories	6/20/14
03191-14	Duke Energy Florida, Inc.'s Fifth Request for Confidential Classification regarding portions of information provided in response to Citizens' First Request for Production	6/23/14

H. REQUIREMENTS OF PREHEARING ORDER THAT CANNOT BE MET:

There are no requirements of the prehearing order that cannot be met at this time.

Because discovery is continuing in this matter, DEF reserves the right to use witnesses and exhibits other than or different from those identified hereinabove, in order to respond to ongoing developments in the case. DEF further reserves the right to amend any of its positions to the issues to respond to any such ongoing developments in the case or to respond to the Prehearing Officer's or Commission's rulings on any disputed issues or motions.

I. OBJECTIONS TO WITNESSES' QUALIFICATIONS:

None.

Respectfully submitted on the 2nd day of July, 2014,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY a true and correct copy of the foregoing has been furnished to counsel and parties of record as indicated below via electronic and U.S. Mail this 2nd day of July, 2014.

/s/ Blaise N. Gamba
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