

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear Power Plant Cost
Recovery Clause

Docket No. 110009-EI
Submitted for Filing: July 22, 2011

**PROGRESS ENERGY FLORIDA, INC.'S FOURTEENTH REQUEST FOR
CONFIDENTIAL CLASSIFICATION REGARDING PORTIONS
OF THE DEPOSITION TRANSCRIPT OF JOHN ELNITSKY**

REDACTED

Exhibit B

DOCUMENT NUMBER-DATE

05103 JUL 22 =

FPSC-COMMISSION CLERK

1 A Yes, I do.

2 Q Now, are these -- when I look at these numbers,
3 I see some differences in the numbers, and my questions
4 now are going to be why are there some differences in
5 those numbers.

6 A Okay.

7 Q For instance, if you look at Page 1 of 2, EPC
8 payments in the column under 2011, you have [REDACTED]
9 but --

10 A Show me where you are again. I'm sorry. EPC
11 payments. Okay.

12 Q And that's [REDACTED], and then on the next
13 page, you have under the partial suspension scenario,
14 you have [REDACTED].

15 A Uh-huh.

16 Q And why is there almost a [REDACTED]
17 difference?

18 A That's correct; there is a difference. So
19 maybe to clarify what these two documents are and when
20 they were prepared, that may help and explain --

21 Q Okay.

22 A -- because there is other differences --

23 Q Right. I was going through --

24 A -- on these two tables, as you can clearly see.

25 So maybe I can help, just to sort of streamline this

DOCUMENT NUMBER-DATE

05103 JUL 22 =

FPSC-COMMISSION CLERK

1 Q Okay. And the cancellation costs post-COL was
2 -- in January of 2011 and the other one was March, so
3 there was a two-month time difference between the
4 preparation of these charts?

5 A Yeah, it would probably be more like three
6 months, because this was prepared late in 2010 as we
7 were getting ready to go to the SMC in January.

8 Q Okay.

9 A This, being Page 1 of 2 of the exhibit.

10 Q Okay. So then, for instance, same column,
11 2011, you have the long-lead payments and WEC, which is
12 Westinghouse Electric Corporation?

13 A That's correct.

14 Q WEC support, you have for [REDACTED], and here
15 you have approximately [REDACTED], and that's the
16 difference --

17 A And those numbers are classified, so let's just
18 be clear about that.

19 Q Okay. Certainly.

20 A Yeah.

21 Q And then it looks like everything on this chart
22 is all classified, except for the titles and the topics.

23 A Yeah. So if your question -- is your question
24 why are those changed?

25 Q I mean, all of the ones that have changed, is

1 expenditures in 2011 and moved some of those resumption
2 costs into 2013. So you see, in general, the '11
3 numbers go down from what they were in January and the
4 2013 numbers, in general, go up.

5 Q And those negotiations with Westinghouse or the
6 long-lead providers, those would predominantly be the
7 EPC payments, the long-lead payments and the long-lead
8 PO disposition costs, correct?

9 A That's correct.

10 Q Whereas, Transmission, those costs are
11 different, but that would not necessarily be -- have to
12 do with your negotiations with Westinghouse or the
13 long-lead contractors; is that correct?

14 A That is correct.

15 Q Okay. Now, why did those costs change from
16 2011? I mean, it's [REDACTED], but it's still a cost
17 difference.

18 A Would you please explain those costs, which
19 ones you're looking at now?

20 Q The transmission costs for 2011 on the
21 post-COLA in the partial suspension document.

22 A The change from the number that you, the 3 --

23 THE WITNESS: Well, we can talk classified
24 numbers in this, right?

25 MR. WALLS: Yeah, that's fine.

1 THE WITNESS: So I admit, this makes it easier.
2 All right. So the change from the [REDACTED] to
3 [REDACTED] in 2011 for transmission is a result of where we
4 were able to go in terms of strategic land
5 acquisition in the right-of-way.

6 We had provided in the early planning to spend
7 approximately [REDACTED]. By the time we went to our
8 Senior Management Committee with the approved
9 program of record that is reflected on Page 2, we
10 recognize that that would probably come in closer to
11 [REDACTED] in terms of actual expenditures this
12 year.

13 BY MR. SAYLER:

14 Q All right. And moving over to the 2013 column,
15 on both of those --

16 A Yeah.

17 Q -- 2013 on post-COLA shows only [REDACTED] in
18 transmission. Is that still related to Levy or is that
19 related to other projects that Progress has going on?

20 A Well, let me answer that in a couple of parts.
21 First off, all transmission on any of these slides and
22 any of these briefs is directly related to Levy.

23 So the only transmission we talked about here
24 is transmission that we are constructing, only because
25 of the fact that we're moving forward with the Levy

1 project. So that's first.

2 Second, why are the numbers different between
3 2013 on the -- on Page 1 and the number you see on Page
4 2, so the [REDACTED]? That really is a
5 reflection of the assumptions you make in Page 1.

6 So in January, we assumed that we would receive
7 a COLA sometime in the second quarter of 2013. And we
8 assumed that we would continue moving forward with the
9 project to the point where we got that COLA, and then to
10 be consistent with how we did this last year, if, at
11 that point, for some reason, we then had to cancel the
12 project, we anticipated that we would have spent
13 probably by that point another [REDACTED] in 2013.

14 By comparison, the project that continues to go
15 forward and the program of record that is reflected on
16 Page 2, there would be a substantial ramp-up in
17 transmission work that would begin later in the second
18 half of 2013 to prepare that system that's necessary to
19 be in place by the time the plant goes in service in
20 2021.

21 Q Okay.

22 A So it's really a -- sort of a timing of when
23 transmission work starts in 2013.

24 Q Okay. It seems like a reasonable explanation.
25 For partial suspension, you had gotten your COL, C-O-L,

1 and you're essentially moving forward or full steam
2 ahead on the project, and that's why you would spend
3 ██████████ ██████████ on trans -- or ██████████ ██████████ on transmission
4 in 2013.

5 A I didn't -- I didn't -- is that a question? I
6 didn't understand the --

7 Q It was -- the explanation for 2013, under the
8 partial suspension, that you're spending quite a few
9 dollars, assumes, to me, that at that point in time you
10 are planning to go forward with the project with the
11 in-service dates in 2021 and '22; is that correct. I'm
12 just summarizing.

13 A Well, let me -- I don't know if that
14 characterizes it right. Let me try it this way: So
15 stepping back a little bit, maybe up a higher level --

16 Q Please, I'm new to NCRC.

17 A No, I understand. So that's -- and that's
18 okay. I'm more than happy to walk you through all the
19 details here, and that's part of why we're here; we want
20 to make sure you understand exactly what we're trying to
21 do with this project.

22 So we have a project plan end-of-schedule that
23 was developed as part of the decision made last year to
24 continue on a slower pace as part of this long-term
25 partial suspension.

1 That schedule moves us from where we are today
2 all the way through the 2021 in-service for the first
3 unit and the second unit in service 18 months later.

4 That schedule requires us to do certain
5 activities at certain points of time. It's integrated;
6 it's linked. It has a critical path.

7 The work that you see here for transmission in
8 2013, to the tune of [REDACTED], is consistent with that
9 schedule and the work that has to occur in order to stay
10 on track for 2021 in-service.

11 Q Okay. For my benefit, about how long does it
12 take to do these major transmission upgrades, in the
13 sense that you've received your COL in 2013 and then
14 you're planning to bring the plant in service, and there
15 is, according to the IPP chart, you're not planning to
16 really pour concrete until four years after the receipt
17 of the COL?

18 So why do you need to spend [REDACTED] in 2013
19 for a project you're not pouring concrete for, for four
20 years later, for an in-service date of, you know -- you
21 know, four or five years later after that?

22 A Well, the fact -- so let me go back. I want to
23 go to the reference --

24 Q Sure.

25 A -- that you brought up. Let's go to the

1 Integrated Project Plan --

2 Q Absolutely.

3 A -- on March 29, 2011, because I think it will
4 help to look at what is a simplified version of the
5 schedule, in that -- and that may facilitate answering
6 that question. So if you go to --

7 Q And that was the schedule I was referring to,
8 Page 9 of --

9 A Yeah. So if you go to Page 9 of the May 29,
10 2011 IPP -- and I don't know if the folks on the phone
11 need the production-of-documents' number, but I'll leave
12 that to you guys for them to ask if they need it -- but
13 if you look at Page 9, what you see in the bottom three
14 sections, three bars there, is a simplified version of
15 what is a much more detailed schedule for this section
16 of the work that's required for the Levy program.

17 And you'll see it consists of three major
18 blocks of work. The transmission study is to evaluate
19 what changes are needed to the current plan as a result
20 of the fact that the in-service date moved from what was
21 originally 2016 in-service to a 2021 in-service.

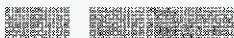
22 The transmission EPC RFP and detailed design
23 work -- and that is what the majority of that money that
24 you see in that [REDACTED] that's categorized on the
25 Table 2 of the exhibit as 2013 costs --

1 Q So the -- excuse me -- the transmission EPC RFP
2 design work --


3 A Detailed design work. So the way to think
4 about that is, is that's the engineering work associated
5 with what will ultimately then be the construction
6 project --

7 Q Okay.

8 A -- and the construction project, we think,
9 starts in early 2014 and really proceeds until 2020,
10 just below the start of the start-up and commissioning
11 program for the first unit.

12 Q Okay. And still on the IPP, if we turn to Page
13 7 and look at line number 9, which gives the project
14 costs associated with the transmission, that 
15 is quite small compared to the estimate to complete --
16 or estimate-at-completion numbers for the overall
17 transmission?

18 A Yes, it is part of that -- of that total
19 estimated project costs for the transmission system, as
20 it currently stands today.

21 Q And where would the transmission -- that
22 , where would that fall out in this chart
23 here? Would it be line 2, lines -- substation -- I
24 mean, where is the design engineering work?

25 A Yeah, the design engineering work would be part

1 to cancel at that point.

2 So some of these assumptions that are
3 articulated at the bottom of that have now changed. For
4 example, Assumption No. C -- or letter C, long-lead
5 material disposition costs beginning with 2010 projected
6 costs include payments for continuation of [REDACTED]

7 [REDACTED]
8 [REDACTED]
9 [REDACTED] using the most recent un-negotiated
10 WEC information.

11 Well that has changed. In fact, we are not
12 canceling a lot of the materials that we thought we
13 would have to when we put this material together last
14 year.

15 We have been successful since then in
16 negotiating suspensions for a lot of the equipment we
17 thought we would have to cancel.

18 So that dramatically changes the near-term
19 costs, as well as the overall picture, in the event of a
20 future cancellation.

21 Assumption D, costs include [REDACTED]
22 [REDACTED]
23 [REDACTED] assume to be paid or accrued in 2010.

24 Again, that's a different set of assumptions
25 from where we are today. At this point, we're saying if

1 the COL is received in 2013, then those termination
2 provisions are different, and that's articulated in the
3 Note 3 of Exhibit JE-8, Page 1.

4 Assumption F, COLA costs expected to wrap prior
5 to year-end 2010 under this scenario. Again, that
6 assumption is no longer true. Some COLA costs continue
7 in 2012 and 2013, commensurate with our participation in
8 things like the Advisory Committee on Reactor Safeguards
9 hearing, Atomic Safety and Licensing Board hearings,
10 etc., the other work that has to go on to move the COLA
11 through the standard process.

12 And let's see. I think Assumption G, owners
13 costs and the assumptions associated with what we would
14 do for cancellation of long-lead equipment material,
15 again, similar to Assumption C, those would now change
16 as you look at a different point in time in a different
17 state of the project as it exists today.

18 Q Okay. Thank you.

19 Referring back to that exhibit that the folks
20 on the phone don't have access to, there seems to be
21 transmission costs on that exhibit for 2011 and 2012
22 going forward of zero dollars, but on the cancellation
23 costs post-COL, Exhibit JE-8, 1 of 2, there are -- as
24 the former Commissioner would like to say -- definitized
25 numbers on there of [REDACTED] and

1 [REDACTED] Why are there no transmission numbers on
2 your exhibit from last year?

3 A Let's see. Well, it was an assumption, in
4 this, the transmission would be assumed to quickly wind
5 down and, to be frank, I would have to go back and look
6 at what else was included in that.

7 I think the thought was we would not continue
8 to proceed with strategic land acquisition under this
9 scenario as it was evaluated.

10 In fact, what we've assumed this year, to be
11 consistent with -- in this case, to be consistent with
12 the program of record and consistent with what we're
13 showing on Page 1 of 2 of JE-8, we are including a
14 continuing transmission land acquisition program that is
15 part of preparing the project for the ultimate work that
16 we needed to go in service.

17 Q Okay.

18 A I think that's the only difference.

19 Q So the difference, just to sum it up, was for
20 2011-2012 costs on your JE-8 exhibit, that's for
21 purchase of land, which was not assumed in last year's
22 hearing exhibit?

23 A That's correct.

24 Q Okay.

25 A And I think if I can further explain that. As

1 If we canceled at October 2010, what would
2 those cancellation costs look like? We also, in my
3 rebuttal testimony last year, provided an analysis
4 that was -- and this is where I was confused in the
5 two things --

6 Q Right.

7 A -- I think it was also a result of the
8 discussions during my deposition, we also provided
9 analysis of what would happen if we had to cancel at
10 receipt of the COLA, and that's Exhibit JE-6.

11 That's what I was thinking of. The JE-6 is the
12 better apple-to-apple type comparison to JE-8, Page 1,
13 this year. So I misspoke. I was thinking it was a
14 late-file exhibit. It was not. It was the JE-6 exhibit
15 in my rebuttal testimony of August 3, 2010.

16 Q All right.

17 A So we're comparing the wrong things. Although,
18 the discussion around assumptions is still consistent.

19 Q Still -- it's still accurate.

20 If you're looking at your JE-6 from your last
21 year's rebuttal testimony, you have [REDACTED] [REDACTED] for
22 transmission, but you have [REDACTED] [REDACTED] in 2013. What's
23 the difference in those numbers? And your total numbers
24 are quite a bit different, [REDACTED] [REDACTED] versus
25 [REDACTED] [REDACTED]. Well, you know --

1 A Well, we're looking at -- again, we're looking
2 at --

3 Q Why don't we just focus on the 2012 number?

4 A Okay. Yeah, you've got -- well, let's step --
5 can we step back a second, too --

6 Q Sure.

7 A -- because it will make a lot easier, because
8 we'll go around and around on this and get both of
9 ourselves confused.

10 Q I misquoted the wrong number. I said [REDACTED]
11 and I was quoting from the 2013 column --

12 A Yes, so it's --

13 Q -- where 2012 was [REDACTED].

14 A Okay. So let's talk first about JE-6, which
15 was my exhibit as part of the rebuttal testimony last,
16 year, because that's -- that's the apples-to-apples
17 comparison.

18 The top of that is the cash flows as we
19 described for continued partial suspension. That's what
20 we showed in the various briefs last year and the other
21 exhibits that were part of both my testimony and
22 Mr. Lyash's testimony.

23 At the bottom, is if a cancellation had
24 occurred subsequent to the COLA what the additional
25 costs would be and then what would be sort of the total

1 three-year view, if you would, for cancellation at that
2 point.

3 So if you look at the top, plus the incremental
4 costs that we list there in 2013, it would be part of
5 that cancellation. Again, this was assuming, for this
6 exhibit, that we would receive our COLA in late-2012.

7 JE-8 then is a similar set of analyses, but
8 assuming that the receipt of the COLA is in mid-2013.
9 So then you can do sort of apples-to-apples on any line
10 here that you want to do.

11 Q Okay. But the total number from your last
12 year's exhibit is [REDACTED] -- or [REDACTED] but
13 now the number has decreased to [REDACTED] Is that
14 due to negotiations related to long-lead payments and
15 disposition costs, or is it something else?

16 A The largest portion of that is related to the
17 assumptions around long-lead material purchase order
18 dispositions.

19 So if you'll look at JE-6 in 2010, there was an
20 assumption of a [REDACTED] in disposition
21 costs. That turned out not to be the case.

22 And the best way to think about that is we've
23 got to get our definition right. So disposition costs,
24 where we thought at the time when we prepared the
25 analyses for the SMC and we prepared this exhibit, that

1 we would have to cancel a substantial portion of
2 long-lead equipment and then renegotiate a purchase
3 order in the future to support the construction
4 schedule.

5 That turned out not to be the case. Through
6 successful negotiation and through some other changes in
7 the market, we were able to -- and we still have one
8 item that we have to resolve -- we were able to suspend
9 items that we thought we were going to have to cancel.

10 So that substantially reduced what were going
11 to be those one-time dispositions -- you know, for lack
12 of better term, call them breakage fees -- that we
13 thought we would need to pay, so that did not
14 materialize, and that, in fact, reduces the potential
15 cancellation costs, if that were to be required
16 post-COLA.

17 Q For the 2013 long-lead payments and WEC
18 support, that number, [REDACTED], does
19 that -- that's assuming you're canceling the project.
20 Is that kind of the final buyout or the final
21 termination fees of those long-lead equipment costs?

22 A No. What that is reflecting -- and see, this
23 is one of the problems of why this is not exactly apples
24 to apples, is, you know, this scenario on Page 1 of JE-8
25 is now reflecting what begins to happen in 2013.

1 then you start picking up additional activities that
2 begin later in time.

3 Q For that category, when you talk about
4 long-lead payments and WEC support, is there a breakdown
5 of how much of that ██████████ ██████████ is for payments versus
6 support, a ballpark? Is it --

7 A I don't know off the top of my head, but I will
8 speculate, since the WEC support at that point is really
9 just some of the -- it's really related to the
10 consortium as a whole and the activities around site
11 engineering.

12 I think -- but I've have to confirm -- that
13 most of that is associated with the beginning of
14 production again for long-lead equipment, but without
15 actually pulling out the milestone payment schedule and
16 plan, I'd have to confirm that.

17 Q Okay. Same column, down to -- excuse me --
18 yeah, same column, 2013, down to other EPC costs of
19 ██████████ ██████████, what would those be?

20 A Those, I think, are an assumption around what
21 it would be required to wind down the activities
22 associated with the consortium as a whole.

23 So, you know, again, having to make some
24 assumptions about what a cancellation negotiation is
25 going to look like, you know, we would be required to

1 pay any costs that have been incurred at that point by
2 the consortium, and to -- in an orderly and disciplined
3 fashion, you know, basically stop the project and make
4 whatever payments that were due at that point.

5 So that's to reflect that there would be some
6 other costs beyond just agreement termination fees that
7 we would have to pay to cancel the project.

8 Q All right. Then next column over, one line up,
9 where it's cancellation costs of [REDACTED] [REDACTED] for the
10 years 2014 to 2019, that's just estimates of final
11 payouts to the long-lead providers?

12 A It's an assumption around -- the line you're
13 looking at, I think you meant, was long-lead equipment
14 final payments?

15 Q Yes.

16 A And we talked about that just a little while
17 ago, but basically the set of assumptions in there, that
18 there would be some equipment that we would still have
19 obligations continuing into 2014, potentially.

20 And there are some assumptions in there about
21 what might be reasonable to finish, because it has some
22 resale value or there is some way to recapture some of
23 this.

24 We did not include any assumptions in here
25 around long-lead equipment value recapture or resale,

1 just to be consistent with how we had done it last year,
2 but that -- those out-year payments are associated with
3 how we see some of those potential milestone agreements
4 and potentially wanting to finish some items that are
5 near completion, to make them resalable in the market.

6 Q Well, you just touched on my next question,
7 which is, did these assumptions assume salvage or resale
8 value of the things that were completed or partially
9 completed, that you owned, but aren't finished?

10 A And the answer to that is, no. There is,
11 however, within our EPC contract, [REDACTED]

12 [REDACTED]
13 [REDACTED]

14 But rather than trying to speculate as how that
15 might materialize, and when it might materialize and how
16 it would play out, we did not include that in JE-8, Page
17 1 of 2, nor did we include that last year in the exhibit
18 that was JE-6 of my rebuttal testimony.

19 Q Has -- has there been any analysis by you about
20 the salvage value, separate and apart from this? I
21 mean, do you have an idea about how much those items
22 would be worth, should they be canceled?

23 A Yes, there has been some analysis, and it
24 really is part of the qualitative review we did --
25 excuse me -- for each long-lead equipment component --

1 pursue the AP1000 as their predominant technology of
2 choice. So there is a substantial amount of work going
3 on in China that is utilizing the AP1000 technology.

4 Q So there is a potential, down the road, that
5 some of these long-lead items that Progress is -- is
6 building to completion or suspending -- there's a
7 potential -- assuming that Progress cancels the project,
8 there's a potential market for these items down the road
9 in China, for some of those long-lead items?

10 I remembered from the deposition last year
11 there's some variables for either -- some [REDACTED] issues;
12 we're not going to worry about those, though.

13 A Yes, but let me -- because your question sort
14 of mischaracterizes a little bit. You know, our current
15 intent is to continue with the project.

16 If for some reason we have to cancel that,
17 whatever drives that, yes, there are -- there is that
18 potential that some of these long-lead equipment could
19 be used in China, but there's also the potential that
20 some of this long-lead equipment could be used for
21 subsequent projects in the United States.

22 So there's -- you know, I think there's an
23 equal -- it's just that -- you're right. There is more
24 current construction work in China and potentially more
25 applicability there at the moment.

1 the scrap metal be of your stuff.

2 We weren't wanting to do that, because we
3 understand you're in a delicate dance with them, that's
4 highly confidential, and yet, you're also kind of in
5 another dance here before the Florida Public Service
6 Commission related to, you know, the reasonableness and
7 prudence of the costs.

8 And I just want to say I understand that. We
9 wouldn't want to do anything to jeopardize a strong
10 bargaining position, as you -- in light of your desire
11 to pursue the project.

12 A Well, I appreciate that. And again, I think
13 that -- you know, as I described, I think the best way
14 to get some sense of that is just to look at the actual
15 cost of these components and then you can make some
16 assumptions about what might happen in a resale market,
17 but it really would be very speculative.

18 Q Well, I've got, I think, one more question
19 along this line, if you'll turn to Page 2 of 2, and if
20 you look at 2013 transmission, you have a cost of

21 [REDACTED]

22 Now, I know you had mentioned that's related to
23 the design or engineering of the transmission. Are
24 those kind of contractually triggered, like, if you were
25 to cancel the EPC - or cancel the EPC in early to

1 mid-2013, when you really wouldn't have incurred any of
2 the [REDACTED] related to the engineering?

3 A Yes, but I think -- if I understand your
4 question exactly, if you look at the first page of this,
5 that's the assumption, and the [REDACTED] [REDACTED] number that's
6 reflected in 2013 for transmission, is that at the point
7 of cancellation of the project, we would not have
8 entered into an obligation with an engineering,
9 procurement and construction firm to begin engineering
10 work associated with transmission construction.

11 The [REDACTED] [REDACTED] that's reflected in 2013 is the
12 program of record to go-forward program. And in that
13 case, in our assumption, we would begin -- we would
14 enter into a separate contractual arrangement with an
15 architect engineer to begin the engineering work
16 associated with transmission.

17 That would be part of these costs that were
18 reflected in 2013, and then the actual construction
19 costs go from '14 to '20.

20 Q Okay. So -- okay. So if you decide to cancel,
21 then you wouldn't incur -- you wouldn't have signed any
22 contracts prior to the decision to cancel that would
23 incur some or all of that [REDACTED] [REDACTED] obligation -- or
24 estimate, I should say?

25 A Yes, and let me explain. It -- Page 1 assumes

1 that you have -- excuse me -- you haven't entered into
2 an obligation that would require you to spend that

3 [REDACTED]

4 So it depends on when you make that
5 cancellation decision and where you have gotten to in
6 your contracting process.

7 And again, in order to keep the project on
8 schedule for 2021 in-service, there is going to be a
9 point in time in 2013 when we would have to enter into
10 that contractual agreement and begin the engineering
11 work associated with the transmission system.

12 When exactly that would occur and how that
13 would line up with a hypothetical decision to cancel
14 post-COLA, our set of assumptions are made as we built
15 these two exhibits.

16 Q All right. Looking at both exhibits for
17 long-lead payments and WEC support for 2013, you have
18 the same dollar amount, [REDACTED] [REDACTED] Is that for the
19 same work, or is -- it just happens to come out to the
20 same dollar as the --

21 A No, that's effectively for the same work in
22 2013.

23 Q Okay. So as of today, Progress -- or for the
24 Levy project, will incur [REDACTED] [REDACTED] estimated for
25 2013, whether or not the decision to cancel the EPC is

1 made?

2 A Yes, but let me clarify that a little bit, too.
3 The long-lead equipment payments and WEC support line
4 would be the same.

5 The thing that happens in a cancellation
6 scenario is there are additional EPC costs, and that's
7 what was reflected in that [REDACTED] [REDACTED] number on Page 1
8 under "Other EPC Costs."

9 So that's where you see the difference occur,
10 is in a cancellation scenario, there is additional costs
11 to the consortium, and that cancellation scenario would
12 be above and beyond what would be the continuation
13 approach.

14 Q Okay. So in 2013, long-lead payments and WEC
15 support costs are going to ramp up significantly,
16 whether or not you canceled the project?

17 A No, but the question kind of mis -- mis -- I
18 think, confuses the state of play. So let me start with
19 Page 2. Page 2, again, is program of record, how you
20 move forward.

21 The issue is, in order to build Page 1, which
22 was to be reflective of JE-6 that we did last year in
23 the rebuttal testimony, you have to make some assumption
24 about when do you cancel and what activities have you
25 moved forward with.

1 So I would not characterize it as you're going
2 to incur a [REDACTED] [REDACTED] in 2013, regardless of when you
3 cancel. That would not be correct. It depends on the
4 timing of that cancellation.

5 And the assumption that goes into Page 1, is
6 that that cancellation occurs sometime after receipt of
7 the COLA in the second quarter of 2013.

8 In that set of assumptions, yes, there is
9 [REDACTED] [REDACTED] of costs in 2013 for WEC. That is
10 consistent -- it just happens to be or is the same as
11 the work that would be going on if the project was
12 continuing.

13 Q And say the receipt of the COL is delayed to
14 the fourth quarter of 2013, would these dollar figures
15 on JE-8, 1 of 2, those dollar figures would increase
16 incrementally to some extent? Would that be fair to
17 say, because --

18 A Can you repeat your question? I didn't follow.

19 Q Okay. The numbers you have in column 2013
20 assume receipt of the COLA was the second quarter of
21 2013, so -- and, for instance, the transmission costs,
22 you say that is transmission costs incurred through the
23 second quarter of 2013, but if you receive the COL in
24 the fourth quarter of 2013 or first quarter 2014, would
25 some of these costs incrementally increase beyond what

1 you have shown on this chart?

2 A On Page 1 chart?

3 Q Page 1 of 2.

4 A No, and let me explain, because I want to make
5 sure I'm following your question. So let's take it
6 piece by piece.

7 Let's go back to the transmission piece, the [REDACTED]
8 [REDACTED] versus [REDACTED] [REDACTED]. The assumption there was
9 that cancellation occurred before any contractual
10 obligation associated with engineering, procurement and
11 construction for transmission --

12 Q Right.

13 A -- so that's why that's a delta. The
14 assumption in the [REDACTED] [REDACTED] is primarily long-lead
15 equipment payments, and the WEC project office support
16 is going to go on in 2013, regardless of when that
17 cancellation occurs. It's really not going to affect
18 those numbers.

19 Q And that's --

20 A Now --

21 Q Excuse me. That's -- that's tied to the
22 original EPC; is that right, that [REDACTED]?

23 A That -- that is -- that is tied to the -- well,
24 let me -- can I --

25 Q Sure.

1 A -- let me finish the first question, because.

2 Q Pardon me.

3 A Yeah, because that's a different discussion,
4 too. If the intent of your question is, are there going
5 to be additional costs associated with receipt of a COLA
6 in 2014, and then a cancellation, that's another
7 analysis.

8 Because then what you have to do -- or what we
9 would have to do is go look at what is the anticipated
10 cash flow in 2014, make some assumptions about when
11 cancellation occurs relative to the various activities
12 that would begin in 2014, and then draw a conclusion
13 about how much costs would be incurred in 2014.

14 So that's a different, really another analysis
15 beyond what's provided here. Now, go back to your
16 follow-up question, because I --

17 Q Oh, it was just the [REDACTED] [REDACTED] for 2013. Is
18 that tied to the EPC or Amendment 3 the EPC?

19 A It is -- yes, it's tied to Amendment 3 to the
20 EPC. It also is reflective of the renegotiations
21 associated with each of those long-lead equipment
22 pieces.

23 So again, Amendment 3 to the engineering,
24 procurement and construction contract was specific to
25 the terms and conditions in the approach with the

1 Q All right. And I believe you said that there
2 are certain items that are tied to the receipt of the
3 COL, that once you receive that, then costs start
4 incurring; and if the COL is not received, then those
5 costs aren't triggered, in the continuation scenario.

6 A Yes, that's true. There are certain activities
7 in the overall project work breakdown structure that
8 have as a precondition that the license has been
9 received.

10 So as you look at the -- you know, you can look
11 at our estimates that we provided in production of
12 documents. You can look at the schedules that go with
13 those. You can look at the cash flow that goes with
14 those.

15 Those are predicated on, that when you get to,
16 for example, [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
17 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] that there are -- there
18 is a license in place that's a precondition for that
19 activity to begin.

20 Q Okay. Thank you. That's what I was getting
21 at.

22 A Yeah.

23 Q I think -- well, I'm done with this.

24 MR. SAYLER: We'll just take a quick break in
25 place.

1 Q And my understanding of the Amendment 3 to the
2 COL is that once you receive the COL, [REDACTED] [REDACTED] [REDACTED]
3 [REDACTED] [REDACTED] to decide whether you're going to continue
4 or cancel, or is that to get the full Notice to Proceed?

5 Because it seems like it gives you -- sorry.
6 Let me rephrase my question: After you receive the COL,
7 according to Amendment 3, there is a [REDACTED] [REDACTED]
8 And is that to then evaluate and make a decision to go
9 forward with the project, or is that you have to get
10 your full Notice to Proceed within that [REDACTED] [REDACTED]

11 A Well, it's sort of -- well, let me try it this
12 way: There's not -- you can't really answer that one
13 yes or no. I apologize, but let me explain what the
14 amendment does and then our current intent.

15 So first off, no, that amendment was not
16 negotiated to say [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
17 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

18 It was negotiated to facilitate the fact that
19 we knew we would have to negotiate a full Notice to
20 Proceed in order to resume work, and we did not want
21 that to be artificially tied to a calendar.

22 Q Okay.

23 A We wanted that tied to the receipt of the
24 license, so there was a logic behind that, that was
25 essentially to transfer some amount of risk back onto

1 the consortium, for getting the license done.

2 So they had to get their activities complete in
3 support of the design control document in order for us
4 to get our license in order to move forward with the
5 project.

6 So rather than have artificial agreement

7 [REDACTED]
8 [REDACTED]
9 [REDACTED] and that's what the basic
10 premise of that negotiation was about.

11 But the window is provided to allow the
12 opportunity to get those negotiations on and get a full
13 Notice to Proceed in place that supports the plant in
14 2021 in-service.

15 You should not interpret from that amendment
16 that it is not our intention to go forward with the
17 project. We went through that analysis process last
18 year, and we continue each year to evaluate the
19 reasonableness and the feasibility moving forward with
20 the project.

21 But our current plan of record is to move
22 forward with the right activities to get us to an
23 in-service in 2021.

24 We think that is still the right course of
25 action. We still think it's in the best interest of our

1 customers and the utility, and is the path that we're
2 continuing to pursue.

3 Q Okay. With regard to that received COL, [REDACTED]
4 [REDACTED], for lack of a better term --

5 A Okay.

6 Q -- that gives the company, essentially, a year
7 to -- I mean, does that give the company a year to, A,
8 you know, tell all your long-lead providers that you're
9 continuing with the project, or -- or -- well, how about
10 that?

11 I mean, you -- let me strike that question and
12 go it this way: What value did that [REDACTED] [REDACTED] kind of
13 buffer between the receipt of the COL and, you know,
14 continue on? What value was Progress trying to
15 negotiate for the benefit of Progress and the
16 ratepayers?

17 I mean, it seems to give you a window of
18 opportunity to, you know cancel long-lead projects, or
19 even cancel the project the total, but it's -- I mean,
20 without -- without the original EPC terms attaching, it
21 seems to give you a [REDACTED] [REDACTED] from the original
22 EPC in terms -- and I'm about to get an objection -- but
23 I'm just trying to understand, what was that value to
24 that [REDACTED] [REDACTED]

25 MR. WALLS: Objection. Assumes facts not in

1 [REDACTED] [REDACTED] into the contract, it was to avoid

2 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

3 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

4 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

5 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

6 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

7 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

8 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

9 [REDACTED].

10 So it really did a couple of things. It

11 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

12 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

13 [REDACTED] -- that's that design certification

14 document -- and it provided a [REDACTED] [REDACTED] [REDACTED] [REDACTED]

15 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

16 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

17 It also, in the event that those negotiations
18 for some reason can't be completed successfully, or
19 some other factors at that point in time might
20 require the project to be canceled, as we previously
21 discussed, [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

22 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

23 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

24 Q Okay. Thank you.

25 A Sure.

1 change in in-service date will change enough other
2 things -- well, the change in the in-service date to
3 2021 means that by the time the Levy plant comes in
4 service, there will be enough other changes in the
5 overall transmission system in Florida to warrant
6 rescoping what work would be required.

7 And, in fact, although we've got to do the
8 study, our early anticipation is that would result in a
9 reduced amount of scope with the transmission portion of
10 this project.

11 So we want to get that work -- that study done
12 early enough to identify exactly what scope is going to
13 be required, so we can then write the request for
14 proposals and the specifications and start the
15 engineering work in 2013.

16 Q And how much does the transmission study cost?

17 A I checked with our transmission folks, because
18 that's who's responsible for doing it -- because I saw
19 in some of your interrogatories you were interested in
20 that -- and their estimate is that it's about a [REDACTED]
21 project and that's [REDACTED] [REDACTED] [REDACTED] [REDACTED]

22 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
23 So it's somewhere in that ballpark, and that is pretty
24 consistent with what we did before.

25 Q So the transmission study referenced in your

1 testimony on 18 and also in the IPP, that actual study,
2 which is about [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] out of
3 pocket?

4 A That's correct.

5 Q But the other dollars associated with
6 transmission that was shown on your Exhibit JE-8, Page 2
7 of 2, that [REDACTED] [REDACTED] that's associated with actually
8 having done that study and then starting the engineering
9 and design work for it?

10 A That's correct.

11 Q All right. And I'm assuming, based upon the
12 timelines of the IPP, that there are some dollars
13 associated with that transmission EP -- engineering and
14 design work that are projected to be in the 2012 Cost
15 Recovery -- projected Cost Recovery?

16 A Yes. Part of the work for the transmission
17 study will -- it actually began planning for it late
18 this year, and we said the bulk of the work will occur
19 in 2012, so those dollars for that study would be --
20 are -- are, and would be, reflected in the 2012 actuals.

21 Q Right. And I understand that for the
22 transmission study, but for the transmission EPC RP and
23 detailed design, according to the chart on Page 9, you
24 have started that sometime in mid-to-late 2012.

25 So my question really is, are there dollars

1 associated with that engineering and design work that
2 are going to be -- are in the projected dollars for
3 recovery in 2012?

4 A I'm just looking at the more detailed schedule
5 that provides the basis of this simplified version on
6 Page 9.

7 Q Sure.

8 A And, yeah, there will be some, per the
9 Integrated schedule, there will be some early substation
10 work and constructability analysis that will happen in
11 the -- in 2012. The bulk of the engineering
12 development, it appears, is going to be in 2013.

13 So, yes, there will be some limited, I would
14 say, costs that will -- would incur in 2012 as a result
15 of the early part of that work.

16 Q Do you have an estimate of how much that
17 limited cost would be for 2012?

18 A No, I do not.

19 Q Now, would that engineering and design that
20 you're projecting --

21 A Excuse me, please. Just to go back. I don't
22 have a specific cost breakout for that piece of work,
23 but it is included as part of that [REDACTED] [REDACTED] that's in
24 2012 on our three-year forecast.

25 So it's a component of that number. I just

1 don't know off the top of my head exactly how much of
2 that [REDACTED] [REDACTED] is land acquisition and other
3 engineering efforts.

4 Q Okay. So it's not going to exceed [REDACTED] [REDACTED] ?

5 A No, it's within the [REDACTED] [REDACTED] that's provided
6 on Page -- Page 8 in the exhibit we discussed earlier?

7 Q And a portion of that [REDACTED] will be that
8 transmission study as well, the remainder of the
9 transmission study?

10 A That's correct.

11 Q And presumably, some additional land
12 acquisition costs?

13 A Yes.

14 Q Now, is the reason the transmission study needs
15 to start in 2012, or could be -- excuse me, not the
16 transmission study -- the EPC for the detailed design of
17 the transmission, is that something that could be
18 delayed to -- until the receipt of the COLA, or the COL?

19 A I would say, no. Again, this is a pretty
20 detailed schedule that we built, that tries to back up
21 from when we need to be able to provide what's called
22 backfeed to the new plant.

23 So in order to facilitate fuel load in late
24 2020 and then in the beginning of the start-up and the
25 commissioning program, we have to have built the

1 this is just a good, quick segue.

2 I mean, the way we build our estimate overall
3 is based on the schedule, target in-service date,
4 detailed integrated schedule, work breakdown
5 structure. And then for each element in the work
6 breakdown schedule, which all the activities that
7 you have to do, to determine the cash flow
8 requirements year over year, and then that's what
9 flows back into the total project costs.

10 So to answer your question, that's what I was
11 referring to, and I can quote from that document, at
12 least, that the transmission costs -- and this is a
13 combination of transmission line work and substation
14 work.

15 You have the ██████████ ██████████ number in 2013,
16 continuing on the current program, 2014, would be
17 ██████████ ██████████ 2015, ██████████ ██████████ 2016, which I think
18 is the other year you asked about, ██████████ ██████████ and
19 then you're roughly at ██████████ ██████████ through '19, and
20 then you start to ramp down, ██████████ ██████████ in '20 and
21 ██████████ ██████████ in '21. So you kind of see it ramps up
22 to sort of a steady state construction level --

23 Q What was 2013?

24 A '13 is ██████████ ██████████ that we provided. That's the
25 number that you see on the -- in the --

1 Q So [REDACTED] then jumps up and then ramps up a little
2 bit --

3 A -- ramps up to [REDACTED] in '14; [REDACTED] in '15; and [REDACTED]
4 million in '16 --

5 Q -- and it plateaus out?

6 A -- and it plateaus there for four years and
7 then ramps down in '20 and '21.

8 Q Now, if, for some reason, Progress doesn't
9 receive its COL in 2013, but two years later, would --
10 would you start incurring those transmission costs or
11 building that transmission system, or would the
12 transmission system be pushed back commensurate with the
13 COL?

14 A No, as we previously discussed, it's going to
15 depend. There is a certain amount of flow built into
16 the schedule that allows, even if the COLA continues to
17 move, to still -- to still get to that 2021 in-service.

18 Again, that was part of the reason last year
19 when we talked about this. We said we looked at a
20 36-month schedule shift and said, you know, that just
21 assumes that to get to 2019 everything happens on the
22 current plan as it existed in -- toward the end of 2009
23 and early in 2010, and we just did not see that as a
24 realistic scenario.

25 So as we looked at that, we said, we really

1 which -- or a hydrogen economy, or, you know, they
2 change their mind on coal and there is clean coal, or --
3 or even potentially a realistic one that could be under
4 technology driven is, you know, just the natural gas
5 resources that we have as a result of the Shale oil --
6 or Shale gas reserves in the United States. Would that
7 be a potential technology driven case affecting Levy --

8 A Well --

9 Q -- in this scenario?

10 A Well, I think that mischaracterizes what's in
11 this. I don't know that you can run down that list that
12 you just articulated and I can't tag off for you which
13 were in and which were out.

14 I can tell you, as I recall, in general, what
15 the Technology Driven Case was, and the technology
16 driven case, as I remember, had sort of [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]

20 It had mid-carbon, sort of moderate -- or, no,
21 I'm sorry -- flat, I think, customer numbers growth or
22 maybe moderate customer numbers growth, but significant
23 demand reduction as a result of some efficiency
24 improvements.

25 So I think the technology part of the title of

1 capital being expended by Progress, there appears to be
2 a spike starting in 2013.

3 On my -- or it starts drifting up, 2012, above
4 300 million for a blue-colored project on my chart, and
5 then at the end of 2000 -- or 2015, the blue card --
6 chart or project starts decreasing, and that's where a
7 green Levy chart starts growing with a lot of capital
8 being expended.

9 It seems like a dramatic rise in 2019-2020, all
10 the way up to almost ██████████ ██████████ in '22, and that takes
11 into account not just Levy, but all of the other shaded
12 projects underneath; is that correct?

13 A Yes, what you're looking at there -- the way to
14 read that chart is -- and I think in color you said it
15 was, like, light green -- that light green wedge is cash
16 flow requirements to support the Levy project in this
17 type of a scenario, in this hypothetical future world.

18 And if you were to integrate that area that's
19 shown in light green, that would give you a total
20 project cost, effectively, for the project.

21 So it's the same type of cash flow charts that
22 we provided in production of documents for the estimates
23 for the program of record, just displayed in a different
24 way. And in this case, in a un -- in a not used or
25 unrealistic future world that, again, tries to stress

1 again, these were established, as I recall, back in
2 about the February timeframe, as the entering inputs
3 into how this scenario planning process would go
4 forward.

5 I think, as I recall, the moderate change had

6
7
8
9
10
11
12
13
14
15
16
17

18 So it was, again, the moderate being operative
19 word in that. It was sort of a -- as some of these
20 things kind of moved in that direction, how do you think
21 about the future state.

22 Q And with regard to kind of descriptors for all
23 these different, various scenarios, would that be
24 something -- instead of trying to go over each
25 particular one, is that something you can provide to us

1 We're still on the March 29, 2011 IPP.

2 A Okay.

3 Q Let's turn to Page 7.

4 A Okay.

5 Q Okay. If you look at line 13, where it says,

6 "EPC base scope," and go over to where it says,

7 "Estimate to complete," there is a number, [REDACTED]

8 And just for ease of reference, I'm not going to say

9 [REDACTED] it's just --

10 A Which line are you on again?

11 Q Line 13.

12 A That's [REDACTED]

13 Q What did I say?

14 A [REDACTED]

15 Q [REDACTED]? Oh, sorry. Freudian slip. [REDACTED]

16 A Uh-huh.

17 Q Now, is that the original 2008 EPC base case --

18 or base scope cost, or has that been escalated, or with

19 updated costs? I'm just trying to find out if this

20 [REDACTED] ties to the original EPC that was -- or is

21 it the [REDACTED], or the one on the estimated completion, the

22 [REDACTED]? I'm just trying to see if that ties --

23 A Yeah, the -- just let me help you read this,

24 because maybe a couple of things. First off, this is an

25 extraction from the broader estimate document that

1 Charles saw last year and that we provided you again
2 this year in the production of documents. So this is
3 just looking at the expected case, not the min. or max.
4 case that's part of that analysis.

5 In the expected case, what your you read in
6 these columns is projected-to-date actual has a February
7 2011, so that's cash out the door, so to speak. The
8 estimate at completion -- so where you see the [REDACTED],
9 which is [REDACTED] [REDACTED] for line 13, that is connected to
10 the contract value, particular with those specific terms
11 around base scope. The estimate complete is the
12 remaining dollars to be spent as part of the project.

13 Q Okay. So the [REDACTED] [REDACTED] ties to the original
14 EPC contract?

15 A Yes, it does.

16 Q All right. And -- and the remaining numbers,
17 line 14, 15, 16 and 17, are all numbers associated with
18 the shift from in-service 2016-'17 to -- or 2021-'22; is
19 that correct?

20 A Not exactly, but let me explain. So what you
21 see on line 14 is the effects -- the incremental effects
22 of the shift in schedule from an EPC perspective.

23 The contract contingency is not directly
24 affected by the shift. The escalation is. However,
25 there was escalation in the original base case -- I'm

1 sorry. Let me say that a different way. There was
2 escalation also in the contract, per the original
3 schedule, that would affect total project costs. That
4 escalation obviously increased when we moved the
5 schedule from 2016 to 2021.

6 Q So under the original EPC, with none of the
7 amendments, there was some dollar figure for estimated
8 EPC escalation other than zero?

9 A Yes.

10 Q Okay. Do you -- would you know what that
11 amount was, or a ballpark figure?

12 A Give me just one second. Let me go back and
13 look at last year's estimate. So we estimate -- all
14 right. So we estimated last year, that as a result of
15 changing the schedule from 2016 to 2021 -- and we
16 provided this last year in our estimate, that was
17 provided as production of documents -- let's see -- OPC
18 production of documents, 3-73, Page 4 -- we indicate on
19 that what were the major areas of change as a result of
20 the schedule shift.

21 And one of those was an increase in escalation
22 of approximately ██████████ ██████████ as a result of changing the
23 schedule, so --

24 Q Was that the delta from IPP?

25 A Yes, that's the line you're looking at there.

1 The delta from the -- and which is really the delta from
2 the original estimate.

3 So if we took today's escalation estimate of
4 [REDACTED], that would give you about [REDACTED]. So
5 it was about [REDACTED] of estimated escalation in the
6 original contract.

7 Q Okay. Are you looking on that document you
8 provided, OPC last year, are you looking at this delta
9 or this delta?

10 A I'm looking at the delta down below, that
11 explains the major areas of change --

12 Q It says, "Major areas of change to IPP"?

13 A Yeah. So I was just trying to answer your
14 question, what escalation was in the original contract.
15 I don't have those numbers in front of me, but I think
16 it's a reasonably good assumption to say if you look at
17 the current estimate for escalation, you subtract out
18 what was the change, that gets you pretty close to what
19 was the escalation in the original contract.

20 Q Okay.

21 A And again, as part of -- I mean, I can go
22 through sort of how the whole contract is structured.
23 We did that last year, but there is an element of it
24 that is escalation.

25 Q Right.

1 A So you can't just look at a contract price and
2 say, that's the price of the project.

3 Q Okay. Now, with regard to line 15, where it
4 says, "Design change proposals" -- DCP's -- slash,
5 "current change orders," is that going from, I guess,
6 Rev. 16 to the current Rev. 19 for AP1000 reactor?

7 A No. Although, that -- no, that's the best
8 answer to that, is, no.

9 Q Okay. How about -- tell me what is --

10 A Yeah. What that is intended to capture in the
11 estimate is the fact that within the contract there are

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 Some of them were included in the base price of
16 the contract. Others, the engineering for those
17 changes, was included in the base price of the contract.
18 Others were not included in the contract at all.

19 So last year and again this year, based on our
20 current understanding of the project and the scope of
21 those design changes, we have provided an estimate on
22 what we think would be the impact of the total project
23 costs of those design changes, and that is part of the
24 total project cost.

25 Q Okay. Now, looking at lines 20 through 27,

1 which discuss or provide itemized owner-managed scope
2 costs, on line 27, estimate at completion, you show
3 [REDACTED] in owner-managed scope costs.

4 And then if you -- now, when you talk about
5 owner-managed scope, these are things that, according to
6 the EPC, the owner is supposed to perform, to get the
7 Levy project online?

8 A Yes, but I think that's maybe a little bit too
9 simple of a description. If you think about --

10 Q I'm an attorney. I like simple.

11 A I'm an engineer, so it's not so simple.
12 Because I think it would mischaracterize, just to say
13 it's just that. It -- when you think about Levy as a
14 project, it has a lot of elements to it, in addition to
15 what the EPC actually performs.

16 So there are owners' costs that are captured in
17 this estimate that range from the work necessary for
18 subset projects that we're responsible to accomplish:
19 The real estate acquisition, the staffing of the
20 organization, the training of that organization, you
21 know, the various costs associated with permits, and
22 taxes, and warranties, and facilities that we have to
23 build that are not part of the scope of the contract.

24 So this is capturing those other areas that are
25 necessary to build a safe and efficient nuclear facility

1 above and beyond the scope that is provided by the
2 consortium as part of the EPC contract.

3 Q If you look at lines 30 and 31, under the topic
4 "Other," one -- on line 30 you have "Owner escalation,"
5 and line 31 you have "Owner contingency." My basic
6 question, first off, is why wouldn't owner escalation
7 and owner contingency fall under owner-managed scope?

8 A It's really just standard methodology that
9 we've applied to how we build our estimates, just to
10 specifically break out escalation contingency factors,
11 as well as the financial burdens from the base scope.

12 I don't think it's -- substantively really
13 matters where that line falls. The fact is, there is
14 both owner escalation that's based on our expectations
15 of the commodities and the pieces of the project that
16 we're responsible for, and how we think they will
17 escalate over the course of the project, and then a
18 contingency accounting that is based on a risk register,
19 with both probability and consequence, and then an
20 expected monetary value calculation that is based upon
21 those risks.

22 Q But the subtotal of owner-managed scope is
23 [REDACTED] -- or [REDACTED] but the owner
24 escalation is [REDACTED] Is that owner escalation of
25 [REDACTED]

1

2 Does that -- is that [REDACTED] take into account the
3 owner-managed scope, or is that owner-managed scope,
4 plus the EPC, plus the transmission?

5 I mean, I'm trying to figure out what goes into
6 the owner's escalation, because that's a [REDACTED]
7 escalation, if it is just compared to escalation of the
8 owner-managed scope.

9 A Let me just pull out some more detail here to
10 help answer that question. I'm just reviewing
11 everything that's in owner scope so I can answer that
12 question for you.

13 What I can answer -- and I'd have to go back to
14 look at the additional details -- but we have
15 calculated, as part of our estimate in that bottoms-up,
16 for the non-EPC work, what are the escalation factors
17 that need to be applied to that, consistent with
18 expectations around changes in commodity costs, changes
19 in labor costs, changes in other factors that would
20 affect the work that we have to do.

21 I don't have that detailed sheet in front of
22 me. I apologize. That's a work product that I don't
23 have here, but I do know there are additional details
24 associated with how we applied those escalation factors
25 to the various line items that go into owner-managed

1 Q All right. Now, going to the next line, "Owner
2 contingency," which is [REDACTED] or [REDACTED]
3 when you look at that contingency amount and you compare
4 it with the contract contingency amount, or even the
5 owner contingency amount of transmission, that just
6 seems enormous. What are the drivers behind such a
7 large --

8 A Well, first off, the drivers -- first off, I
9 will explain that the [REDACTED]
10 [REDACTED]
11 [REDACTED].

12 That does not in any way begin to address the
13 complexity dealing with the risks associated with the
14 project and the potential additional costs that may be
15 required to successfully execute the project.

16 Q Is that a [REDACTED] or something?

17 A No, it's basically we're required to have in
18 our project costs [REDACTED] part of that, so there
19 is. I've met my requirement; it's in the total
20 requirement.

21 The owner contingency is to address the rest of
22 the puzzle in terms of how you think about the risks of
23 the project.

24 So we have a pretty extensive risk register.
25 We have a standard process we use in the company for

1 taking risks and doing what we call an expected monetary
2 value calculation, and going through that process to
3 then build a reasonable contingency account that we
4 think will adequately address the changes in the project
5 that may occur during the course of execution.

6 Q So within the owner contingency, would
7 owner-managed scope be part of that?

8 A The owner contingency is to address risks
9 associated both with the EPC contract as well as the
10 owner-managed scope --

11 Q Okay. So contingency --

12 A -- separate from what is included as a
13 contingency for the transmission part of the project.

14 Q Okay.

15 A Although, if you look at that -- just so I
16 don't let it go by, because I'm trying to be careful --
17 when you look at that contingency, compare it to the
18 total part of the transmission project, it may seem
19 small compared to the [REDACTED] but it's pretty big
20 compared to a [REDACTED]

21 Q Right. It's [REDACTED]

22 A Yeah.

23 Q Now, do you have a copy of the AACE
24 International --

25 A Yeah, I do.

1 single point cost estimate from which we're going to
2 move forward with the project.

3 That's impractical at this point in time, until
4 such time as we renegotiate the full Notice to Proceed
5 and then the associated milestone payment schedule and
6 plan for that project.

7 So when we did that roll-up and that bottoms-up
8 estimate, we ended up with a band on our cost estimate
9 that's about [REDACTED] [REDACTED] [REDACTED] So despite the fact
10 that --

11 Q Plus or minus [REDACTED] or plus or minus the --
12 [REDACTED] --

13 A To be precise, the current cost estimate that
14 we provided to you in production of documents for 2011
15 has a plus [REDACTED] [REDACTED] and [REDACTED] [REDACTED] [REDACTED] variance
16 around an expected value of 17.6 billion.

17 When you look at that and you say, well, geez.
18 is that really a Class 2 or Class 3 estimate, it's very
19 hard, even though the percentages are plus [REDACTED] and minus
20 [REDACTED], to say, well, that's a Class 2 or Class 3 estimate,
21 which is why when we present that to the SMC -- and they
22 understand this in terms of how we're applying the
23 guidelines -- we say, look. We still have a pretty big
24 band on this estimate as a Class 4/Class 5, recognizing
25 that as we move forward in time with the project and we

1 earlier and as we talked about last year -- we try to
2 use the terminology of 3/4, to say, you know, look.
3 We're kind of early in the process yet. There are
4 certain things in this project to which the exact price
5 is known.

6 We know what -- exactly what it took to
7 construct the [REDACTED]. They're finished; they're in
8 storage, and now we're paying for the storage. So
9 there's elements like that, that you know in
10 excruciating detail.

11 There are other elements where you don't have
12 that kind of specificity yet, and you're not going to
13 have that really until Shaw goes through and does their
14 part of the process to identify the commodities that are
15 going to be required, the quantities of those
16 commodities that are going to be needed and how that
17 process goes forward.

18 So, you know, we -- when you look at the exact
19 range, as we did that build-up estimate, you would
20 argue, well, heck. That's a much different class than a
21 4/5, but at the same token, to sit there and say with a
22 plus- and minus-[REDACTED] [REDACTED] [REDACTED] it's just hard to sort
23 of say, well, that's a -- you know, that's that Class 2
24 or Class 3 kind of level, where we're ready to fix
25 definitively the price, and the only difference being

1 how we would apply contingency. We're just not at that
2 point yet.

3 Q Okay. But when it comes to the final -- once
4 the project is built and there is a final number of the
5 actual cost to build it, and 2022, maybe wrap up into
6 2023, or with any payments, and that number is X,
7 according to your estimation, which you said is maybe a
8 Class 2 or Class 3, you know plus- or [REDACTED] [REDACTED]
9 on this \$17.6 billion, but if -- if the cost actually
10 exceeded that, you know, [REDACTED] [REDACTED] and went up to
11 25 billion, would that fall within the classification of
12 Class 5/Class 4 estimate, as far as that range, up or
13 down, and --

14 A I think that's sort of a wrong way to think
15 about how you use that guideline. So if you were coming
16 into an estimate with no knowledge about the details and
17 you were trying to just do -- you know, as they describe
18 in here, a conceptual approach -- and you wanted to get
19 to some level of fidelity, you might start with the
20 bands that AACE Guidelines provide.

21 So if you say, hey, look. I'm early. I'm
22 going to do this as a Class 4 estimate, that's going to
23 have some band on it.

24 That is not the case in this estimate. This
25 estimate has a very defined plus, minus and expected

1 value.

2 And to the best of our ability, with everything
3 we know today about our contract, how it's structured,
4 the scope of work that has to be done, you know, the
5 pages and pages of detail here that I keep referring to
6 as you ask me questions, we built that band with that --
7 you know, as I described earlier -- you know, basically
8 a low point in the band at [REDACTED] and expected
9 value of 17.6 billion, and a high value of [REDACTED]

10 [REDACTED]

11 Q Uh-huh.

12 A That's where we are. So, you know, when we --
13 when we describe that to our Senior Management
14 Committee, we say, look. This is what we think brackets
15 how this project is going to go forward; our expected
16 case is 17.6, but there is still this relatively
17 significant variance of [REDACTED] and maybe [REDACTED]
18 which, you know, equally, the side of that is not
19 necessarily a good thing.

20 So how do you under -- how do you understand
21 that and how do you convey that? So when we talk in our
22 language at Progress, we say, hey, that is comparable to
23 how we talk about other projects in terms of the level
24 of fidelity of that estimate.

25 Q All right. And is the 2011 assumption as to

1 sorry. I was looking in the wrong place.

2 Q Where it talks about disposition of the
3 long-lead equipment, that's been taken care of, and
4 right now you have long-lead equipment that is either
5 being -- going to completion -- that was the
6 disposition -- to bring it to completion, or to dispose
7 of it by, getting to a certain point and storing it.

8 And I did have an opportunity to look at the
9 documents at the Carlton Fields office in Tallahassee.
10 There appears to be costs, [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

11 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
12 [REDACTED] [REDACTED] [REDACTED]

13 A Well, let's go back to the first part of your
14 question, if I can. So you said disposition is taken
15 care of. No, that's not exactly true.

16 Q All right.

17 A There is one item that we are still in
18 negotiations for. That's with [REDACTED] [REDACTED] [REDACTED]
19 regarding the [REDACTED] [REDACTED] [REDACTED] We haven't closed
20 those negotiations yet. We're still not quite
21 comfortable that we've gotten the best possible outcome
22 of that for our customers.

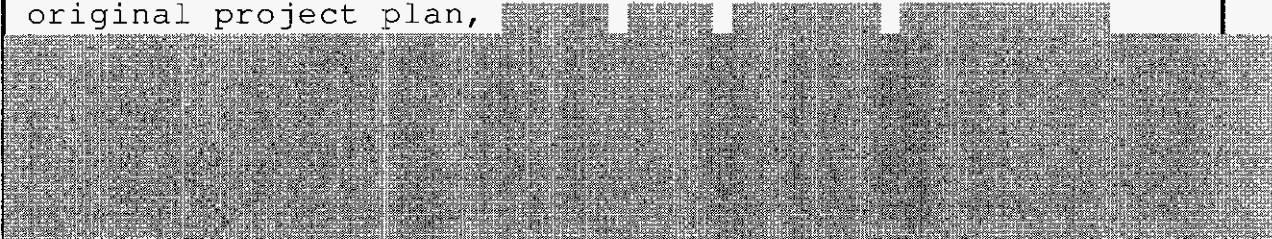
23 Q Thank you for clarifying that.

24 A Yeah, secondly, you said, and they've either
25 been completed or disposed. They are either going to

1 be -- yeah, planned for completion or we have suspended
2 work, stowed the material that was already fabricated or
3 procured, and we will resume manufacturing of those
4 components commensurate with the final Notice to Proceed
5 in the overall project plan, so that's that piece.

6 Q And then for those items, you have storage
7 costs, along with insurance costs, and those
8 are accruing, probably as of today or when they were
9 completed, and they will continue to accrue for how
10 long?

11 A There are -- the answer to that, is it depends
12 on the component and when it's required for delivery to
13 the site for installation into the facility.

14 The -- let me clarify the characterization. So
15 there is -- we always had as part -- even as part of the
16 original project plan, 

17
18
19
20 So the three projects that were moving forward,
21 Vogtle, Southern and ours, Levy, all went into buy
22 basically in bulk -- excuse me -- the long-lead
23 equipment associated with the projects.

24 That had inherent, in the original schedules, a
25 certain amount of storage costs, insurance costs,

1 warranty costs.

2 What we captured in the analysis and what we,
3 in the long-lead equipment disposition analysis and what
4 we've rolled into the estimate, are changes in those
5 costs as a result of the change in the schedule.

6 So there are storage costs, warranty costs and
7 insurance increases to deal with at a longer period of
8 time from when some of these components will be
9 completed, or that longer period of time where the
10 components necessary to complete these larger pieces of
11 equipment will remain in storage.

12 Q All right. With regard to the items that are
13 suspended -- and I think they're either six or seven; I
14 can't remember items that are suspended -- is there a
15 date certain that those items must -- those suspended
16 items must be resumed?

17 A There is a -- no, but let me explain. There --
18 as part of the negotiations, [REDACTED]

19
20
21
22
23
24
25

1

2

3

4

5

6

7

8

9 Q Okay. Now, if -- is -- now, if the Levy
10 project is that scenario where you received the COL and
11 then decide to cancel the project, is there additional
12 cancellation fees associated with the suspended
13 long-lead equipment items, or is that the final cost?
14 You suspended it --

15 A Again, it depends. For the -- and just to --
16 you know, in full clarity -- so for the continued items,
17 if the -- you know, if the project was -- for some
18 reason, have to be canceled subsequent to the COLA, yes,
19 there are cancellation ramifications back to that
20 long-lead equipment through the principal contract, [REDACTED]

21

22

23

24

25

1 In terms of the suspended items -- and there is
2 actually six of those right now, not seven yet, but
3 again, the [REDACTED] [REDACTED] [REDACTED] pending would be the
4 seventh, if it -- if it's secured -- in most cases, as a
5 part of those negotiations, one of the things we
6 evaluated was, well, if you -- [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

7 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
8 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
9 [REDACTED]

10 Now, it depends again on when that cancellation
11 would occur. So it goes back to our earlier
12 conversation. You know, some of these things that have
13 longer lead times would start manufacture sooner.

14 So once the manufacturer ramps back up his
15 production line to do these components, if we were then
16 to come in and cancel, there would be a cancellation
17 cost associated with the logical unwinding of their
18 activities.

19 Q Okay. Thank you. I promised you a half hour
20 of questions and I've got about --

21 A No, seriously. Do as much as you need. And
22 again, I appreciate you guys taking a break for dinner.
23 That -- I can get until midnight if you want to.

24 Q Is that a hesitation?

25 Okay. Just briefly, back to that AACE

1 project that they would recommend to the Board that we
2 pursue.

3 Q An Amendment 3 to the EPC was one of those
4 projects?

5 A Was one of those cases, yes, sir.

6 Q What about Amendment 1 and 2, [REDACTED] [REDACTED]
7 [REDACTED] ?

8 A Amendment 1 and 2, no, mainly because they did
9 not materially change the existing contract. All they
10 really did was [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
11 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
12 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
13 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

14 So as I recall, those did not go to the Board
15 of Directors. I'd have to check that. I don't think
16 they did.

17 Q Now, to your knowledge, when Progress -- was
18 initially signed the original EPC, did it follow the
19 same process? Did it go to the Senior Management
20 Committee and then up to the Board for approval, or was
21 it approved at the -- just the Senior Management
22 Committee level?

23 A No, I'm pretty certain that it went to the
24 Board of Directors or approval before we executed the
25 contract, and I think there may -- and this would be

1 subject to check -- I think there is even potentially
2 some specific governance requirements around a project
3 like that and why it would have to go to the Board for
4 approval.

5 Q Okay. Thank you. That's helpful. I'm just
6 trying to understand.

7 A Yeah, I understand.

8 Q We're hitting the home stretch.

9 A Like I said, we're here to help.

10 Q If you are looking in your IPP, Page 20 --

11 A 20, you said?

12 Q Page 20.

13 A Okay.

14 Q And this is the March 29, 2011 --

15 A Okay.

16 Q -- contract update. I'm looking at Note 1,

17 which discusses the contract price structure as follows:

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

21 This goes back to our earlier discussion about
22 why it is we're still saying a Class 4/Class 5, even
23 though we have a relatively narrow band. Well, because
24 there's still a lot of elements like this in that narrow
25 band, that we would like to see refined before we will

1 terms and conditions of the contract with staff, we were
2 very clear on how that contract is arranged and what the
3 components of it are, how those terms and conditions
4 stayed in place as part of the long-term partial
5 suspension.

6 So I think we accurately reflected, given the
7 -- what we were able to negotiate during this process,
8 that not only have we captured some of that benefit
9 of -- at the time, [REDACTED]

10
11
12
13
14

15 [REDACTED] That's just the type of
16 contract that was established.

17 Q Okay. And for time and materials, there is [REDACTED]
18 [REDACTED] I mean, it's --

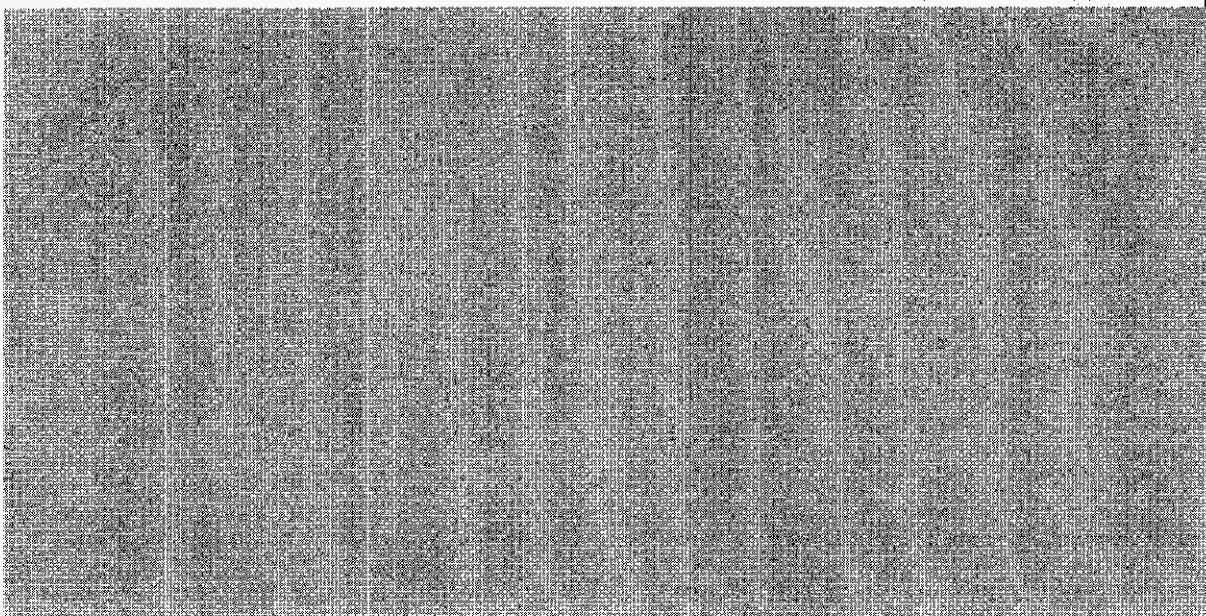
19 A No, time and material is specific to the actual
20 cost incurred by the vendor in executing that scope of
21 work.

22 Q Okay. So if the -- if it's projected to do 20
23 hours and it takes them 40 hours, they get paid for 40
24 hours?

25 A It depends. It depends on whether that

1 A The Letter of Intent was signed so [REDACTED] [REDACTED]

2
3
4
5
6
7
8
9
10



11 That execution, or that LOI, committed us to a
12 course of action that was to get to an EPC contract, if
13 the EPC contract was not executed, there were

14 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
15 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] and protect the -- and
16 to -- as negotiated by the consortium.

17 The -- you know, so were we on the hook for
18 those, you know, as you classify it, I would say, yes,
19 there was an element of that work, that as it begun and
20 started, if we had canceled or not execute an EPC we

21 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

22 Q And forgive me if this was ground treaded last
23 year or the year before, what was the dollar figure
24 associated with the amount the LOI, had it been
25 canceled, had you not gone forward with the EPC?

1 A I've got to look that up. I've got it back
2 here, I think. Now, we're really going back. Let me
3 see. I think I have it in here.

4 Now, my -- again, this was executed before my
5 time, but my understanding of this, and as I recall the
6 briefings we had on it is,

7
8
9
10
11

12 So the premise upon which it was entered was
13 part of eventual incorporation in the EPC, but as I read
14 this, we were --
15
16 But I'd have to double check that with the guys that
17 negotiated it, but that's the way I read the language
18 that's in here.

19 Q And the total value of those long-lead items
20 is, you know --

21 A The total value per this work authorization --
22 although, it's not directly aligned with what was
23 negotiated as part of long lead -- the total value was
24 -- and that's
25 in a document that we provided to you last year, I

1 think, or the year before, I think, as part of the
2 production of documents.

3 Q So by signing the LOI, if I do my math right,

4

5

6

7

8

9 A No, that's --

10 Q -- based upon your reading.

11 A No, that's not correct. The total that I

12 quoted you, [REDACTED]

13

14

15

16

17 Sorry. You can strike that.

18 A Real money.

19 Q So the max Progress, by signing that, was

20 obligated for [REDACTED]

21 A And again, that's subject to check, because I
22 don't see anything specifically in the Letter of Intent

23

24

25 Q Okay.

1 A The IPP that we approved authorized funding of
2 [REDACTED] [REDACTED] and I think the specific says through
3 mid-2012. I don't know that it has a hard and fast date
4 associated with it. I don't think so, but let me just
5 look at the IPP real quick.

6 The Project Team recommends continuing funding
7 of approximately [REDACTED] through mid-2012. So there
8 is not a specific dates associated with mid. That would
9 be commensurate with basically coming back in again at
10 about the same time in 2012 for continued authorization
11 for the project.

12 Q All right. And if the project did not receive
13 additional funding mid-2012, and no further money was
14 authorized, would that effectively kill the project?

15 MR. WALLS: Objection. Calls for speculation.
16 Go ahead, if you can answer.

17 THE WITNESS: Well, yes, but I think there
18 would have to be some rationale, and reason and
19 direction then from the SMC. I mean, it would not
20 be as simple as just saying, no, we're not going to
21 authorize anymore money.

22 And what do you want us to do. There has to be
23 the follow-up question to that. What action do you
24 want us to take, because without additional funding
25 from 2012 and beyond, you can't continue down the

1 primarily talking to amortization. Of course, it's also
2 affected by the steps we took in terms of long-term
3 partial suspension, that's in the rest of that answer.

4 Q Absolutely. With respect to the amortization
5 part -- portion, is the company proposing to accelerate
6 some of that amortization this year --

7 A Yeah, my --

8 Q -- or in this filing?

9 A -- understanding, in Mr. Foster's testimony, is
10 because we saw less than expected costs associated with
11 long-lead equipment disposition, and because we've
12 already recovered those costs, I think the proposal in
13 those TR -- in those exhibits is to apply those dollars
14 that have all been recovered against that amortized
15 figure.

16 Q And the company's thinking behind accelerating
17 the amortization of those dollars, the hearing would be
18 best directed to you or Mr. Foster?

19 A I think really either. Mr. Foster has the
20 details of the calculations. I understand the concept
21 of why we want to do that.

22 Again, it's tied back to the fact that we
23 recovered dollars in 2010, for what we thought was going
24 to be approximately ██████████ ██████████ of long-lead equipment
25 disposition, that did not, in fact, occur.

1 You know, as we've discussed, we have what we think is a
2 reasonable estimate based on our level of insight into
3 the project.

4 We've shared that with the joint owners, where
5 we expect the project to be. We've also expressed that
6 ultimately we have to come through negotiations with the
7 consortium to finalize and further refine that cost.

8 But they understand what the band is. They are
9 still interested in partial joint ownership, and as we
10 discussed with them this year, we are -- you know, our

11 [REDACTED]

12 [REDACTED]

13 Q I'm sorry. I didn't -- I didn't hear that last
14 sentence.

15 A Yeah, our expectation with them would be to put
16 in [REDACTED] to
17 depend on our negotiations with each joint owner, but to

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 Q Explain [REDACTED] if you would.

22 A Well, I think what we're -- and again, we're
23 still in negotiations and still in discussion --

24 Q I understand.

25 A -- but we'd want more -- you know, we'd want

1 them in, basically, not just, you know, as you've seen
2 in some of maybe the recent press, where you say, well,
3 here's an amount of money and maybe we'll execute the
4 option or not,

5
6
7
8
9
10
11 Q Okay. Thanks very much. I appreciate your
12 time at this late hour.

13 A No. Thank you for your time. Again, I
14 apologize for the breaks, but I think it made it a
15 little easier on all of us.

16 MR. MOYLE: Do you want to just drop right in
17 with my questions, John?

18 THE WITNESS: Yeah, certainly, Jon. Go ahead.

19 **CROSS-EXAMINATION**

20 BY MR. MOYLE:

21 Q Okay. I had about an hour. I'm going to try
22 to maybe not do that and jump around a little bit, but
23 let me start with just confirming, as we sit here today,
24 the in-service date for the Levy units is 2021 and 2022,
25 correct?

1 Q Okay. So I'm just trying to establish sort of
2 where we were last year and where we were this year --

3 A Yeah.

4 Q -- and it sounds like you're saying we're at --
5 we're at the same place, both in terms of timing and
6 costs, correct?

7 A Yeah, and, you know, I'm more familiar with
8 talking to project costs. I apologize, but, yes, from a
9 project cost perspective, we are at the same place.

10 We have done some true-ups on the estimate
11 based on actuals and based on completion of a majority
12 of the long-lead equipment negotiations, with the
13 exception of that [REDACTED] [REDACTED] [REDACTED] and the total
14 project cost is unchanged.

15 The band on the estimate has changed slightly,
16 based on, you know, some of the other movement around
17 specific items in the estimate, but essentially the same
18 project costs.

19 Q Okay. And I don't have the document with the
20 band in front me, but am I assuming that the high end of
21 the band is 22.5; is that --

22 A No, that's --

23 Q -- right?

24 A -- on the 2011, as we provided in production of
25 documents, is actually [REDACTED]. -- let me just double

1 check -- I think it's [REDACTED] [REDACTED]

2 Q Okay. And then the difference between -- we'll
3 call that [REDACTED] -- and the 22.5 is AFUDC and other
4 costs; is that right?

5 A That's correct.

6 Q Okay. Just to follow up on a question Mr. Brew
7 asked you, the notion of proceeding, sort of as a
8 condition preceded, you indicated, as I understood it,
9 before giving a Notice to Proceed that you're going to
10 need to have co-owners in place; is that correct?

11 A Yes, but let me explain. What we would like to
12 do, and our objective, [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

13 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
14 We think that's a logical point of time where,
15 effectively, the development of the project is complete
16 and now is the time for the interested parties to come
17 to the table, and if they're going to benefit from the
18 long-term zero emission, low-fuel costs of this project,
19 then they need to be partners in the construction of the
20 project.

21 Q The -- there was some discussion earlier in
22 your testimony with OPC about maybe not using the best
23 description for something. I didn't understand [REDACTED]
24 [REDACTED] either. And from what you describe, it doesn't
25 sound like there's much of an option that is being

1 contemplated. Am I misunderstanding that?

2 A No, I think that's probably a better
3 discussion. I -- I -- that was probably a poor choice
4 of words to say binding option.

5 I think what's been on my mind lately, is we've
6 seen a lot of press around options, and I wanted to be
7 clear that that's not what we're thinking in terms of
8 what the project would look like subsequent

9 [REDACTED]
10 [REDACTED]

11 Q Okay. So based on our conversation, the
12 conversation that we had with Mr. Brew, you would agree
13 that maybe the better term of art would be a

14 [REDACTED]
15 [REDACTED]

16 A Yes, I would agree that's a better -- better
17 description.

18 Q You were asked some questions about some
19 newspaper stories, and I don't want to spend a lot of
20 time on it, but I just want to understand whether it's
21 your view that, indeed, no final decision has yet been
22 made as to whether to build the Levy project?

23 A No, it is not my view that there is no final
24 decision. It's my view that we have made a decision to
25 continue with the project.

1 We have a detailed plan and estimate that
 2 supports the 2021 in-service, but that we do continue to
 3 evaluate all of the feasibility analyses I described
 4 earlier, from technical, to regulatory, to long-term
 5 benefit, to CPVRRs. We look at that, and the enterprise
 6 risks, as we look at whether or not to stay on that
 7 current program of record.

8 Q So help me understand that answer. Reconcile
 9 that answer with the discussion that we just had, and as
 10 I interpreted it, it didn't sound like you were going to

11 [REDACTED]
 12 [REDACTED]

13 MR. WALLS: Objection. Mischaracterization.
 14 But go ahead.

15 THE WITNESS: Yeah. No, what I -- what I said
 16 was, [REDACTED]
 17 [REDACTED] -- sorry. Let me make
 18 sure I get -- I'm using the same term -- [REDACTED]

19 [REDACTED]
 20 [REDACTED]

21 [REDACTED] We think that's the right time to do that
 22 in terms of the overall project.

23 BY MR. MOYLE:

24 Q All right. And assume for the purposes of the
 25 question that nobody else stepped up, would you then go

1 have described that. There is a common corridor or
2 right-of-way that proceeds from the site at Levy, south
3 across the barge canal, Inglis Island and then down to a
4 major substation in Citrus County, where, from that
5 point then, it distributes some -- some of the 500 KV
6 lines will go back toward the plant at Crystal River.
7 Others will go out towards Central Florida or south
8 towards Brookridge.

9 But that common corridor is a right-of-way
10 where there will be four 500 KV circuits that will be
11 constructed to bring power south from the plant.

12 Q And do you have information as to the typical
13 sequencing of events with respect to land acquisition
14 for transmission lines?

15 A Yes, in terms of what we've been doing for the
16 baseload project, I certainly do.

17 Q Okay. And you all have -- it sounds like you
18 all have made a decision to go ahead and purchase
19 property for the transmission as compared to taking
20 options on it, or deferring, and then once it's a little
21 closer in time, you now, using eminent domain or
22 quick-take procedures; is that right?

23 A We have made a decision, approved by the SMC as
24 part of the IPP both last year and this year, to
25 dedicate approximately [REDACTED] to strategic land

1 projects that are also under SMC governance, and some of
2 those can be, you know, down in the 50 million range,
3 that, in that case, 5 percent is too small of a change
4 to require you to come back to the SMC. So in that
5 case, we use \$5 million as the trigger.

6 Q So from a -- am I right then, from a Levy
7 standpoint, to go back through the process, you'd have
8 to have a change in costs that would be greater than a
9 billion dollars?

10 A Well, I would -- I would base that 5 percent on
11 17.6, so, yeah, that -- that's pretty close.

12 Q Okay. I was basing it on ~~17.6~~, but okay. So
13 it's a pretty sizable change --

14 A Yes.

15 Q -- that puts you back through that process?

16 A Yes.

17 Q You had testified that there was a subcommittee
18 of the Board that was created for oversight of Levy; is
19 that right?

20 A That is correct.

21 Q And is this a typical practice within the
22 corporate governance to create subcommittees, such as
23 this, with specific authority over a project?

24 A I don't know if I can comment to whether it's a
25 typical process. I've only seen it used so far in my

1 A Okay.

2 Q Did you say the updated transmission plan study
3 was about a [REDACTED] item; is that right?

4 A That's correct.

5 Q Do you know how -- what the shelf life for a
6 transmission planning study is?

7 A No, I don't. I think, though, it's subject to
8 variables that maybe can't just be specified in terms of
9 a calendar.

10 You know, our assessment, in talking with our
11 transmission professionals, is that given a five-year
12 change in schedule, and as they look out at other system
13 growth in Florida and the FRCC's management of that
14 growth, that it is not unlikely that, as we -- if we go
15 back now and look at that study in terms of the needs
16 for Levy, that we would be able to reduce the ultimate
17 scope.

18 Q Have you inquired or do you have information as
19 to would it make sense to do a transmission study to a
20 point in time closer to the in-service date as compared
21 to, you know, still a number of years from the -- when
22 the plant in-service date, from a timing perspective?

23 A Yes, as I described earlier, if you look at our
24 integrated schedule that's provided in a simplified
25 version in the IPP and in a more detailed version in

1 the Levy nuclear project, what that per-year number is?

2 A Well, there's two ways I can probably answer
3 that: The first way is to tell you what the -- and your
4 question was from this point in time last year to this
5 year, so that's not annual years; that's going to be
6 different.

7 Q You can pick annual years, if it's easier.

8 A Well --

9 Q If it's easier to say from the Commission's
10 decision last year to the anticipated decision --

11 A Yeah, so let me try to -- I've just got to put
12 my hands on Mr. Foster's exhibits.

13 Q And the other question I was going to ask you
14 is, that if you knew the amount of money that have been
15 paid to date to EPC contractors, so --

16 A Well, I do have -- if you go to our IPP, let me
17 answer that question first, because that's probably the
18 easier one. I mean, the easiest way is to go into the
19 IPP or into my exhibit JE -- is that JE-3?

20 Q 8?

21 A Yeah, JE-8, on the second page, that's current
22 project plan. So project to date as of the end of 2010
23 was that [REDACTED] [REDACTED] number. Now, the 2011 spend plan
24 is as articulated there at [REDACTED] [REDACTED]

25 You know, what I don't have in front of me

1 today is exactly where we are in 2011. I'd have that
2 available on a different document, but I just don't have
3 our current end-of-month projections with me at the
4 moment.

5 Q Okay.

6 A Now, that doesn't -- that doesn't exactly
7 answer your question on recovery, and I'm trying to get
8 into --

9 Q Yeah, but you did answer -- it is answered with
10 respect to monies paid through the EPC contractor, which
11 would be [REDACTED]?

12 A Let me go back one second, because I'm jumping
13 around here.

14 Well, yeah, two pieces: There is a -- if you
15 look at the first line, EPC payments as of the end of
16 2010, that's the [REDACTED]. You know, it depends on how you
17 want to define payments to the contractor.

18 So long-lead equipment payments and WEC
19 support, that \$ [REDACTED] [REDACTED] [REDACTED] is also a set of
20 payments to the consortium.

21 Now, most of that is flowing to the sub-vendors
22 that are responsible for long-lead equipment, but if you
23 say to the EPC, in that general term, I would add those
24 two numbers together.

25 Q Okay. Well, I'd be interested in getting an

1 THE WITNESS: Okay. So back on the record, not
2 to take Erik's job away from him.

3 We have -- and it's been provided in production
4 of documents -- it's a January 27, 2011 brief to the
5 SMC, and part of that, we provided them a snapshot
6 of where we stood in terms of expenditures to date
7 and recovery.

8 And as of the end of 2010, we had a total
9 project spent to date -- and that included carrying
10 costs, incremental O and M, and approximately
11 [REDACTED] for purchases of land -- that total spend
12 was [REDACTED] as of the end of 2010.

13 The total collected to date as of the end of
14 2010 was [REDACTED] and our assessment of that
15 is -- and this is, you know, approximate numbers
16 again -- retail spend that was pending prudence
17 review of about [REDACTED]

18 So part of that delta between the project spent
19 to date and the total collected to date was about
20 [REDACTED] or so, which at that point in time was
21 part of that five-year deferral.

22 Q Okay. But the -- I'm sorry -- the end of the
23 2010 number was [REDACTED] what?

24 A The total project spend at the end of 2010 was
25 [REDACTED] Now, that includes -- you know, that's

1 your all-in with carrying costs, incremental, operations
2 and maintenance expenses and land purchases.

3 So that's a slightly different number than what
4 you would see in project-to-date numbers in an IPP,
5 because it's included in all the other factors.

6 Q Okay. And [REDACTED] has been collected?

7 A As of the end of 2010.

8 Q Okay. Thank you.

9 A Yes, sir.

10 Q I have a few questions about greenhouse gas.
11 And if you need to refer to your testimony, I have it
12 flagged on Page 43.

13 A Okay.

14 Q And I just want to make sure I understand
15 the -- the company's position. Greenhouse gas
16 regulation and monetizing greenhouse gas is a positive
17 factor on the development of the nuclear power plant at
18 Levy, correct?

19 A Yes, that's correct, and I think to put it in
20 context, though, you know, as you look at the benefit of
21 new nuclear, it is enhanced if it is coupled with some
22 sort of greenhouse gas initiative.

23 I mean, that was one of the -- you know, as we
24 look at the long-term benefits in terms of emission-free
25 generation, that's how we look at that. So, yes, as

1 potential cancellation costs post-COL -- again, this is
2 to be consistent with what was requested and provided as
3 part of an exhibit to my rebuttal testimony last year
4 around cancellation scenarios -- if you compare those
5 costs to the three-year totals over '11 to '13, to
6 continue to move forward with the project, there is
7 approximately a [REDACTED] differential in those two
8 numbers -- I'm sorry. It's been a long day. It feels
9 like [REDACTED] because every dollar feels important to
10 us, so, yes, it is [REDACTED] though, to be correct.

11 Q Now, some of us might suggest that in the
12 context of this case we use the billion figure more than
13 the million, but it has been a long day.

14 A Yeah, unfortunately.

15 Q Just a couple more things. Are there any --
16 are there any risks associated with the Levy project,
17 that we have not talked about today, that you're aware
18 of?

19 A I think the best way to answer that is we do
20 articulate in detail, in the Integrated Project Plan and
21 in the associated briefings, the risks associated with
22 the license and the risks potentially associated with
23 the overall project, and we talked about that a little
24 bit earlier in terms of the expected monetary value
25 associated with our quantification of those risks.

1 preference for the joint owners to commit before the
2 company proceeds in negotiating the full --

3 MR. MOYLE: Object to the form.

4 BY MR. WALLS:

5 Q -- Notice to Proceed?

6 A What I tried to portray in that answer is, that
7 as we discussed the process of moving forward with the
8 project, what we discussed with the joints owners is our

9
10
11

12 As we have discussed in my testimony this year,
13 and in Mr. Lyash's and my testimonies last year, joint
14 owner participation is not a prerequisite to moving
15 forward with the project, but in terms of how we think
16 about the project plan and when we would try to move
17 forward with those activities associated with the joint
18 owners,

19

20 MR. WALLS: No further questions.

21 He'll read.

22 MR. SAYLER: For the record, I think we have
23 three exhibits, two late-filed. Exhibit 1 is
24 scenario assumption on strategic planning; Exhibit 2
25 is the recent news articles I presented and gave you