

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: NUCLEAR POWER PLANT COST
RECOVERY CLAUSE

Docket No. 090009-EI
Submitted for Filing July 21, 2009

RECORDED

**PROGRESS ENERGY FLORIDA'S TENTH REQUEST FOR CONFIDENTIAL
CLASSIFICATION REGARDING THE RESPONSE TO STAFF'S THIRD SET OF
INTERROGATORIES(NOS. 34-38)**

ATTACHMENT B

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- 36). Based on the findings and observations provided by Burns and Roe in their final accepted report, please describe in detail how Burns and Roe's findings or observations have effected or been incorporated into PEF's;
- a) Overall project management system
 - b) Levy's COLA development
 - c) EPC contract for the LNP
 - d) Construction cost estimating and cost review process
 - e) Project development and project scheduling process.

RESPONSE:

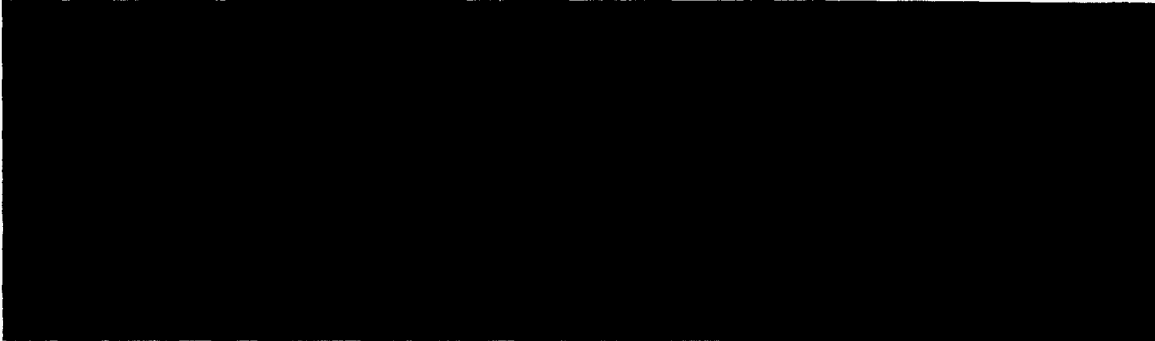
a) Overall project management system - The Burns & Roe Findings have been included in the Progress Energy action tracking system. Some of the B&R Findings had been closed by the time the final version of the report was received by Progress. Findings that had not been closed were added as action items with specific assignments and required completion dates. These items are tracked and managed along with all other actions required. Reports are issued daily to ensure that the actions are managed appropriately and tracked to closure. In addition, each week a report is issued to management that shows all items coming due within the subsequent two week period. Completion is tracked in the action tracking system (PassPort) to create a record of closure for each item. Burns & Roe Observations document areas that have less significant impact on cost, schedule or risk than Findings. Observations will be handled in basically the same manner as Findings, but at a lower priority.

b) Levy's COLA development - No changes to the COLA were deemed necessary as a result of the Burns & Roe Findings.

c) EPC contract for the LNP - In July 2008 Progress received a draft of the Findings and Observations that B&R had developed during its initial work on the standard plant portion of the project. Two other drafts of the document were received prior to the final version being issued in March 2009. The Findings included in the initial and subsequent versions of the draft report were used to help identify areas where Progress might need to strengthen EPC contract language. In addition, B&R discovered areas where price discrepancies appeared in the price books. These price discrepancies were factored into the price finalization completed in June 2008. The result of the June 2008 Price Finalization was a more accurate indicative price estimate than had been provided earlier in negotiations. An additional example of how Progress used the B&R report in negotiations is contained below in section d) to the response to this question 36.

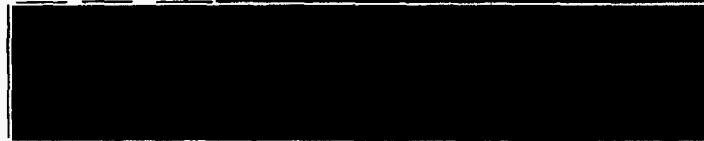
d) Construction cost estimating and cost review process – The overall observation of Burns and Roe regarding construction cost estimates is that the fully loaded rates (“full-up rates”) are consistent with what the industry typically uses and consistent with a nuclear construction project of this size. The report also states that the unit rates are reasonable and applied consistently in the Contractor’s estimate.

Redacted



The significant factors identified by B&R that could impact the accuracy of the construction labor estimate were productivity of craft workers and the number of non-productive days that were included in the estimate for inclement weather. Both of these issues had been indentified previously by Progress and were the topic of multiple discussions and subsequent negotiations with the Contractor. B&R’s Finding regarding craft productivity was consistent with and reinforced the position of Progress that the estimates for actual productive time for each craft worker would directly impact the number hours required to complete the project, [REDACTED] Redacted

[REDACTED] If the estimated productivity rate used by Contractor in its estimates turns out to be overstated (productivity is lower than estimated), the actual cost of the labor (and the price to Progress) would be higher than estimated. Contractor’s estimates included as a core assumption, the fact that much of the work would be done in module fabrication shops [REDACTED]



Redacted

e) Project development and project scheduling process – The project schedule has improved significantly since the review was initially done by B&R. The detailed review of the schedule by B&R revealed multiple issues with the schedule. For the most part these issues were process related and tied to the maturity of the schedule for the US customers. In fact, as the China plants were the lead AP-1000 plants, the schedule for China was used as the baseline for all AP-1000 projects. Using the China schedule as a baseline created significant logic issues as the China plants are scheduled for completion at least 2 ½ years ahead of the first US plant. The decision to use the China schedule as the baseline has been changed and the quality of the schedule in place today for the US customers is much better than the schedule that B&R reviewed.

The actual schedule for the LNP is not required by contract to be delivered to Progress until [REDACTED]

[REDACTED]

Redacted

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[REDACTED]. Progress continues to receive interim updates as the schedule matures.

- 37). Please state whether the final accepted Burns and Roe report, or any prior draft, provide an opinion or recommendation on the reasonableness or likelihood of success concerning PEF's LWA request to the NRC. If so, please identify which sections of the report these opinions, observations, findings or recommendations maybe found.

ANSWER 37: The B&R report does not state an opinion regarding the likelihood of success in obtaining an LWA. It mentions LWA in three areas of the risk section of the accepted report.

- Section 8, page 8-2, Table 8-1, item #10 States "Site construction limitations due to current NRC Limited Work Authorization restrictions..." This is in regard to potential risks that were not clearly captured by Contractor in its risk matrix.
- Section 8.4.7, page 8-16, second paragraph, discusses and places in context item #10 from Table 8-1. The intent was to point out the change in LWA rule from 10 CFR 51.10 (e) which expanded the definition of what activities are to be considered construction. This expanded definition led to a risk that work prior to receipt of an LWA would be more restricted than believed prior to the revised Rule [REDACTED]

Redacted

[REDACTED] B&R Finding 8-11 identifies the need to reflect the change in LWA Rule in the construction schedule.

- Section 8, Table 8-3 "AP1000 WEC/SN Risk Register," page 8-35, Risk #40, identifies that a Regulatory Risk existed. This risk "LWA Not Issued as Expected" was identified in the table with the risk transferred to the Owner and therefore no cost was included in the contingency or risk numbers in the price of the project. This was a reasonable approach as the Contractor had no control over the decision to issue an LWA.

38). Based on the information contained in the final accepted Burns and Roe report to PEF Tables 8-1, 8-2 and 8-5, please describe what measures or actions that PEF has or is in the process of taken to address each of the identified findings.

ANSWER 38:

Risks identified in Table 8-1 are being incorporated into the Progress LNP project risk matrix. They will be tracked and appropriate mitigation strategies, action items, and action tracking items will be developed.

Findings in Table 8-2 have been included in the Progress action tracking system and specific assignments have been made to track closure on each item.

Table 8-5 identifies the difference between calculated contingency values and actual contingency values included in the EPC. [REDACTED]

[REDACTED]

Redacted

[REDACTED]