



Dianne M. Triplett
ASSOCIATE GENERAL COUNSEL
Duke Energy Florida, Inc.

June 11, 2015

VIA OVERNIGHT MAIL

Ms. Carlotta Stauffer, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

REDACTED

RECEIVED-FPSC
15 JUN 11 AM 11:40
COMMISSION
CLERK

Re: *Petition of Duke Energy Florida, Inc. for Approval to Include in Base Rates the Revenue Requirement for the CR3 Regulatory Asset; Docket No. 150148-EI*

Dear Ms. Stauffer:

On June 11, 2015, Duke Energy Florida, Inc. ("DEF") filed an original and (7) copies of DEF's Request for Confidential Classification filed in connection with direct testimony and exhibits of Marcia Olivier and Mark Teague in the above referenced docket. Enclosed with this cover letter is DEF's confidential Exhibit A (in a separate sealed envelope) and two copies of redacted Exhibit B that accompany the above-referenced filing.

Thank you for your assistance in this matter. Should have any questions, please feel free to contact me at (727) 820-4692.

Sincerely,


Dianne M. Triplett

COM
AFD Redacted
APA _____
ECO _____
ENG _____
GCL _____
IDM _____
TEL _____
CLK _____

DMT/mw
Enclosures

cc: Certificate of Service

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail to the following this 11th day of June, 2015.



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Exhibit B

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Docket No. _____

Witness: Olivier

Exhibit No. (MO-5)

Page 1 of 1

**Duke Energy Florida
Estimated Nuclear Fuel Proceeds
(\$ thousands)**

	<u>Total</u>	<u>UF6 Aug-15</u>	<u>Est. Only EUP TBD</u>	<u>Batch 19 Total</u>	<u>Batch 19 Dec-16</u>	<u>Batch 19 Dec-17</u>
Net fuel proceeds	\$141,906					
Less joint owner	8.2194% (11,664)					
Retail/Whls portion	130,242					
Less wholesale portion	8.353% (10,879)					
Retail portion to CR3 reg asset	<u>\$119,363</u>					

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Docket No. _____
Witness: Olivier
Exhibit No. (MO-6)
Page 1 of 1

**Duke Energy Florida
CCR Nuclear Fuel Illustrative Impact
(In Thousands)**

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Total-16
Sale of Batch 19													
Beginning Balance													
Proceeds - Batch 19													
Ending Balance													
Average Balance													
Carrying Charge*	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	
CCR Rev. Req.													
Resid. Rate (\$/mwh)													\$0.08

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Total-17
Beginning Balance													
Proceeds - Batch 19													
Ending Balance													
Average Balance													
Carrying Charge*	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	
CCR Rev. Req.													
Resid. Rate (\$/mwh)													\$0.04

* Rate is consistent with Revised and Restated Stipulation and Settlement Agreement, Exhibit 10, approved in Order No. PSC-13-0598-FOF-EI.

1 uranium oxide. Finally, reactor fuel is generally in the form of ceramic pellets.
2 These are formed from pressed uranium oxide (UO₂) which is sintered (baked) at
3 a high temperature (over 1400°C). The pellets are then encased in metal tubes to
4 form fuel rods, which are arranged into a fuel assembly ready for introduction into
5 a reactor.

6
7 **Q. Did DEF use the same process for dispositioning the Batch 19 fuel assemblies
8 and upstream uranium?**

9 **A.** No, given the nature of the nuclear fuel market, DEF had to use different methods
10 to disposition the fuel. I will explain each in detail below.

11
12 **A. Batch 19 Fuel Assemblies**

REDACTED

13 **Q. Please describe the Batch 19 fuel assemblies.**

14 **A.** DEF purchased and received the Batch 19 fuel assemblies from Areva in 2009.
15 There were ■ assemblies, each one containing ■ fuel rods. The fuel
16 assemblies were designed and manufactured specifically for the Babcock and
17 Wilcox (B&W) pressurized water reactor installed at CR3. The Batch 19 fuel
18 assemblies were part of the Cycle 17 core reloaded on November 21, 2010.
19 Given the extended outage, the fuel assemblies were offloaded to the spent fuel
20 pool on May 28, 2011, and the fuel assemblies remain there today.

21
22 **Q. Is there anything unique about these fuel assemblies that impacts how they
23 can be used by third parties?**

1 two proposals from one company. The other three companies who submitted
2 notices of intent to bid did not submit bids.

3 The two bids DEF did receive were from Duke Energy Carolinas/Duke
4 Energy Progress (“DEC/DEP”). The first bid was [REDACTED]. The
5 other bid was [REDACTED]
6 [REDACTED] After
7 evaluating the proposals, DEF decided on August 4, 2014 to award the RFP to
8 DEC/DEP for its “as is use” proposal. DEF executed the contract on January 26,
9 2015.

10 **REDACTED**

11 **Q. Please describe in further detail the contract to sell the fuel assemblies.**

12 **A. The contract provides a price of [REDACTED] for the fuel assemblies, and [REDACTED]**

13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]

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[REDACTED]
[REDACTED]
[REDACTED] **REDACTED**

Q. Given that DEF will not receive any proceeds under this contract until 2016 and 2017, how does DEF propose treating those costs in this proceeding?

A. Witness Marcia Olivier will explain the treatment of the expected proceeds in her testimony.

B. Upstream Uranium

Q. Please describe DEF's upstream uranium inventory holdings.

A. DEF has in inventory two types of upstream uranium. The first is uranium hexafluoride or UF₆. The other type is EUP or enriched uranium product. These inventory holdings are at locations outside of CR3, in Europe and North America. The amounts of inventory holdings are shown in the tables below.

Table 6. EUP Inventory Holdings	
Location: AREVA Richland, WA	
Quantity: 14,015.726 kgU of EUP at 4.959% U ²³⁵	
Feed Equivalent* (kgU as UF ₆)	SWU Equivalent* (SWU)
~130,530.0	~122,711.4
Notes: *Components based on 4.959% product assay and 0.20% tails assay. **The SWU origin for all of the SWU is WR (Russia). Russian HEU for US legal use.	

Table 5. UF₆ Inventory Holdings				
Location	Quantity (kgU as UF ₆)	Obligation Code	Mining Origin	Conversion Origin
GBII	288,332.608	C	CA	CA
Cameco	35,401.6	C	CA	CA

1 is set at the time of the contract and escalated until the time of delivery using
2 either an index (like the U.S. G.N.P.) or a fixed percentage index. Given the
3 current market conditions for uranium, however, few contracts are being signed
4 with traditional base-escalation terms. The final alternative is fixed pricing,
5 where all delivered prices are fixed at the time of the contract. An iteration of this
6 final option is to fix the prices off of a forward price curve. This use of a forward
7 price curve has been increasingly used in today's market. In fact, due to
8 prolonged differentials between spot and term indicators, a mid-term market has
9 developed where spot prices are escalated forward using forward price curves.
10 This provides better pricing options to the buyer than traditional base-escalated
11 term offers, but better options to the seller than spot pricing. Given this benefit,
12 DEF and Ux Consulting agreed to [REDACTED]

13 [REDACTED] **REDACTED**

14 The next consideration for the upstream uranium sales was the process for
15 entering the market and making the sales. There are three potential sales
16 approaches, and there are benefits and downsides to each approach. One
17 approach is reverse auction. This is similar to the RFP process explained above
18 for the fuel assemblies. History shows, however, that using this approach results
19 in sales prices below the market with limited participation. This approach tends
20 to appear as a distressed seller flooding the market with the uranium product.
21 Another approach is broker assisted sales. With this approach, the seller works
22 with brokers to disposition the fuel, typically for a brokerage fee. The final
23 approach is a traditional seller/direct contact sales, where the utility finds buyers
24 directly and sells them the fuel.

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After weighing the potential approaches, DEF decided to do

[REDACTED]

REDACTED

Q. Have DEF and Ux Consulting begun to execute this strategy?

A. Yes. DEF and Ux Consulting executed a contract on July 18, 2014. Ux Consulting has been providing ongoing information about nuclear fuel market conditions to DEF. Ux Consulting is

[REDACTED]

Ux

Consulting has provided information, and will continue to do so, on: when to sell

1 material; whether the particular sale is the best price and if discounts will be
2 required; what quantity and what form the sale should take; and the best process
3 to use for the next batch of fuel. Also, given the unique characteristics of the
4 uranium market, the disposition will most likely not take place in one fell swoop.

5 Specifically, at the end of March 2015, Ux Consulting [REDACTED]

6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 **REDACTED**

10 **Q. What did DEF decide to do in response to the bids received?**

11 A. With respect to the [REDACTED] DEF determined that accepting the bid from
12 [REDACTED] yielded the most favorable results for customers. [REDACTED]

13 [REDACTED]
14 [REDACTED] DEF expects to receive gross
15 proceeds of [REDACTED] not including [REDACTED]. The retail portion of these
16 proceeds is reflected on Line 14 (Nuclear Fuel Inventories) on Exhibit 10 to the
17 RRSSA.

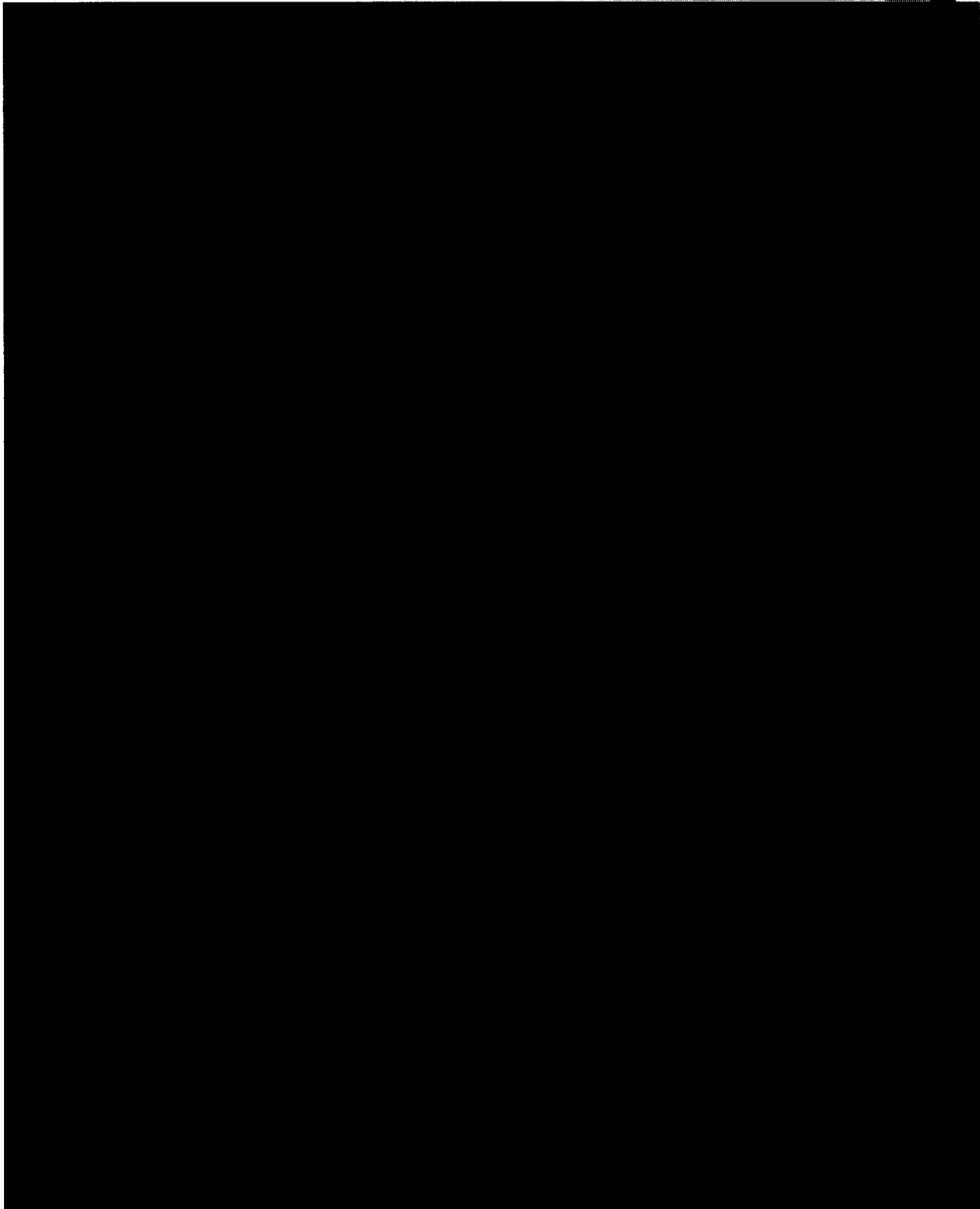
18 With respect to the EUP inventory, [REDACTED]

19 [REDACTED] In
20 order to give customers the benefit of the anticipated potential proceeds from
21 selling the EUP fuel, however, DEF proposes to credit the CR3 Regulatory Asset
22 with the expected proceeds [REDACTED].

23 Accordingly, DEF is showing a credit to Line 14 on Exhibit 10 to the RRSSA of
24 approximately \$ [REDACTED] [REDACTED] (\$ [REDACTED] [REDACTED] gross proceeds). If the ultimate

Integrated Change Form (ICF)

REDACTED		
DATE INITIATED	July 15, 2014	TYPE OF CHANGE
INITIATOR	Jeff LaPratt	CONTRACT/PO#
MAJOR CONTRACTOR	N/A	ICF NUMBER
ICF TITLE	IRP Auction	

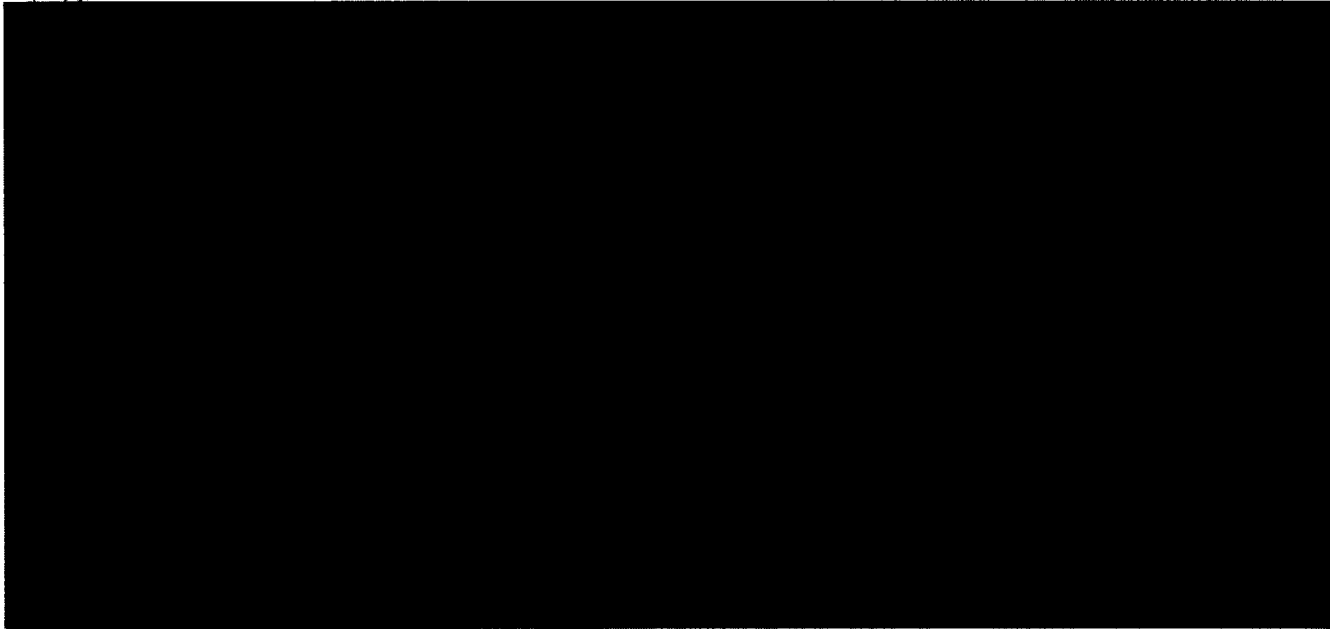


Integrated Change Form (ICF)

Docket No. _____
 Witness: Teague
 Exhibit No. _____ (MT-4)
 Page 2 of 7

DATE INITIATED	July 15, 2014	TYPE OF CHANGE	
INITIATOR	Jeff LaPratt	CONTRACT/PO#	
MAJOR CONTRACTOR	N/A	ICF NUMBER	
ICF TITLE	IRP Auction		

Approve ICF



REASON FOR CHANGE (CHECK ALL THAT APPLY)				
OWNER	REGULATORY	OTHER: _____		
ENGINEER	VENDOR / NAME	DESCRIBE:		
CONSTRUCTION	OTHER / DESCRIBE			

COST IMPACT				
CRAFT LABOR	CRAFT	HOURS	RATE	TOTAL

MATERIALS	DESCRIPTION	QTY	COST	TOTAL
	N/A			

EQUIPMENT	DESCRIPTION	QTY	COST	TOTAL
	N/A			

SUB CONTRACTOR	DESCRIPTION	COST	TOTAL
	N/A		

PROF. SERVICES	DESCRIPTION	TOTAL

TOTAL IMPACT COST	
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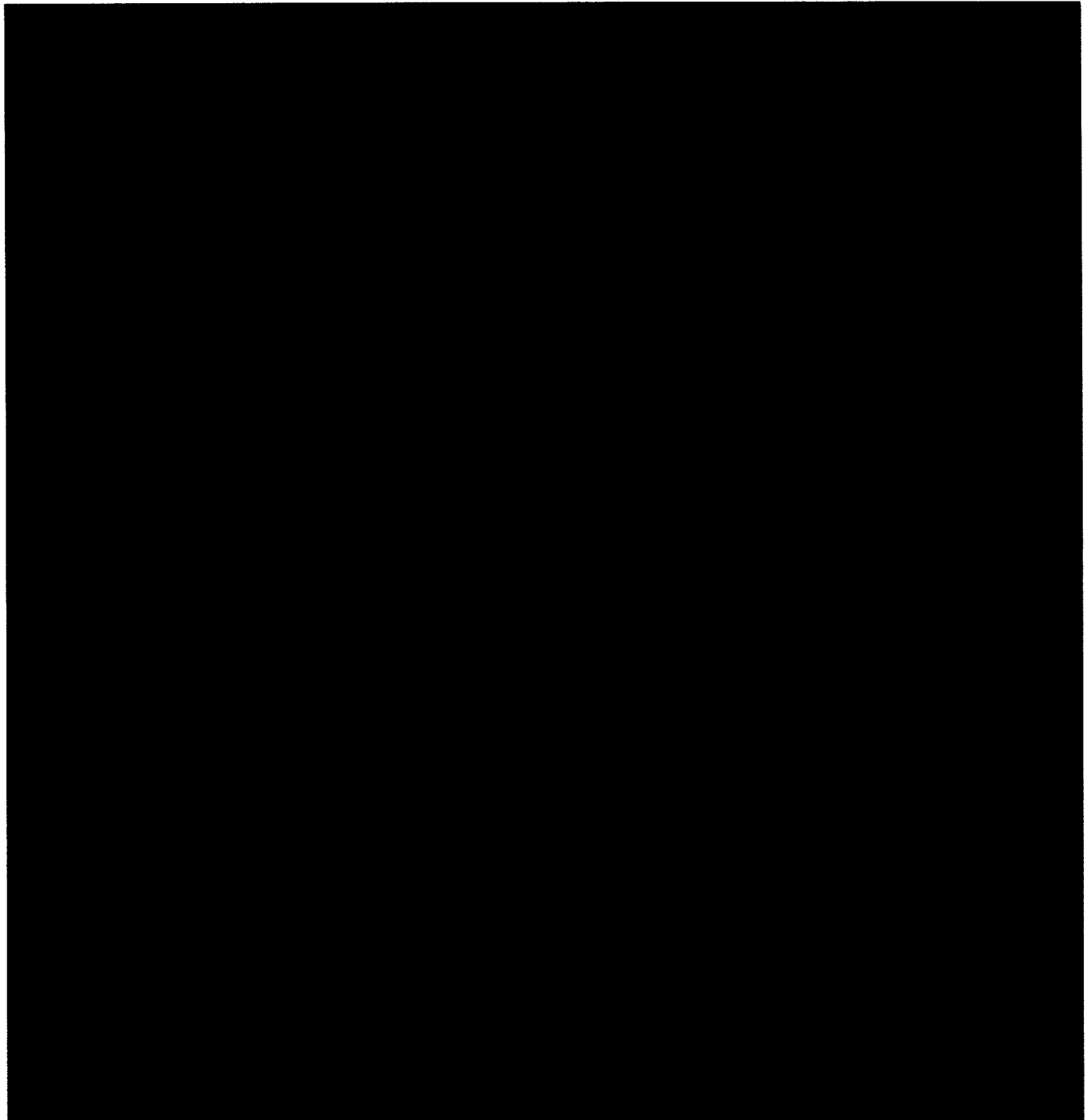
ESTIMATED BY:		DATE	
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REDACTED

Integrated Change Form (ICF)

DATE INITIATED	July 15, 2014	TYPE OF CHANGE	_____
INITIATOR	Jeff LaPratt	CONTRACT/PO#	_____
MAJOR CONTRACTOR	N/A	ICF NUMBER	_____
ICF TITLE	IRP Auction		_____

IRP Auction Justification

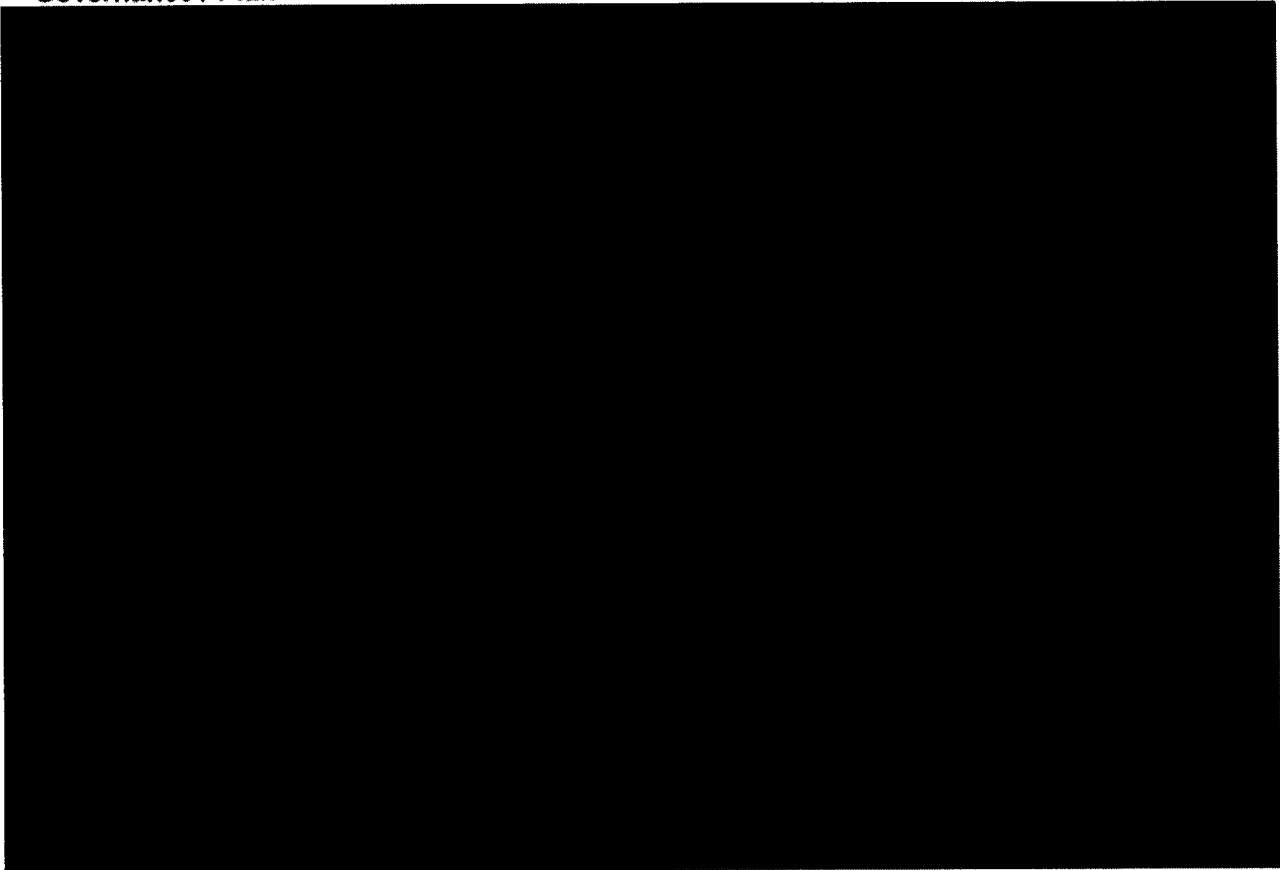


Integrated Change Form (ICF)

REDACTED

DATE INITIATED	July 15, 2014	TYPE OF CHANGE	_____
INITIATOR	Jeff LaPratt	CONTRACT/PO#	_____
MAJOR CONTRACTOR	N/A	ICF NUMBER	_____
ICF TITLE	IRP Auction		_____

Governance / Plan



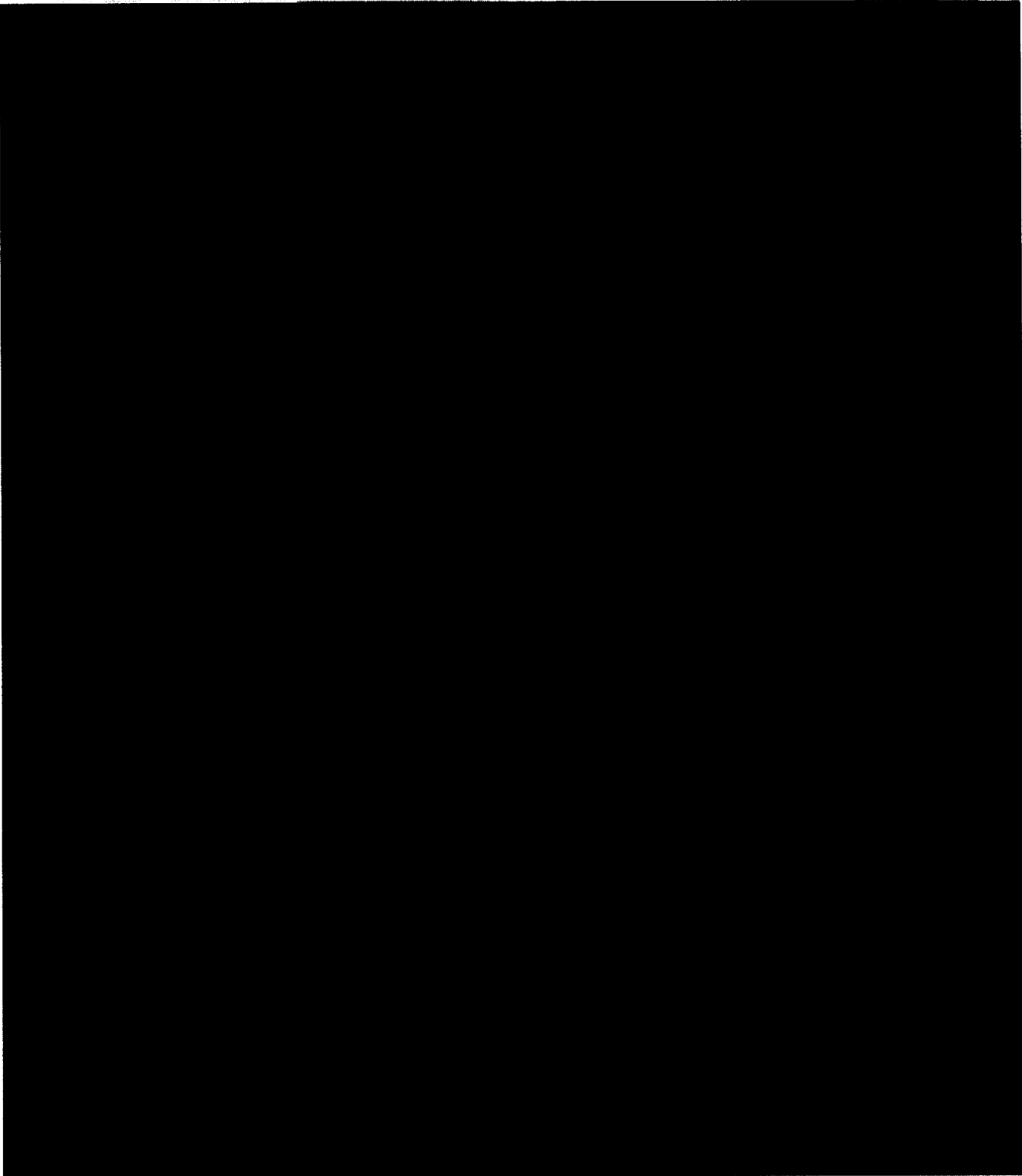
REDACTED



Integrated Change Form (ICF)

REDACTED

DATE INITIATED	July 15, 2014	TYPE OF CHANGE	
INITIATOR	Jeff LaPratt	CONTRACT/PO#	
MAJOR CONTRACTOR	N/A	ICF NUMBER	
ICF TITLE	IRP Auction		



REDACTED

Integrated Change Form (ICF)

DATE INITIATED	July 15, 2014	TYPE OF CHANGE	_____
INITIATOR	Jeff LaPratt	CONTRACT/PO#	_____
MAJOR CONTRACTOR	N/A	ICF NUMBER	_____
ICF TITLE	IRP Auction		

