

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Petition to Establish
Discovery Docket Regarding
Actual and Projected Costs for
Levy Nuclear Project, by Progress
Energy Florida, Inc.**

DOCKET NO. 080149

Submitted for filing:
May 1, 2008

**DIRECT TESTIMONY OF DANIEL L. RODERICK
IN SUPPORT OF SITE SELECTION COSTS**

**ON BEHALF OF
PROGRESS ENERGY FLORIDA**

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**IN RE: PETITION TO ESTABLISH DISCOVERY DOCKET REGARDING
ACTUAL AND PROJECTED COSTS FOR LEVY NUCLEAR PROJECT BY
PROGRESS ENERGY FLORIDA, INC.**

BY PROGRESS ENERGY FLORIDA

FPSC DOCKET NO. 080149

**DIRECT TESTIMONY OF DANIEL L. RODERICK
IN SUPPORT OF SITE SELECTION COSTS**

I. INTRODUCTION AND QUALIFICATIONS

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Q. Please state your name and business address.

A. My name is Daniel L. Roderick. My business address is Crystal River Energy Complex, Site Administration 2C, 15760 West Power Line Street, Crystal River, Florida 34428.

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

A. I am employed by Progress Energy Florida (“PEF” or the “Company”) in the capacity of Vice President – Nuclear Projects & Construction. As Vice President – Nuclear Projects & Construction, I am responsible for the management and oversight of all large, capital nuclear projects for the Company. These include the Crystal River Unit 3 (“CR3”) power uprate project, the CR3 steam generator replacement project scheduled for 2009, and the development, siting, engineering, and construction of two new nuclear generating facilities at the Company’s Levy County site. Prior to assuming my current position, I served as the CR3 Director of Site Operations. In that capacity, I was responsible for the safe, efficient, and

1 reliable generation of electricity from the Company's CR3 nuclear plant. All
2 plant functions, including the Plant General Manager, Engineering Manager,
3 Training Manager, and Licensing, reported to me and were under my supervision.
4

5 **Q. Please summarize your educational background and work experience.**

6 **A.** I have a Bachelor of Science and Master of Science degree in Industrial
7 Engineering from the University of Arkansas and have completed the
8 NRC program for a Senior Reactor Operator License. I have been at CR3
9 since 1996, serving in my current position as Vice President Nuclear
10 Projects and Construction and, prior to that position, Director of Site
11 Operations, Plant General Manager, Engineering Manager, and Outage
12 Manager, respectively. Prior to my employment with the Company, I was
13 employed for twelve years with Entergy Corporation at its Arkansas
14 Nuclear One plant in Russellville, Arkansas with responsibilities in Plant
15 Operations and Engineering.
16

17 **II. PURPOSE AND SUMMARY OF TESTIMONY**

18 **Q. What is the purpose of your direct testimony?**

19 **A.** The purpose of my direct testimony is to support the Company's request
20 for cost recovery pursuant to the nuclear cost recovery rule for site
21 selection costs incurred prior to the Company's need determination filing
22 on March 11, 2008, for the construction of the Company's proposed Levy
23 Nuclear Power Plants.

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Q. Do you have any exhibits to your testimony?

A. No, I am not sponsoring any exhibits. I am, however, sponsoring portions of Schedules SS-7 through SS-8B of the Nuclear Filing Requirements (“NFRs”), which are included as part of the exhibits to Lori Cross’ testimony. Specifically, I will support all of Schedule SS-7, which is a description of the nuclear technology selected. I am sponsoring those portions, not related to transmission, of Schedule SS-8, which is a list of the contracts executed in excess of \$1.0 million. Accordingly, I sponsor all but pages 5 and 6 of Schedule SS-8A, which reflects details pertaining to the contracts executed in excess of \$1.0 million. I am also sponsoring those portions, not related to transmission, of Schedule SS-8B, which is a list of the contracts executed in excess of \$200,000. Mr. Dale Oliver will sponsor those portions of the site selection NFRs related to transmission.

All of the portions of these schedules, which I sponsor, are true and accurate.

Q. Please summarize your testimony.

A. The Company incurred site selection costs prior to filing its need determination on March 11, 2008 to select an advanced reactor technology for its Levy Nuclear Project, to select a site for the new nuclear units, and to begin preparation of the Combined Operating License Application (“COLA”). PEF needed to enter into these contracts and incur costs during this time period to maintain the licensing and construction schedule

1 to successfully bring Levy Unit 1 into commercial service in 2016. As
2 demonstrated in this testimony, in my testimony filed simultaneously in
3 this docket in support of the actual/estimated and projection NFR
4 schedules, and in the site selection NFR schedules attached to Ms. Cross'
5 testimony, PEF took adequate steps to ensure these site selection costs
6 were reasonable and prudent. PEF negotiated favorable contract terms
7 under the then-current market conditions and circumstances.

8 For all the reasons provided in these testimonies and in the NFR
9 schedules, the Commission should approve PEF's site selection costs
10 incurred prior to March 11, 2008 as reasonable and prudent pursuant to the
11 nuclear cost recovery rule.

12
13 **III. SITE SELECTION COSTS INCURRED PRIOR TO**
14 **MARCH 11, 2008 FOR LEVY NUCLEAR PLANT**

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16 **Q. Did PEF incur any costs prior to March 11, 2008 for its Levy Nuclear**
17 **Project?**

18 **A.** Yes, PEF incurred site selection costs associated with its continued
19 evaluation of the reactor technology for its Levy Nuclear Project and the negotiation
20 of the contract for the engineering, design, and construction of all facilities necessary
21 to place this reactor technology in commercial operation at the Levy site. In addition,
22 PEF incurred costs for the selection of the Levy site as the preferred site for the
23 development of nuclear generation. PEF also incurred costs for the process of

1 obtaining a COLA for the project. Levy Units 1 and 2 are scheduled to be built at a
2 site selected in Levy County, Florida for commercial service in 2016 and 2017,
3 respectively.

4
5 **Q. Have you filed other testimony in this docket?**

6 **A.** Yes, simultaneous with the filing of this testimony, I have filed testimony
7 in support of the Company's actual/estimated and projected costs for the Levy
8 Nuclear Project. In that testimony, I explained the prudence and necessity of the
9 costs incurred from March 12, 2008 to March 31, 2008 for the technology chosen
10 and the development of the COLA. The Company incurred the same categories
11 of costs, in 2007 and 2008, prior to the Company filing the petition need
12 determination on March 11, 2008. The Company incurred \$29.6 million in site
13 selection costs for these categories. Thus, for the reasons stated in my testimony
14 in support of the actual/estimated and projected costs, the Company's site
15 selection costs, related to the choice of technology and the COLA preparation, for
16 2006, 2007 and 2008 are reasonable and prudent.

17
18 **Q. Does your simultaneously-filed testimony also provide details regarding the**
19 **executed contracts for the choice of technology and the COLA preparation?**

20 **A.** Yes, in my testimony supporting the Company's actual/estimated and
21 projected costs, I describe the Westinghouse and Shaw Stone & Webster contracts, as
22 well as the COLA contract with the Joint Venture team of Sargent & Lundy, CH2M
23 Hill, and Worley Parson. Details regarding these contracts are also provided in

1 Schedules SS-8 and SS-8A, which are part of Exhibits No. __ (LC-4) and (LC-5).
2 The contracts are listed in these schedules for 2007 and for 2008. For the reasons
3 provided in my simultaneously-filed testimony, and for the reasons in the site
4 selection schedules, the contract terms, as well as the site selection costs incurred
5 pursuant to those contracts, are reasonable and prudent.

6
7 **Q. What did the Company incur, for 2006, 2007, and 2008, in site**
8 **selection costs to select the reactor technology, select the Levy site,**
9 **and for the COLA preparation?**

10 **A.** The Company incurred \$2.8 million in site selection costs for these
11 categories in 2006, \$20.5 million in 2007, and \$8.3 million for 2008. These costs
12 also include costs related to engineering assistance in determining whether the
13 Levy site could support the development of nuclear generation. The Company
14 had to incur these costs to ensure that the commercial in-service date will be met.
15 These site selection costs are reasonable and prudent.

16
17 **Q. How did the Company choose the Levy site as the preferred site to**
18 **develop nuclear generation?**

19 **A.** The Company completed a detailed site selection study, which resulted in
20 the selection of the Levy site. This study was produced in response to Staff's
21 Fourth Request for Production of Documents in Docket Number 080148, PEF's
22 need determination proceeding. It contains bates ranges PEF-LNN-002576
23 through PEF-LNN-2830.

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Q. To summarize, were all the site selection costs that the Company incurred prior to filing its need petition on March 11, 2008 for the Levy Nuclear Project reasonable and prudent?

A. Yes, the specific cost amounts contained in the schedules, which are attached as exhibits to Ms. Cross' testimony, reflect the reasonably and prudently incurred costs which are described above for the Levy Nuclear Project work prior to March 11, 2008.

Q. Does this conclude your testimony?

A. Yes, it does.