

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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In re: Nuclear Power Plant Cost  
Recovery Clause

Docket No. 100009-EI  
Submitted for Filing: June 1<sup>st</sup>, 2010

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**PROGRESS ENERGY FLORIDA'S SEVENTH REQUEST FOR CONFIDENTIAL  
CLASSIFICATION REGARDING AUDIT CONTROL NO. 10-006-2-2  
WORKPAPERS**

**REDACTED**

**EXHIBIT B**

DOCUMENT NUMBER - DATE

0493 | JUN 14 2010

FPSC-COMMISSION CLERK

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REDACTED

# Audit Services Department

## CR3 EPU and SGR Projects

July 2, 2009

Submitted To:

Joe Donahue  
Vice President-Nuclear Engineering Services

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- APA \_\_\_\_\_
- ECR 1 \_\_\_\_\_
- GCL \_\_\_\_\_
- RAD \_\_\_\_\_
- SSC \_\_\_\_\_
- ADM \_\_\_\_\_
- OPC \_\_\_\_\_
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20013334 A906 & A907

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DN# CR-10-093 | JUN 14 09

FPSC-COM-1000-010

9-2-1

## Executive Summary

An audit of Crystal River 3 (CR3) Extended Power Uprate (EPU) and Steam Generator Replacement (SGR) Projects was recently completed. This audit report summarizes the audit scope, objective, focus areas, and significant findings. Where necessary this report includes management's planned actions to improve internal control.

### Background

Progress Energy is currently in the process of implementing improvements at the CR3 nuclear plant. The first improvement is a major project for SGR that is necessary to realize the benefits of extending the licensed life of the plant. Planning began in 2002 for the replacement of the two existing steam generators with new and improved models. The project will incorporate design and material changes to reduce the susceptibility of corrosion. The proposed total project cost submitted in Revision 1 of the Integrated Project Plan (IPP) for SGR is estimated to be [REDACTED] with [REDACTED] expended through 2008. The proposed 2009 project budget is [REDACTED]. Phase I, the planning phase, of SGR is complete. Phase II, the implementation phase, will take place during the 2009 R16 refueling outage.

The second improvement is a major project for an EPU that will increase the electrical power output of the plant, reduce overall costs to customers, and enhance shareholder value. The EPU Project is expected to save customers more than \$2.6 billion in gross fuel costs through 2036. The total project cost submitted in Revision 1 of the IPP for EPU is estimated to be [REDACTED] capital and [REDACTED] O&M with [REDACTED] capital expended through 2008. The 2009 project budget is [REDACTED]. Phase I, Measurement Uncertainty Recapture (MUR) power uprate, was completed in 2008. Phase II, implementation phase, includes replacement of several components including: low pressure turbines, electrical generator and exciter, condensate heat exchangers, and turbine cycle steam moisture separators. Phase II of EPU is scheduled for implementation during the 2009 R16 refueling outage and Phase III is planned for 2011.

The two major projects will be implemented simultaneously during the 2009 R16 refueling outage. The volume of work and resultant logistics of construction initiation of the two projects at the same time is a challenge that must be managed carefully through project management.

### Objective and Scope

This audit focused on overall project funding, in addition to project and cost management practices. The primary objective was evaluation of project management, contract administration, financial controls, and communications associated with the CR3 SGR and EPU major projects. The scope included assessing CR3 EPU and SGR major projects activity in 2009. Assistance was provided by Nuclear Oversight for fieldwork activities.

### Key Focus Areas

[REDACTED]

4-24-2

Conclusion

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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Senior Auditor

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4-24 3

July 2, 2009

CR3 EPU and SGR Projects

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9-29-09



July 2, 2009

CR3 EPU and SGR Projects

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9-21-6

July 2, 2009

CR3 EPU and SGR Projects

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9-29-7



July 2, 2009

CR3 EPU and SGR Projects

[REDACTED]

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July 2, 2009

CR3 EPU and SGR Projects

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9-21-9

July 2, 2009

CR3 EPU and SGR Projects

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July 2, 2009

CR3 EPU and SGR Projects

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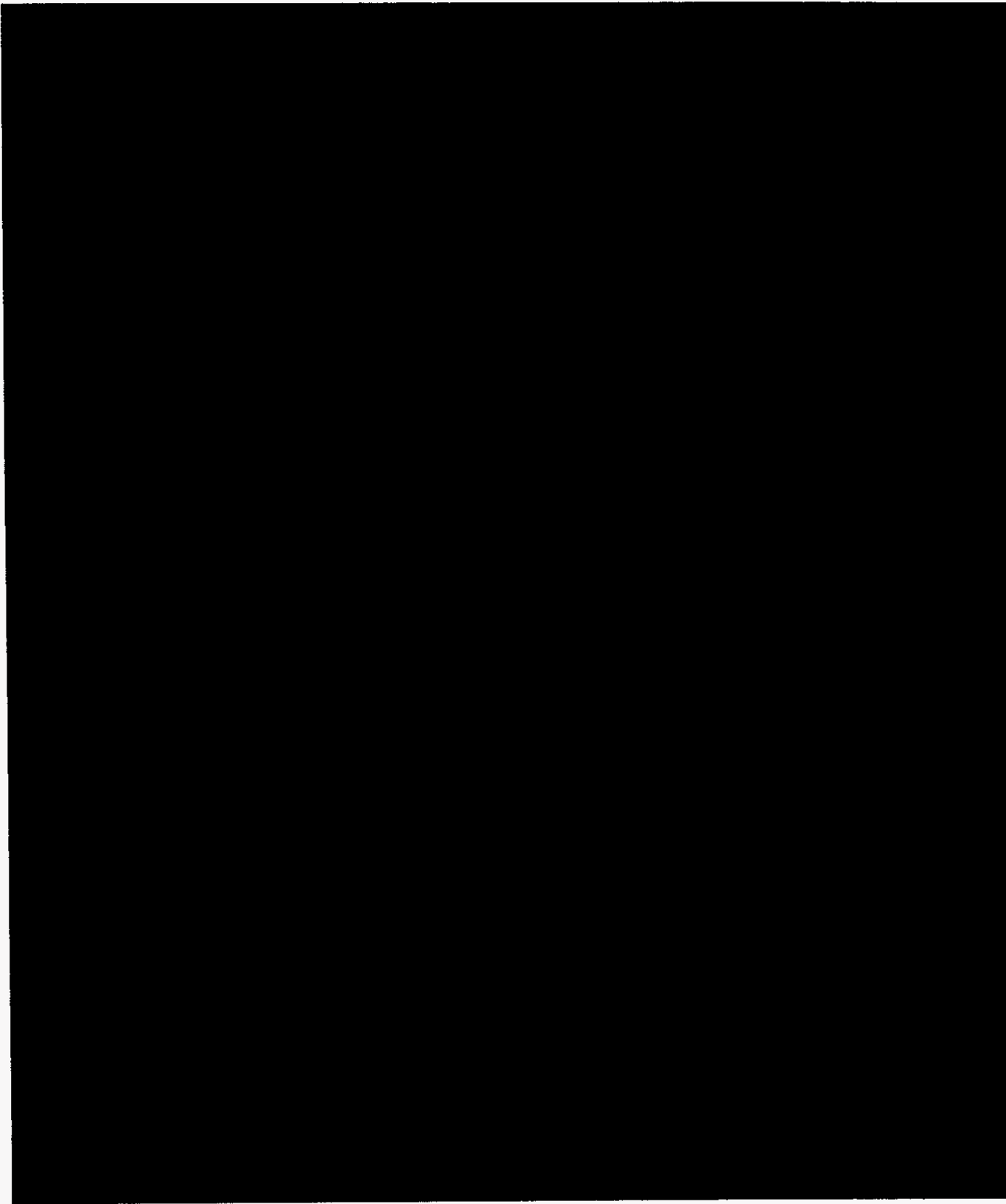
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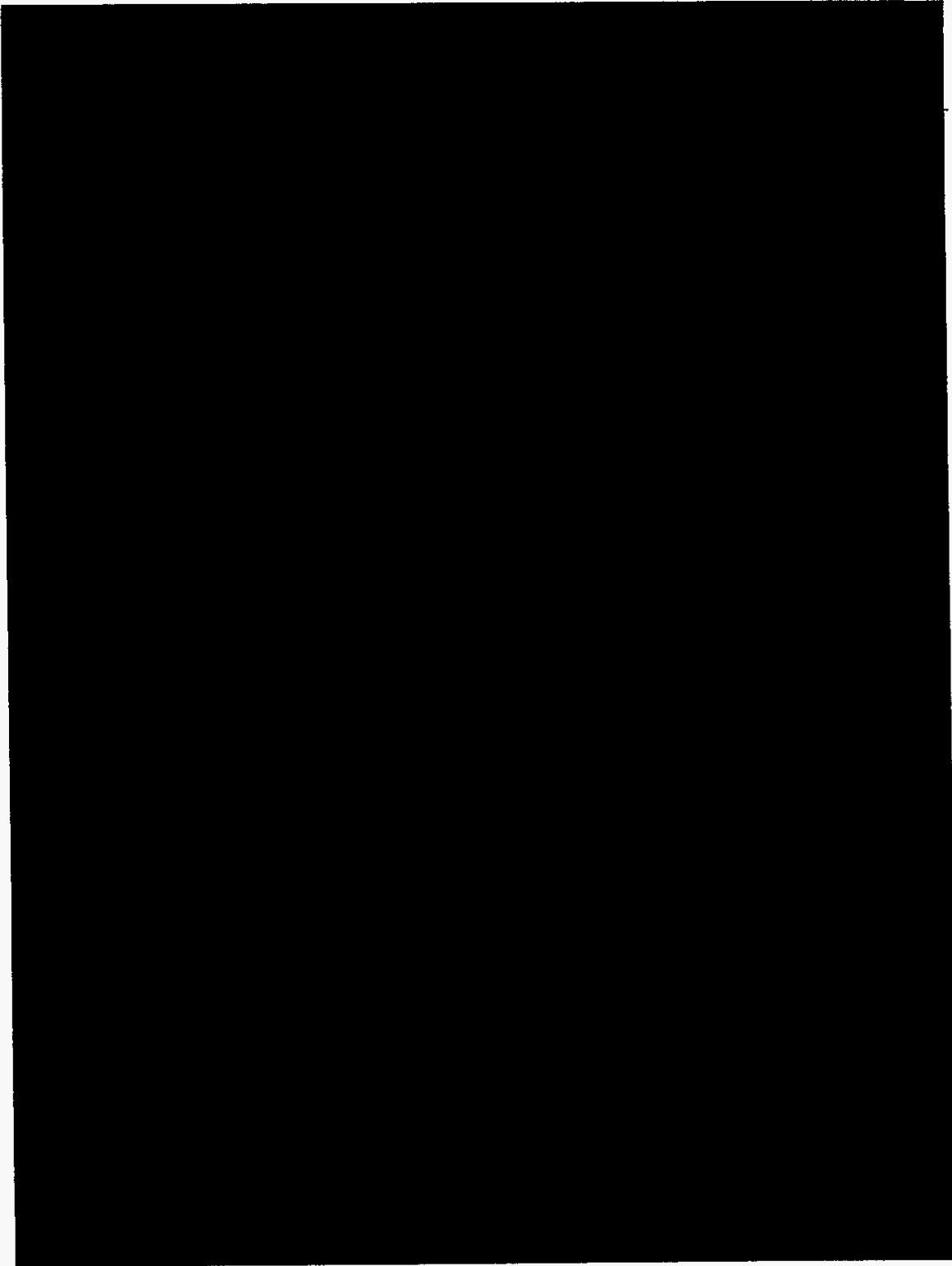
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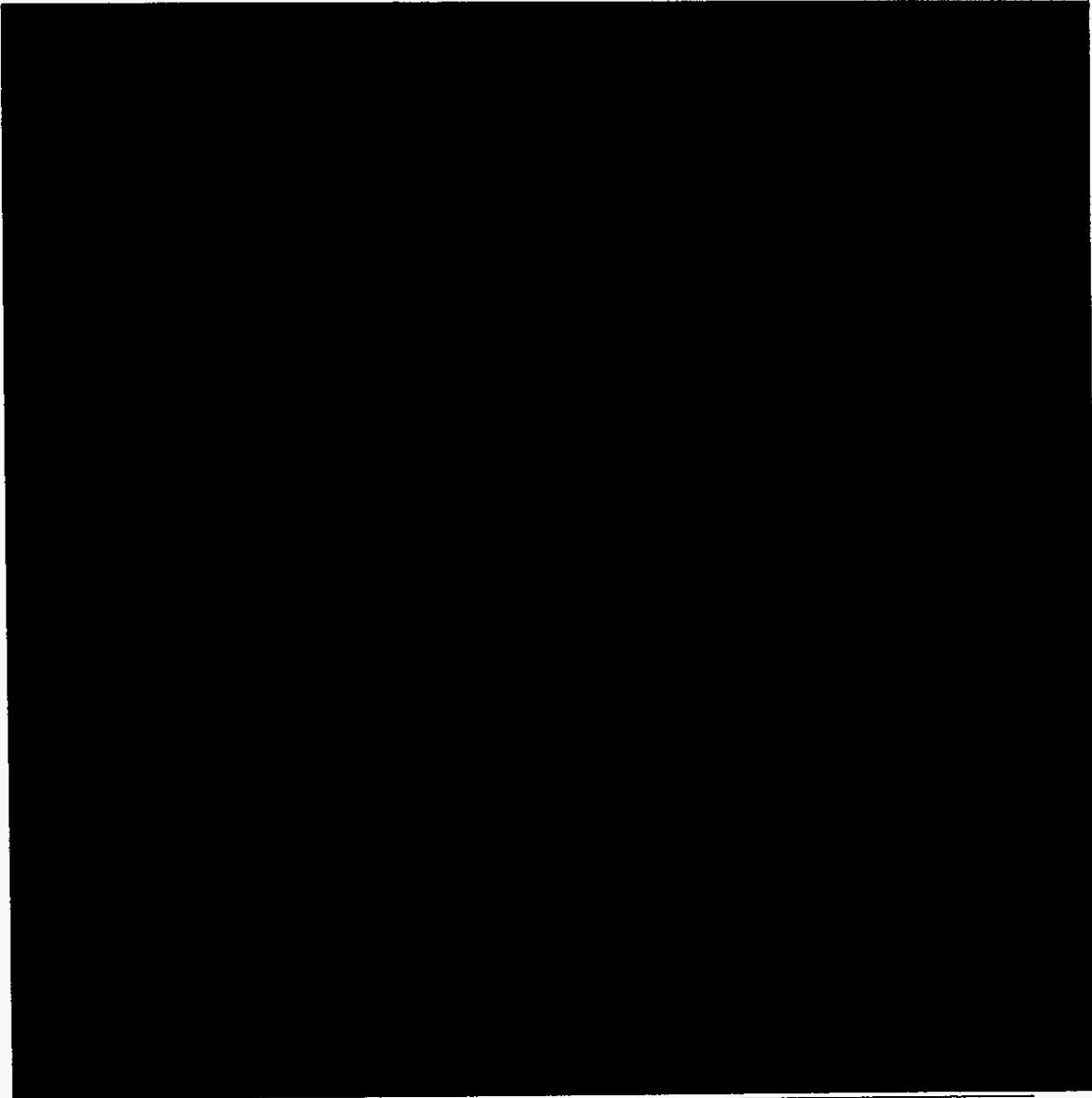
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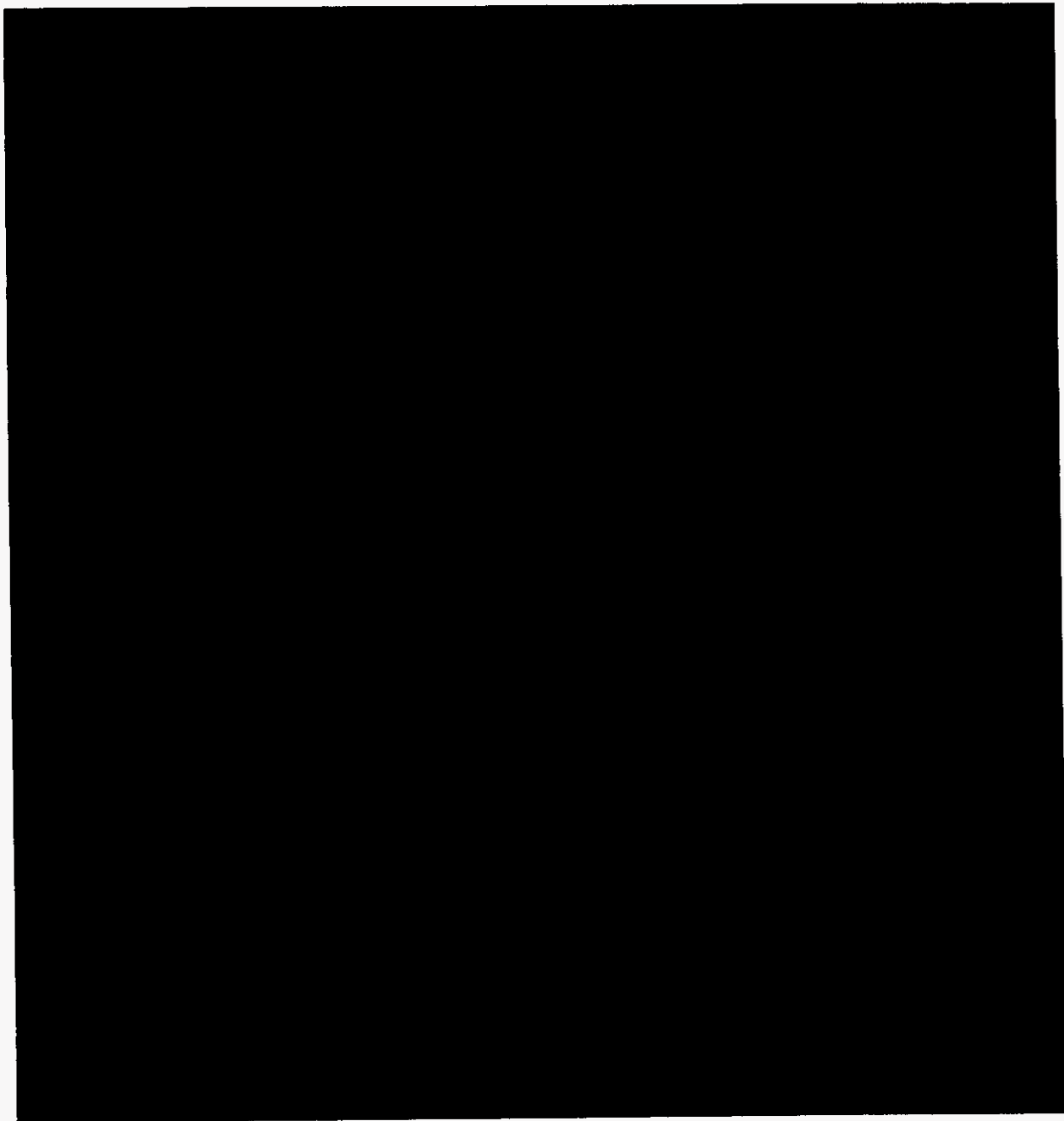
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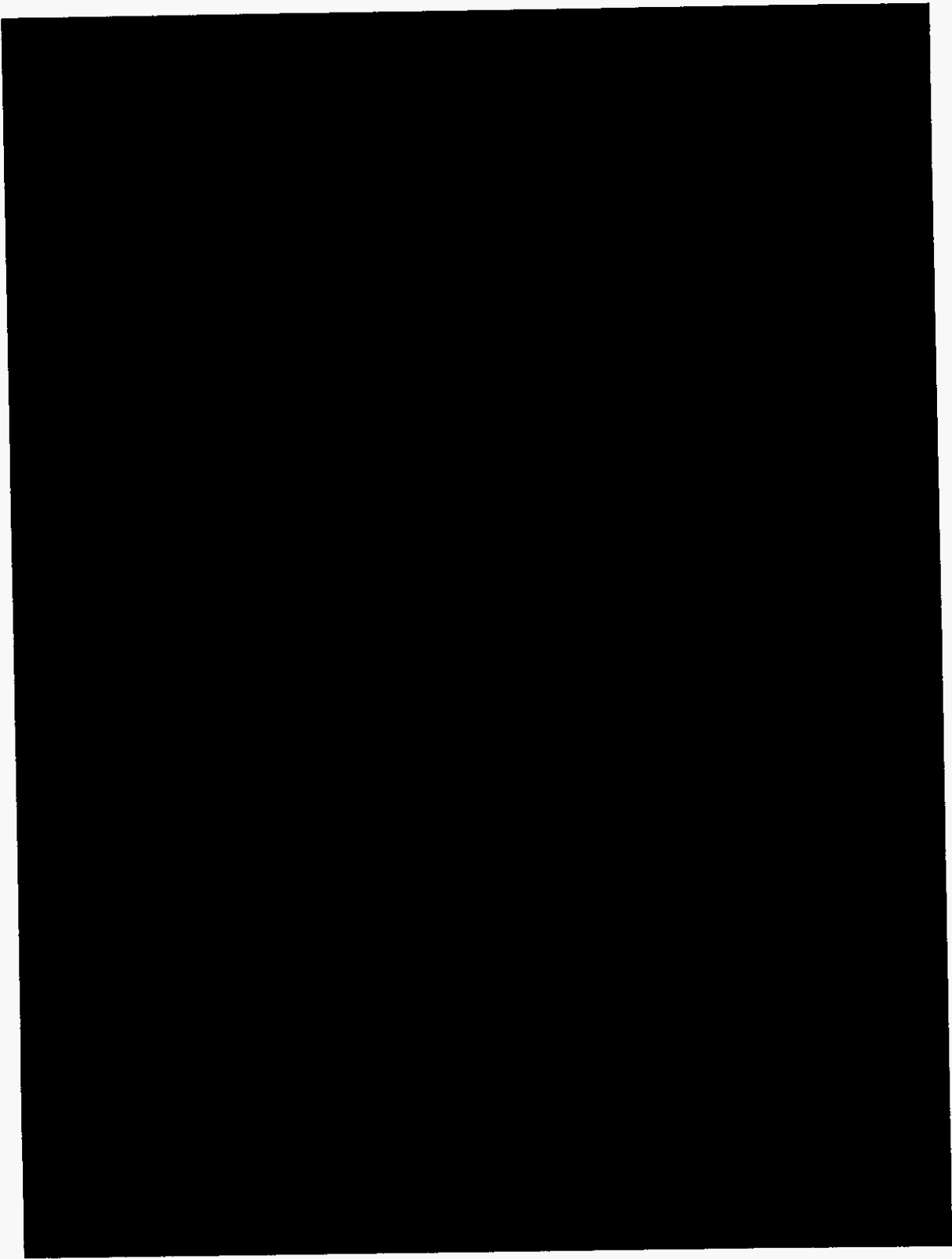
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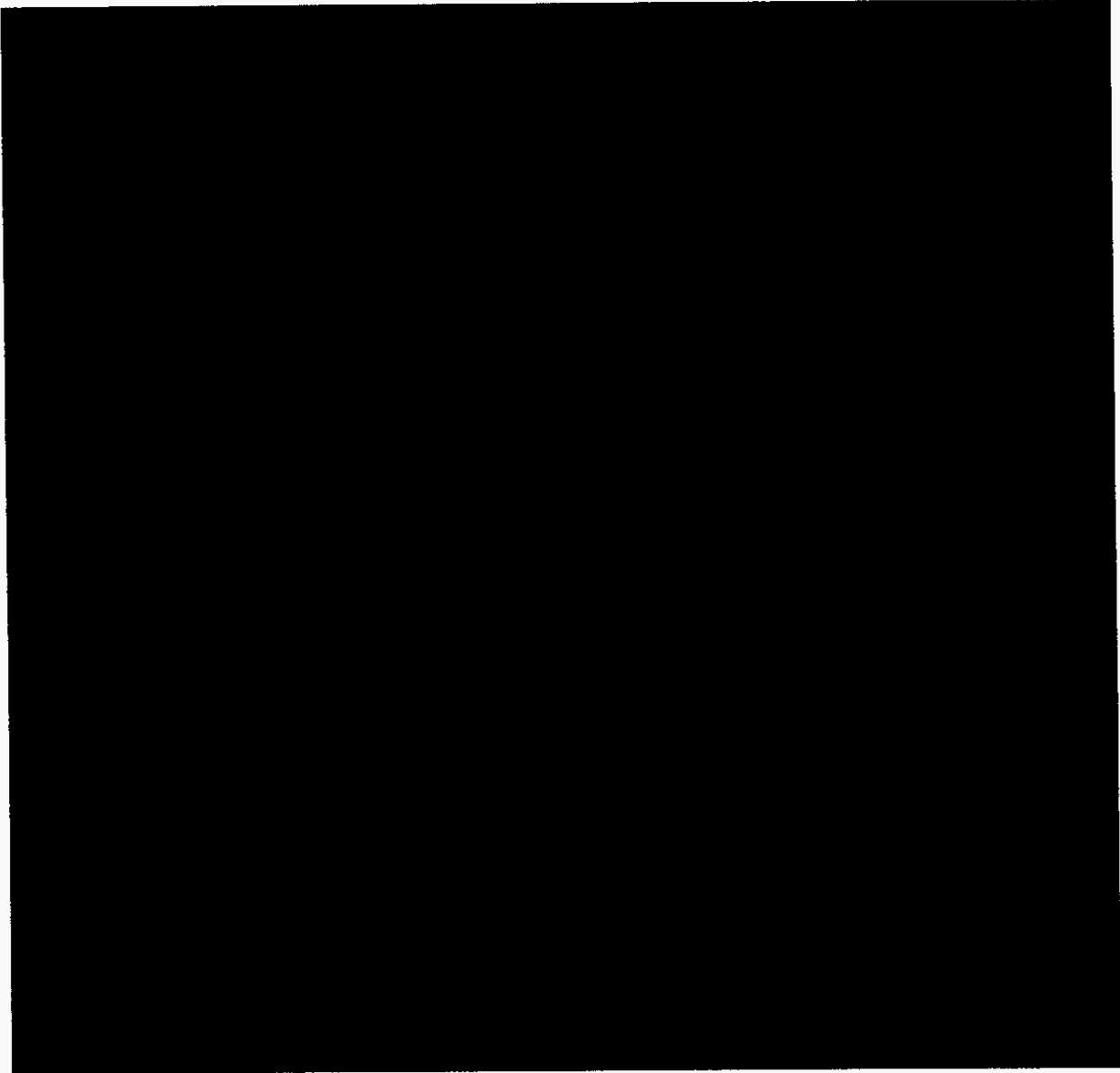
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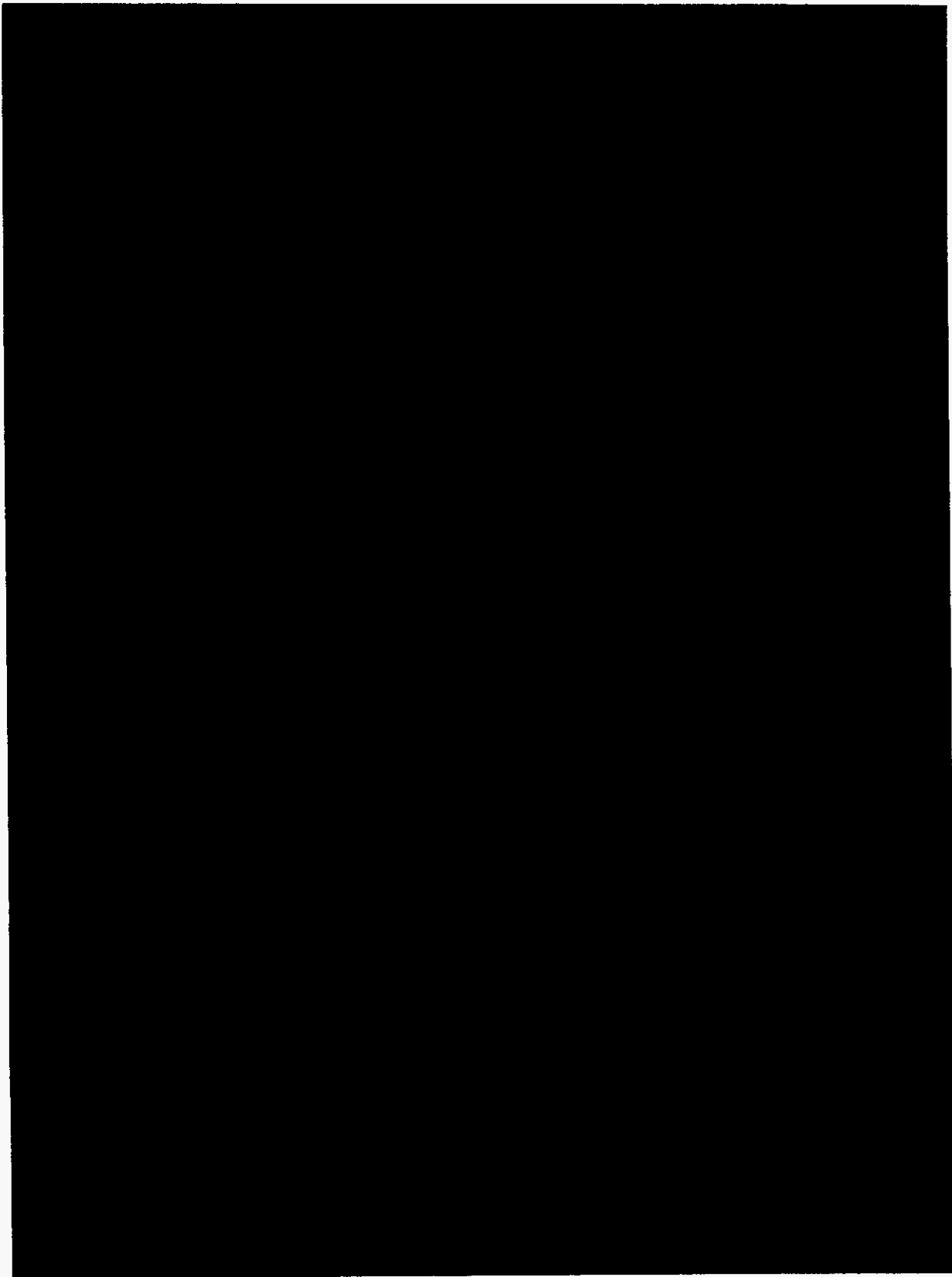
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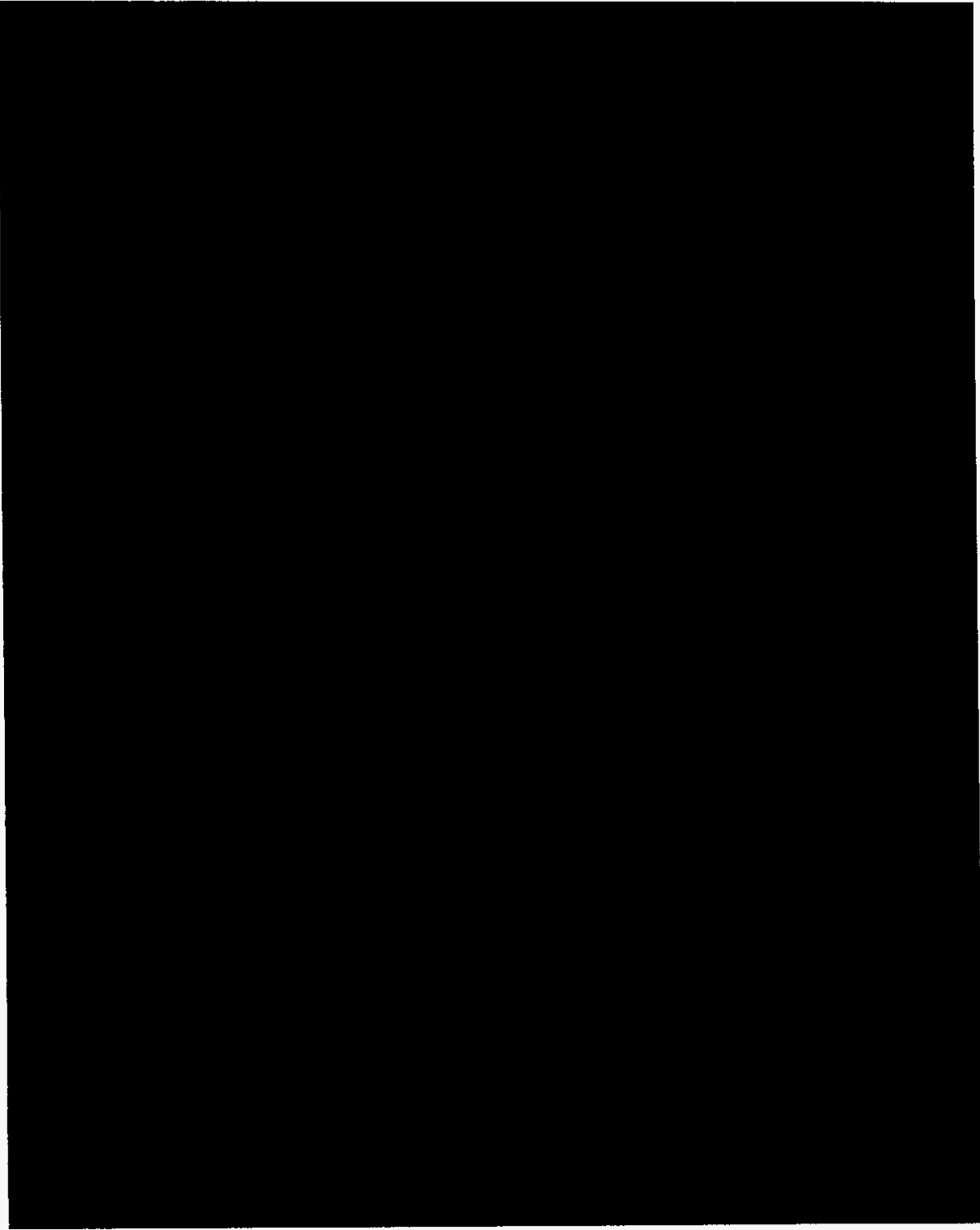
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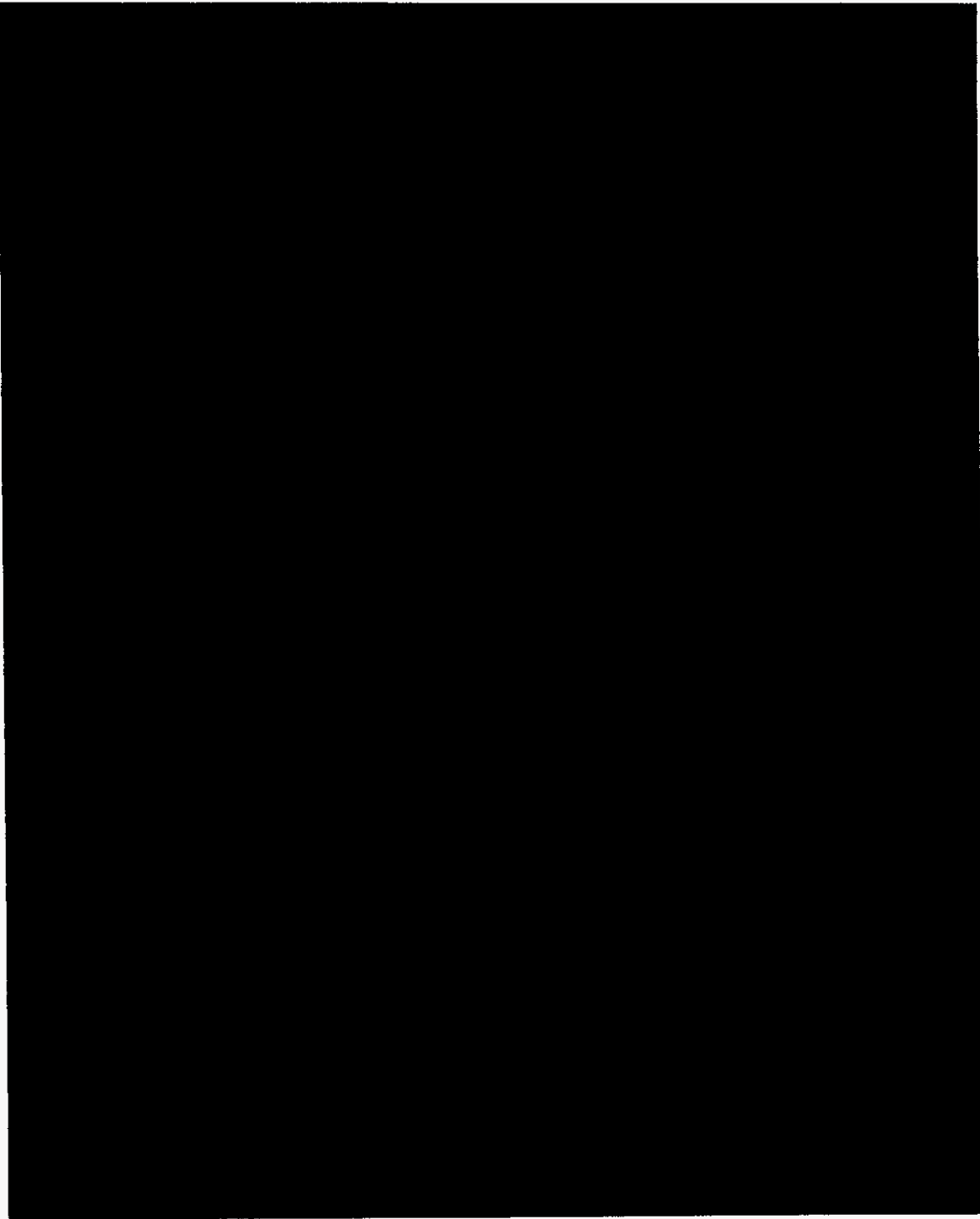


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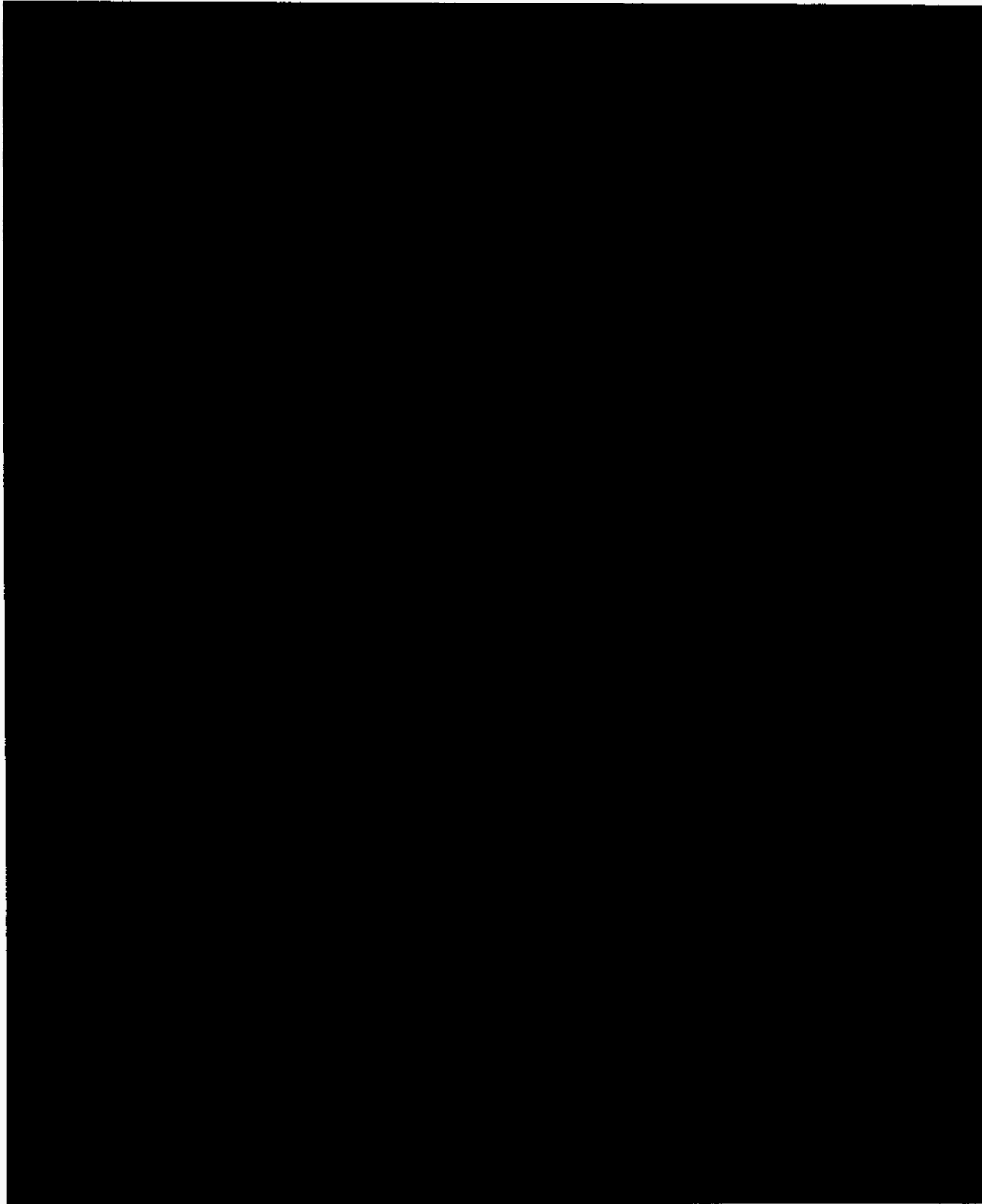
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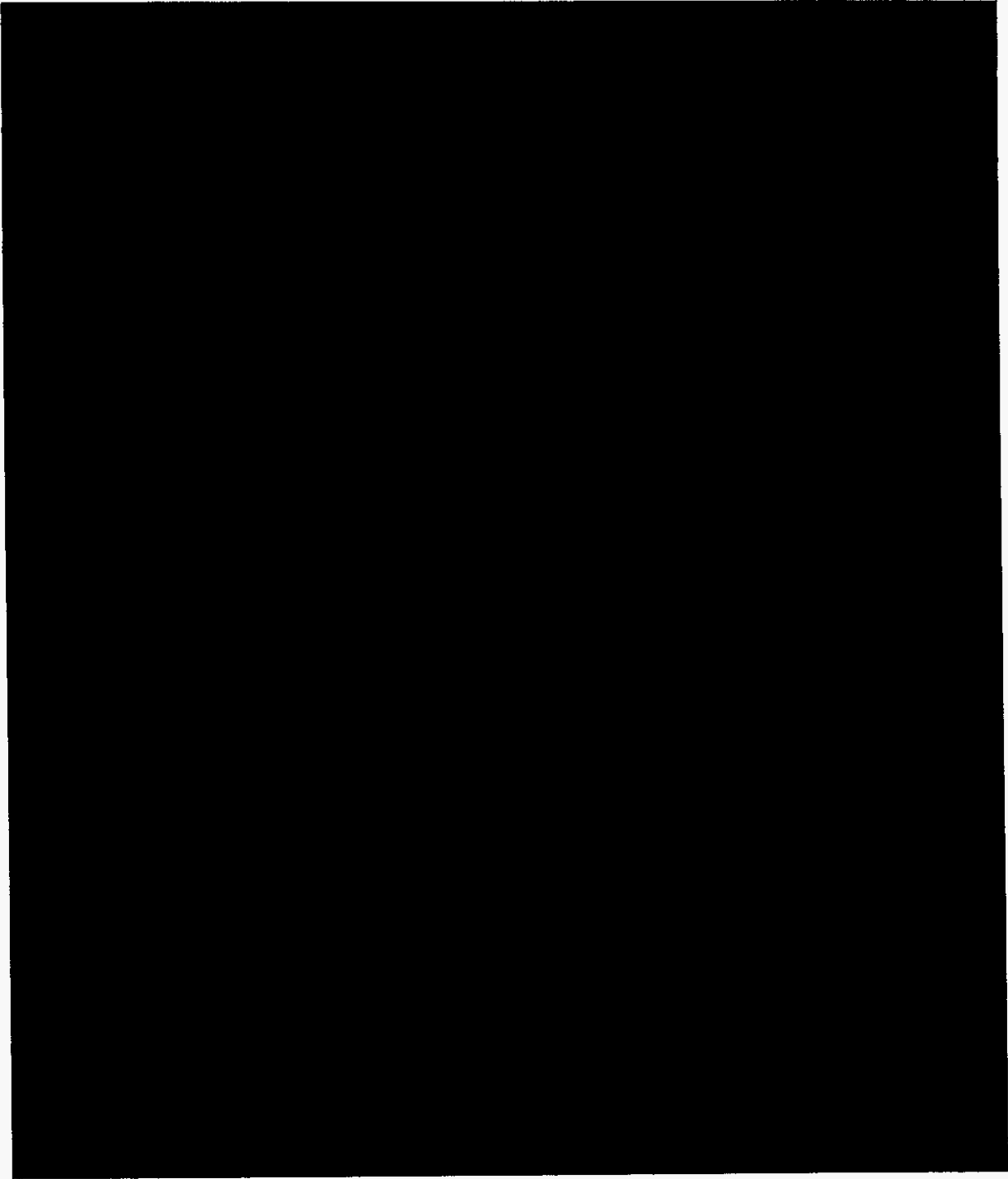
52 p 25

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8-24-26

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9-2p 27



## Audit Services Department

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# Crystal River 3 Uprate

December 12, 2008

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Submitted To:

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Vice President – Nuclear Projects & Construction

**COPY**

20010456 A816



SOURCE

DRH CR-10-09

1/18

### Executive Summary

A Crystal River 3 Uprate audit was recently completed. This audit report summarizes the audit scope, objective, focus areas, and significant findings. Where necessary this report includes management's planned actions to improve internal control.

#### Background

Progress Energy is currently in the process of implementing improvements at the Crystal River 3 (CR3) nuclear plant to increase the electrical power output to reduce overall costs to customers and enhance shareholder value. The CR3 Uprate project is expected to save customers more than \$2.6 billion in gross fuel costs through 2036, while the total cost for the project is estimated to be [REDACTED]. CR3 will implement these improvements in three phases. Phase I - the Measurement Uncertainty Recapture was completed in 2007. Phase II - the Balance of Plant Efficiency is scheduled for implementation during the RFO 16 refueling and steam generator replacement in the 4th quarter 2009. Phase III - the Extended Power Uprate is planned for 2011. CR3 is currently operating at a licensed core power level of 2,609 megawatts thermal (MWt) and electrical output of 903 megawatts electrical (MWe) and will achieve a power uprate of 17.4 percent to operate safely at 3014 MWt and 1080 MWe. Audit Services (ASD) completed an audit of the CR3 uprate project in 2007.

#### Objective and Scope

This audit focused on the overall project funding, project and cost management practices, and Phase II implementation. The primary objective was to evaluate the project management, contract administration, financial controls and communications, associated with the CR3 Uprate project. The scope of the audit included assessing the overall project, construction and cost management process effectiveness; contract administration and payments; and financial and management reporting.

#### Key Focus Areas

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[REDACTED]

[REDACTED]

- [REDACTED]
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- [REDACTED]
- [REDACTED]

9-102

[REDACTED]

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Robert Pellegrin  
Jim Scarola  
James Terry  
David Varner  
Ted Williams  
Ivy Wong  
Donna Wood  
Dale Young  
Deloitte & Touche LLP

9-1-3

**Observations, Recommendations, and Action Plans**

[REDACTED]

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W.H. Kent



CRYSTAL RIVER UNIT 3  
PARTICIPATION AGREEMENT

July 31, 1975

CR1  
CR2  
CR3



**COPY**

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DR# CR-12-09

Issued July 17, 1975

10-12  
PI

Crystal River Unit 3  
Participation Agreement

July 31, 1975

Pages 1 through 46 and all attachments  
are redacted in their entirety

Progress Energy Florida  
CR3 UpRate NCRC  
Docket# 100009-ED AP# 10-006-3-2  
12-Month Period Ending December 31, 2009

4/10/09



## Audit Services Department

# 2009 Florida Nuclear Plant Cost Recovery Rule Compliance Monitoring Review

May 26, 2009

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**COPY**

20013334 A916

SOURCE



PR CR-16-09

10-16 p 2

May 26, 2009 2009 Florida Nuclear Plant Cost Recovery Rule Compliance Monitoring Review

**Executive Summary**

A 2009 Florida Nuclear Plant Cost Recovery Rule Compliance Monitoring Review audit was recently completed. This audit report summarizes the audit scope, objective, focus areas, and significant observations. Where necessary this report includes management’s planned actions to improve internal control.

**Background**

The Florida Public Service Commission (Commission) Nuclear Power Plant Cost Recovery Rule, 25-6.0423, became effective on April 8, 2007. The purpose of this rule is to establish alternative cost recovery mechanisms for the recovery of costs incurred in the siting, design, licensing, and construction of nuclear power plants to promote electric utility investment in such plants and allow for the recovery in rates of all such prudently incurred costs. Cost includes, but is not limited to, all capital investments including rate of return, any applicable taxes and all expenses, including operation and maintenance expenses, related to or resulting from the siting, licensing, design, construction, or operation of the nuclear power plant. Costs so incurred are recoverable in the Capacity Cost Recovery Clause. Each year, a filing with the Commission will be made by May 1st that includes actual costs to date and projected for the remainder of the current year and following year that are proposed by PEF to be recovered by the Capacity Clause. By March 1st of each subsequent year a true-up filing will be made. By October of each year, the Commission will conduct a hearing and determine the reasonableness of projected expenditures and the prudence of actual expenditures.

**Objective and Scope**

Our objective was to review compliance with the Nuclear Plant Cost Recovery Rule for filings made in 2009 related to the CR3 UpRate Project and Levy Nuclear Plant.

**Key Focus Areas**

[REDACTED]

[REDACTED]

[REDACTED]

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DR-16-09


10-14-09





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OBSOLETE INVENTORY SUPPORTING DOCUMENTS  
IDENTIFIED WITH HANDWRITTEN NOTE IN LOWER RIGHT-  
HAND CORNER AS 43-4, 2 P 1-3 ARE REDACTED IN THEIR  
ENTIRETY