

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Nuclear Cost Recovery Clause

Docket No. 160009-EI

Filed: June 30, 2016

DUKE ENERGY FLORIDA, LLC'S PREHEARING STATEMENT

Pursuant to the Order Establishing Procedure, Order No. PSC-16-01015-PCO-EI, issued March 11, 2016 as modified by Order No. PSC-16-0140-PCO-EI, issued April 6, 2016 (collectively, the "Order"), Duke Energy Florida, LLC ("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	<p>March 1, 2016 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 2015 through December 2015. Also presents the LNP and EPU project 2015 accounting and cost oversight policies and procedures.</p> <p>April 27, 2016 testimony: Presents for Commission review, DEF's expected 2016 and 2017 costs associated with the LNP and EPU project consistent with Rule 25-6.0423(7), F.A.C., in support of setting 2017 rates in the Capacity Cost Recovery Clause ("CCRC").</p>	1, 2, 3, 4, 5, 6
Mark R. Teague	<p>March 1, 2016 testimony: Supports DEF's request for a prudence determination for the exit costs it incurred in 2015 to demobilize and close-out the EPU project along with investment recovery project efforts to disposition EPU-related assets and the related proceeds from those efforts. Also supports the Company's 2015 EPU project management, contracting, and cost controls for the EPU project close-out and investment recovery efforts.</p> <p>April 27, 2016 testimony: Describes the status of the CR3 EPU project wind-down and investment recovery activities in 2016 to date and projected activities for 2017. The disposition of EPU-related assets was completed in 2015; all that remains are the EPU assets that DEF has determined should be abandoned in place. As such, there are no EPU project costs to date in 2016, nor are any expected for the</p>	2, 3, 4, 5, 6

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

remainder of 2016. DEF does not anticipate incurring any 2017 EPU project related costs.

Christopher M.
Fallon

March 1, 2016 testimony: Supports DEF's request for cost recovery for the LNP actual exit costs incurred from January 2015 through December 2015, and a prudence determination for DEF's 2015 LNP project management, contracting, and cost controls.

1, 6

April 27, 2016 testimony: Describes DEF's wind-down activities for the LNP, including activities related to the termination of the Engineering, Procurement, and Construction ("EPC") Agreement and disposition of LLE with Westinghouse Electric Company LLC ("WEC") and its sub-suppliers. Also presents DEF's 2016 actual/estimated and 2017 projected costs for the wind-down of the LNP. Provides an update on the LNP Combined Operating License Application with the NRC. DEF is not seeking recovery of any costs related to the Company's pursuit of the Combined Operating License through the NCRC.

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 proceedings, 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 – reflects the actual costs associated with the LNP and consists of: 2015 True-Up Summary, 2015 Detail Schedule and Appendices A through E, which show DEF's retail revenue requirements for the LNP from January

2015 through December 2015. Mr. Fallon will be co-sponsoring portions of the 2015 Detail Schedule and sponsoring Appendices D and E.

TGF-2	Thomas G. Foster	Reflects the actual costs associated with the EPU project and consists of: 2015 True-Up Summary, 2015 Detail Schedule and Appendices A through E, which show DEF's retail revenue requirements for the EPU project from January 2015 through December 2015. Mr. Teague will be co-sponsoring portions of the 2015 Detail Schedule and sponsoring Appendices D and E.
TGF-3	Thomas G. Foster	CONFIDENTIAL – reflects the actual and estimated costs associated with the LNP and consists of: 2017 Revenue Requirement Summary, 2016 Revenue Requirement Detail Schedule, 2017 Revenue Requirement Detail Schedule, 2016 LLE Deferred Balance Detail Schedule, 2017 LLE Deferred Balance Detail Schedule, and Appendices A through E. Mr. Fallon will be co-sponsoring portions of the 2016 Actual/Estimated Revenue Requirement Detail Schedule, 2017 Projection Revenue Requirement Detail Schedule, the 2016 and 2017 LLE Deferred Balance Detail Schedules and sponsoring Appendices D and E.
TGF-4	Thomas G. Foster	Reflects the actual costs associated with the EPU project and consists of: 2017 Revenue Requirement Summary, 2016 Revenue Requirement Detail Schedule, 2017 Revenue Requirement Detail Schedule, 2017 Estimated Rate Impact Schedule, and Appendixes A through F. Mr. Teague will be co-sponsoring portions of 2016 and 2017 Actual/Estimated Revenue Requirement Detail Schedule, and sponsoring Appendices D and E.
MT-1	Mark R. Teague	The CR3 Administrative Procedure, AI-9010, Conduct of CR3 Investment Recovery, Revision 1;
MT-2	Mark R. Teague	The CR3 Investment Recovery Project, Project Execution Plan, Revision 0;
MT-3	Mark R. Teague	The Investment Recovery Guidance Document IRGD-001, Sales Track Guidance and

Documentation Package Development;

MT-4	Mark R. Teague	CONFIDENTIAL – reflects EPU-related assets disposed of through sales to third parties or affiliate transfers/sales in 2015.
CMF-1	Christopher M. Fallon	CONFIDENTIAL – August 4, 2015 Recommendation for disposition of the Levy Nuclear Plant Variable Frequency Drives.

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

Pursuant to the stipulation approved by the Commission in Order No. PSC-15-0521-FOF-EI, DEF has agreed to include all known LNP costs and credits, including carrying costs, if any, in its 2017 True-up filing for consideration and review in the 2017 Nuclear Cost Recovery Clause (“NCRC”) docket for setting the 2018 NCRC recovery factor. In this docket DEF has presented its 2015 actual, 2016 actual/estimated, and 2017 projected LNP costs for informational purposes only; DEF is not seeking a prudence or reasonableness determination for these costs in this year’s docket.

Also, pursuant to the 2013 Revised and Restated Stipulation and Settlement Agreement (“2013 RRSSA”), DEF agreed to account for its remaining COLA, environmental permitting, wetlands mitigation, conditions of certification, and other costs related or connected to obtaining or maintaining the COL, incurred in 2014 and beyond, as construction work in progress removed from recovery through the NCRC. Accordingly, there are no LNP cost recovery issues for Commission determination presented in this docket.

However, DEF is seeking a determination that its 2015 project management, contracting, accounting and cost oversight controls were reasonable and prudent for the LNP. As demonstrated by the testimony of Messrs. Fallon and Foster, DEF has continued to follow controls, policies, and procedures that are substantially the same as the policies and procedures this Commission has previously reviewed and deemed prudent.

2. CR3 EPU Project

The disposition of EPU-related assets was completed in 2015, the last remaining EPU assets are those that DEF has determined should be abandoned in place. If DEF is able to disposition any of the remaining assets, DEF will credit customers for the value received. DEF is continuing to amortize the uncollected balance of project costs as authorized by the 2013 RRSSA, and will continue to do so through 2019.

The Commission should approve DEF's proposed 2017 NCRC recovery factors, and find that DEF's 2015 LNP and CR3 EPU project management, contracting, accounting and cost oversight controls were reasonable and prudent.

D. DEF'S STATEMENT OF ISSUES AND POSITIONS:

ISSUE 1: Should the Commission find that during 2015, 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 2015, DEF's project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Levy Units 1 & 2 project (LNP) as discussed in Mr. Fallon's March 1, 2016 direct testimony and in Mr. Foster's March 1, 2016 direct testimony. The Company's 2015 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 evaluation, cost oversight, and management. Duke Energy did not change its nuclear development project management, contracting and cost control oversight policies and procedures because of the Company's decisions not to complete construction of the LNP and to terminate the EPC Agreement. Some of these policies and procedures are no longer applicable to the LNP going forward as a result of

these decisions. Some new processes, like the LLE Disposition Plan, were developed and implemented as a result of these decisions. These policies and procedures are revised as necessary to reflect industry leading best project management and cost oversight policies, practices, and procedures. The Company also has reasonable and prudent project accounting controls, project monitoring procedures, disbursement services controls, and regulatory accounting controls. (Fallon, Foster)

ISSUE 2: Should the Commission find that during 2015, 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 2015, DEF's project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Crystal River Unit 3 Uprate project (EPU) and close out of the EPU project as discussed in Mr. Teague's March 1, 2016 direct testimony and in Mr. Foster's March 1, 2016 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 updated, in line with industry best practices. To this end, DEF developed and employed its close out and investment recovery processes and procedures, including CR3 Administrative Procedure, AI-9010, *Conduct of CR3 Investment Recovery*, and the Investment Recovery Project, Project Execution Plan, utilizing industry best practices and the project management policies and procedures that have been reviewed and approved as prudent by the Commission in prior year's dockets. The Company also has reasonable and prudent project accounting controls, project monitoring procedures, disbursement services controls, and regulatory accounting controls. (Teague, Foster)

ISSUE 3: What jurisdictional amounts should the Commission approve as DEF's actual 2015 prudently incurred costs for the Crystal River Unit 3 Uprate project?

DEF Position:

As presented in and supported by the testimony of Mr. Teague and Mr. Foster in DEF's March 1, 2016 Actual 2015 filing, the Commission should approve the following amounts as DEF's actual 2015 prudently incurred costs for the Crystal River Unit 3 Uprate project:

Wind-Down & Exit Costs (Jurisdictional, net of joint owners)· (\$1,402,248)

Carrying Costs-- \$18,759,015

The over-recovery of \$2,535,876 should be included in setting the allowed 2017 NCRC recovery.

The 2015 variance is the sum of over-projection of period-recoverable exit/wind-down

costs of \$1,745,699 plus an over-projection of carrying costs of \$790,177.
(Foster, Teague)

ISSUE 4: What jurisdictional amounts should the Commission approve as reasonably estimated 2016 exit and wind down costs and carrying costs for the Crystal River Unit 3 Uprate Project?

DEF Position:

As presented in and supported by the testimony of Mr. Teague and Mr. Foster in DEF's April 27, 2016 Actual/Estimated 2016 filing, the Commission should approve the following amounts as DEF's reasonably estimated 2016 exit and wind down costs and carrying costs for the Crystal River Unit 3 Uprate project consistent with Section 366.93(6), Fla. Stat., and Rule 25-6.0423(7), F.A.C.:

Wind-Down & Exit Costs (Jurisdictional, net of joint owners) -- \$52,808

Carrying Costs -- \$14,219,463

The over-recovery of \$592,043 should be included in setting the allowed 2017 NCRC recovery.

The 2016 variance is the sum of over-projection exit/wind-down costs of \$20,955 plus an over-projection of carrying costs of \$571,088.

(Foster, Teague)

ISSUE 5: What jurisdictional amounts should the Commission approve as reasonably projected 2017 exit and wind down costs and carrying costs for the Crystal River Unit 3 Uprate Project?

DEF Position:

As presented in and supported by the testimony of Mr. Teague and Mr. Foster in DEF's April 27, 2016 Actual/Estimated 2016 filing, the Commission should approve the following amounts as DEF's reasonably estimated 2017 exit and wind down costs and carrying costs for the Crystal River Unit 3 Uprate project consistent with Section 366.93(6) and Rule 25-6.0423(7):

Wind-Down & Exit Costs (Jurisdictional, net of joint owners)-- \$54,708

Carrying Costs-- \$10,234,917

Amortization of 2013 Regulatory Asset -- \$43,681,007

(Foster, Teague)

ISSUE 6: What is the total jurisdictional amount to be included in establishing DEF's 2017 Capacity Cost Recovery Clause Factor?

DEF Position:

Per the 2015 Stipulation for Levy Issues, the total jurisdictional amount to be included in establishing DEF's 2017 Capacity Cost Recovery Clause factor should be \$51,737,557, relating only to the CR3 EPU project.

(Foster, Teague, Fallon)

DEF takes "no position" on Florida Power & Light Company Issues.

E. STIPULATED ISSUES:

None at this time.

F. PENDING MOTIONS OR OTHER MATTERS:

None at this time.

G. DEF'S REQUESTS FOR CONFIDENTIAL CLASSIFICATION PENDING RULING:

Document No.	Request	Date Filed
01112-16	Duke Energy Florida's First Request for Confidential Classification regarding portions of Direct Testimony and Exhibits of Thomas G. Foster, and Christopher M. Fallon and portions of Exhibit No. (MT-4) appended to the testimony of Mark R. Teague filed March 1, 2016	3/1/16
02547-16	Duke Energy Florida's Second Request for Confidential Classification regarding portions of Direct Testimony of Christopher M. Fallon, and portions of the testimony of Thomas G. Foster and Exhibit No. (TGF-3) filed April 27, 2016	4/27/16
03752-16	Duke Energy Florida's Third Request for Confidential Classification regarding portions of the Review of Duke Energy Florida, LLC's Project Management Internal Controls for Nuclear Plant Uprate and Construction Projects Audit Report No. PA-16-01-001	6/16/16
03819-16	Duke Energy Florida's Fourth Request for Confidential	6/17/16

	Classification regarding portions of the Staff Generated Financial Auditor's workpapers, Audit Control Nos. 16-005-2-1 and 16-005-2-2.	
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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,

/s/Matthew R. Bernier

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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 30th day of June, 2016.

/s/Matthew R. Bernier

Attorney

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