

**PROGRESS ENERGY FLORIDA**  
**In re: Nuclear Cost Recovery Clause**  
**Docket 100009-EI**  
**Twenty-Third Request for Confidential Classification**

**EXHIBIT B**

COM \_\_\_\_\_  
APA \_\_\_\_\_  
ECR \_\_\_\_\_  
GCL \_\_\_\_\_  
RAD 4 \_\_\_\_\_  
SSC \_\_\_\_\_  
ADM \_\_\_\_\_  
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FILE NUMBER-DATE  
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1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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4 In Re: Nuclear Power Plant  
5 Cost Recovery Clause

6

7 Docket No. 100009-EI

8 Submitted for Filing: July 15, 2010

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REDACTED

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DEPOSITION OF

13

WILLIAM R. JACOBS, JR., Ph.D., P.E.

14

15

July 27, 2010

16

9:01 a.m.

17

18

1850 Parkway Place

19

Suite 800

20

Marietta, Georgia

21

22

Jennifer D. Hamon, CCR-B-2287, RPR

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REDACTED

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1 Q. If that's the case and Progress  
2 Energy Florida still has the opportunity to  
3 analyze this additional option and make the  
4 same or different decision, would you agree,  
5 then, that nothing has changed with respect to  
6 the project risks from the time Progress  
7 Energy evaluated the options it did and made  
8 its decision and the time they'll evaluate  
9 this option and make a same or different  
10 decision?

11 A. The same risks are generally there.  
12 They may be slightly greater, slightly less.  
13 But the general time frame is short enough  
14 that I would agree that there have been no  
15 significant changes in the overall risks.

16 Q. Isn't it also true that Progress  
17 Energy Florida has that ability to look at  
18 this additional option and evaluate it and  
19 reevaluate its decision because Progress  
20 Energy Florida [REDACTED]

21 [REDACTED]  
22 [REDACTED]  
23 [REDACTED]  
24 [REDACTED]

25 Q. I'm referring to amendment 3 --

REDACTED

1 A. Amendment 3.

2 Q. -- to the EPC agreement.

3 A. Right. But as part of that, that

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 Q. And would you agree with me that by

8 amendment 3 to the EPC agreement, that

9 Progress Energy Florida preserved the

10 contractual benefits and risks during this

11 licensing period until after the COL is

12 obtained in [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 A. No. Because with amendment 3 -- at

16 the time the EPC agreement was signed, there

17 was -- [REDACTED]

18 There was a dollar amount, and it was subject

19 to [REDACTED] but it was generally a

20 [REDACTED]

21 With amendment 3, [REDACTED]

22 [REDACTED]

23 [REDACTED] So really nobody knows what the [REDACTED]

24 [REDACTED] going forward, if the

25 project goes forward.

REDACTED

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1 Q. Would you agree with me that that  
2 contractual price in the EPC agreement was  
3 always subject to change based on the terms  
4 and conditions of that contract?

5 MR. MOYLE: Object to the form.

6 MR. REHWINKEL: That was Jon Moyle.

7 A. The cost was known based on -- yeah,  
8 subject to the terms and conditions in the  
9 contract, which included [REDACTED]

10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]

14 Q. (By Mr. Walls) Would you agree with  
15 me that amendment 3 to the contract [REDACTED]

16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]

19 MR. MOYLE: Same objection.

20 A. It really didn't -- amendment 3  
21 really did not address that, [REDACTED]  
22 [REDACTED]

23 Q. (By Mr. Walls) Okay. And is that  
24 because it didn't change it at all? Right?

25 A. Well, it didn't -- I don't think you

REDACTED

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1 would know until the new cost schedules are  
2 agreed upon after the notice to proceed is  
3 given, if it is given.

4 Q. I see that you nowhere reference  
5 amendment 3 to the EPC contract in your  
6 testimony; is that correct?

7 A. That's correct.

8 Q. Is there a reason why you didn't  
9 reference amendment 3 to the EPC agreement in  
10 your testimony?

11 A. I didn't think it was particularly  
12 relevant to the point that I was making on the  
13 need for the fourth scenario that I had  
14 identified.

15 Q. But you would agree with me that  
16 amendment 3 [REDACTED]

17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]; correct?

20 A. Yes. That's correct.

21 MR. MOYLE: Object to the form.

22 Q. (By Mr. Walls) So you would agree  
23 that amendment 3 to the EPC agreement  
24 therefore [REDACTED]

25 [REDACTED]

REDACTED

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A. I believe that's correct.

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Q. Did you read staff testimony in the staff audit report regarding the Levy nuclear project?

8

A. Just very briefly.

9

10

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Q. Did you read what the staff audit report concluded about amendment 3 to the EPC agreement?

12

A. I believe I have read that, yes.

13

14

15

16

Q. Do you have any disagreement with what the staff audit report concluded with respect to the EPC agreement amendment in amendment 3?

17

A. I would need to review that again.

18

Q. Okay.

19

20

MR. REHWINKEL: Would you like him to look at it?

21

MR. WALLS: Sure, if you have it.

22

23

24

MR. REHWINKEL: You may want to direct him to exactly what you want him to look at.

25

MR. WALLS: This is the redacted --

REDACTED

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1 MR. REHWINKEL: I've got the other  
2 version.

3 Do you need the confidential version  
4 for that question?

5 MR. WALLS: Yeah. Because this is a  
6 redacted amendment 3 discussion, I  
7 believe.

8 MR. REHWINKEL: I think that's back  
9 in my room.

10 MR. WALLS: Okay. I don't think I  
11 have it. I have the redacted version too,  
12 because that's what I --

13 Q. (By Mr. Walls) Well, let me ask it  
14 this way: After reviewing the staff testimony  
15 and the staff audit report, did you have any  
16 reason to believe you should change any of  
17 your opinions in your own testimony?

18 A. No.

19 Q. If we could turn to page 8, lines 31  
20 to 33 --

21 MR. REHWINKEL: We're still on  
22 confidential?

23 MR. WALLS: Yes, because we're  
24 talking about the [REDACTED]

25 [REDACTED]



REDACTED

51

1 the significance of costs could be very  
2 different versus a different, shorter-term  
3 project?

4 A. Yes. Yes.

5 Q. Would you also agree with me that  
6 the evaluation option you say they should  
7 consider of cancelation two to three years  
8 later is always going to cost more than  
9 immediate cancelation now?

10 A. Yeah. It clearly will. The  
11 question is how much.

12 Q. And I noticed in your testimony, you  
13 don't express an opinion that that known fact,  
14 the fact that you're going to proceed two to  
15 three years with the project under your  
16 evaluation of the option of cancelation after  
17 COL -- that that fact alone justifies  
18 immediate cancelation; correct?

19 A. That's correct. That's about a  
20 [REDACTED] difference between those two  
21 options.

22 Q. Well, didn't the company estimate,  
23 in its senior manager presentations, that  
24 those costs were higher than that over the two  
25 to three years of continuing the project?

REDACTED

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1 A. Higher than what?

2 Q. The number you just gave.

3 A. The number I gave is the difference  
4 between prompt cancelation and the option --  
5 chosen option, option three, which is  
6 proceeding to COL.

7 Q. Okay.

8 A. Now, there are some -- well, there  
9 are some unknowns in both of those numbers,  
10 really, particularly in prompt cancelation.

11

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14 Q. Would you also agree with me that in  
15 that presentation, when they estimated the  
16 cost of these options, they did estimate what  
17 the cost would be over the next three years to  
18 obtain the COL?

19 A. Yes.

20 Q. So that cost is in the presentation;  
21 it was known to senior management when they  
22 made the decision; correct?

23 A. Right. That's in my -- shown in my  
24 testimony, I believe.

25 Q. And doesn't amendment 3 to the EPC

REDACTED

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1 agreement tell you that the [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5

MR. MOYLE: Object to the form.

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9

Q. (By Mr. Walls) So those costs were  
10 known as well and are indicated in the  
11 immediate cancelation option that the company  
12 evaluated; correct?

13

A. Yes.

14

Q. So isn't it, for your option that  
15 the company -- you say they should have  
16 evaluated, those costs are there in the  
17 presentation; right?

18

It's the cost of the option to  
19 proceed for the next two to three years to get  
20 the COL and the cost of the immediate  
21 cancelation option on top of that at the high  
22 end of those cost estimates; correct?

23

A. Well, plus whatever additional  
24 escalation is involved and [REDACTED]

25 [REDACTED]

REDACTED

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1 A. Yes.

2 Q. And do you see that on this project  
3 cancelation, they have an LLM, long lead  
4 material, PO disposition item?

5 A. Yes.

6 Q. And that is estimated at a certain  
7 number; correct?

8 A. That's correct. That all -- yes.  
9 That all totals up to the estimated  
10 cancelation cost.

11 Q. And that estimate includes the  
12 termination costs; correct?

13 A. Yes. I finally found it. Yes, it  
14 does. That's correct.

15 Q. [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 A. Under amendment -- yes, amendment 3.

19 Q. [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 A. Yes.

24 Q. So those costs are known in this  
25 presentation; right?

REDACTED

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1 A. Yes.

2 Q. Certainly senior management knew  
3 that -- if they were going to spend that money  
4 over the next three years to obtain the COL,  
5 they knew what they had estimated those costs  
6 to be; correct?

7 A. Yes.

8 Q. And they also knew what the  
9 [REDACTED] were estimated to be and  
10 that [REDACTED]  
11 [REDACTED] correct?

12 A. [REDACTED]

13 Q. Yes.

14 A. Yes.

15 MR. REHWINKEL: Still on  
16 confidential?

17 MR. WALLS: Yes.

18 Q. (By Mr. Walls) Is it your  
19 testimony, Dr. Jacobs, that that combined  
20 estimate of total cost is significantly more  
21 than immediate cancelation?

22 A. It's getting into the range. I  
23 haven't concluded whether it is or not, but  
24 it's in the [REDACTED]  
25 [REDACTED] which I think is worth looking at.

REDACTED

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1 Q. Do you think the [REDACTED]  
2 [REDACTED] range is significant compared  
3 to the total project cost and benefits of the  
4 Levy nuclear project?

5 A. Certainly not compared to the total  
6 cost and benefits, no.

7 Q. Do you think a project of long-term  
8 benefits and cost of the Levy nuclear project,  
9 a project that's supposed to provide electric  
10 service to customers over a period of 40 to 60  
11 years -- do you think that decision about  
12 what's significant to decide cancelation  
13 should be based on a [REDACTED]

14 [REDACTED]  
15 A. It really depends on what -- your  
16 opinion of the likelihood of cancelation. If  
17 you think it -- if you were to conclude that  
18 it's very likely that it would be canceled in  
19 2013, then, yes, it's significant spending an  
20 additional [REDACTED]  
21 over prompt cancelation.

22 If you can conclude that it's  
23 unlikely or not likely or less likely to be  
24 canceled, then they're not significant.

25 Q. And by "conclude," you mean conclude