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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

11 JUL 25 PM 2: 35

In re: Nuclear Cost Recovery
Clause

Docket No. 110009-EI
Submitted for Filing: July 25, 2011

COMMISSION
CLERK

CONFIDENTIAL

PROGRESS ENERGY FLORIDA, INC.'S PREHEARING STATEMENT

Pursuant to the Order Establishing Procedure, Progress Energy Florida, Inc. ("PEF" or the "Company") submits its Prehearing Statement and states as follows:

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B. WITNESSES AND EXHIBITS:

In identifying witnesses and exhibits herein, PEF reserves the right to call such other witnesses and to use such other exhibits as may be identified in the course of discovery and preparation for the final hearing in this matter.

1. WITNESSES.

Direct Testimony.

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
Will Garrett	March 1, 2011 testimony: Reasonableness and prudence of PEF's CR3 Uprate project actual costs for 2009 and 2010 and Levy Nuclear Project actual costs for 2010.	24, 25, 32, 33
Jon Franke	March 1, 2011 testimony: Reasonableness and prudence of PEF's actual costs for 2010 for the CR3 Uprate project. Reasonableness and prudence of project management, contracting and oversight controls for the CR3 Uprate project. Also prudence of 2009 CR3 Uprate project actual costs and project management, contracting, and oversight controls policies and procedures May 2, 2011 testimony: Reasonableness of PEF's actual/estimated costs for 2011 and projected costs for 2012 for the CR3 Uprate project; long-term feasibility analysis of completing the CR3 Uprate project.	29, 31, 32, 33, 34, 35, 37, A
Sue Hardison	March 1, 2011 testimony: Reasonableness and prudence of PEF's actual LNP costs for 2010. Reasonableness and prudence of project management, contracting and oversight controls for the LNP. May 2, 2011 testimony: Reasonableness of PEF's LNP actual/estimated 2011 costs and	23, 24, 25, 27, 28

projected 2012 costs.

Thomas G. Foster	May 2, 2011 testimony: Presents for Commission review (i) Estimated/Actual Costs for the LNP and CR3 Uprate project for January through December 2011; (ii) Projected costs for the LNP and CR3 Uprate project for January 2012 through December 2012; (iii) the total estimated revenue requirements for 2012 for purposes in setting the 2012 rates in the Capacity Cost Recovery Clause (CCRC); and (iv) LNP rate management plan proposal.	27, 28, 34, 35, 36, 37
John Elnitsky	March 1, 2011 testimony: Description of the Company's decisions regarding Long-Lead Equipment ("LLE") disposition and associated reasonableness and prudence of those costs. May 2, 2011 testimony: Reasonableness of PEF's LNP actual/estimated 2011 costs and projected 2012 costs. Company's implementation of the LNP schedule shift, including focusing on COL related efforts, and the long-term feasibility of completing the LNP.	20, 23, 24, 25, 27, 28, 36

Rebuttal Testimony.

<u>Witness</u>	<u>Subject matter</u>	<u>Issues</u>
Thomas G. Foster	Rebuttal of intervenor witness Jacobs' testimony regarding the Company's proposal for the LNP rate management plan.	36
Jon Franke	Rebuttal of intervenor witness Jacobs' testimony regarding CR3 Uprate project 2009 and 2010 actual costs and Staff Coston and Carpenter testimony and attached Audit Report regarding the Company's costs for its License Amendment Request ("LAR").	31, 32, 33, 34
John Elnitsky	Rebuttal of intervenor witness Jacobs' testimony regarding the (i) reasonableness and prudence of the Company's 2010 costs and the	23, 25, 27, 28, 36

reasonableness of 2011 and 2012 projected costs for the LNP; (ii) the Company's present intent to build the LNP; and (iii) the LNP rate management plan proposal.

2. DIRECT TESTIMONY EXHIBITS.

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
WG-1	Will Garrett	CONFIDENTIAL - Schedules T-1 through T-7B and Appendices A through C, reflecting PEF's retail revenue requirements for the CR3 Uprate project for period January 2009 through December 2009 (Jon Franke sponsoring portions of schedules T-4 & T-6, as well as Appendix B, and sponsoring schedules T-4A, T-6A, T-6B, T-7, T-7A & T-7B)
WG-2	Will Garrett	CONFIDENTIAL - Schedules T-1 through T-7B and Appendices A through D, which reflect PEF's retail revenue requirements for the LNP from January 2010 through December 2010 (Sue Hardison sponsoring portions of T4, T-4A, T-6, as well as Appendix D, and sponsoring schedules T-6A, T-6B, T-7, T-7A & T-7B)
WG-3	Will Garrett	CONFIDENTIAL - Schedules T-1 through T-7B and Appendices A through D, reflecting PEF's retail revenue requirements for the CR3 Uprate for period January 2010 through December 2010 (Jon Franke sponsoring portions of schedules T-4, T-4A & T-6.3, as well as Appendix D, and sponsoring schedules T-6A.3, T-6B.3, T-7, T-7A & T-7B)
JF-1	Jon Franke	CONFIDENTIAL - Work Authorization No. 84 between PEF and AREVA
JF-2	Jon Franke	Review standard for Extended Power Uprate (RS-001)
JF-3	Jon Franke	CONFIDENTIAL - Excerpts from 2010 Commission Staff's Audit Report applicable to the CR3 Uprate Project
JF-4	Jon Franke	CONFIDENTIAL - EPU Expert Panel November 6,

2009 Management Debrief

JF-5	Jon Franke	CONFIDENTIAL - Breakdown of 2009 Project Management and License Application Costs
JF-6	Jon Franke	CONFIDENTIAL - Change Order 23 to Work Authorization No. 84
JF-7	Jon Franke	Index of 2010 Revised and New Project Management Policies and Procedures
JF-8 ¹	Jon Franke	Detailed description of the engineering scope changes for the EPU phase work required to successfully implement the CR3 power uprate
JF-9	Jon Franke	A schedule of the phase 2 and phase 3 work scope for the Uprate project through the Integrated Project plan ("IPP") revisions and proposed revisions for the Uprate project
JF-10	Jon Franke	CONFIDENTIAL – Integrated Change Form ("ICF") for EPU Actuation design specification and implementation modification for Engineering Change ("EC") 76340
JF-11	Jon Franke	Summary of the Company's updated Cumulative present value revenue requirements ("CPVRR") analysis for the CR3 Uprate Project
TGF-1	Thomas G. Foster	CONFIDENTIAL - Schedules AE-1 through AE-7B and Appendices A through F which reflect PEF's retail revenue requirements for the LNP from January 2011 through December 2011 (Sue Hardison is sponsoring portions of schedules AE-4, AE-4A, AE-6 and sponsoring schedules AE-6A through AE-7B)
TGF-2	Thomas G. Foster	CONFIDENTIAL - Schedules P-1 through P-8 and Appendices A through F, which reflect PEF's projected retail revenue requirements for the LNP for January 2012 through December 2012 (Sue Hardison is sponsoring portions of P-4, P-6 and sponsoring P-6A through P-7B)

¹ The May 2, 2011 Exhibits of Jon Franke JF-1 through JF-4 have been renumbered to JF-5 through JF-9 to be consistently consecutively numbered with Mr. Franke's March 1, 2011 exhibits.

TGF-3	Thomas G. Foster	CONFIDENTIAL - Schedule TOR-1 through TOR-7, which reflect the total estimated costs for the LNP project up to the in-service date (Sue Hardison is sponsoring portions of TOR-4, TOR-6 (with John Elnitsky) & sponsoring TOR-6A, and John Elnitsky sponsoring schedule TOR-7)
TGF-4	Thomas G. Foster	CONFIDENTIAL - Schedules AE-1 through AE-7B and Appendixes A through E, which reflect PEF's retail revenue requirements for the CR3 Uprate Filing from January 2011 through December 2011 (Jon Franke sponsoring portions of Schedules AE-4, AE-4A, AE-6.3 and Appendix B, and sponsoring schedules AE-6A.3 through AE-7B)
TGF-5	Thomas G. Foster	CONFIDENTIAL - Schedules P-1 through P-8 and Appendixes A through D, which reflect PEF's projected retail revenue requirements for the Crystal River Unit 3 (CR3) Uprate filing for January 2012 through December 2012 (Jon Franke sponsoring portions of P-4 , P-6.3, and sponsoring P-6.3A through P-7B)
TGF-6	Thomas G. Foster	Schedules TOR-1 through TOR-7, which reflect the total estimated costs for the CR3 Uprate project up to the in-service date (Jon Franke sponsoring portions of TOR-4 and TOR-6 and sponsoring schedules TOR-6A and TOR-7)
JE-1	John Elnitsky	CONFIDENTIAL – List of Long Lead Equipment (LLE) for the LNP
JE-2	John Elnitsky	CONFIDENTIAL – May 2010 LLE Timeline
JE-3	John Elnitsky	CONFIDENTIAL – LLE Disposition Timeline
JE-4 ²	John Elnitsky	NRC revised review schedule for the LNP Combined Operating License Application (“COLA”)
JE-5	John Elnitsky	A graphic illustration of the steps and timing of the PEF LNP COLA review process
JE-6	John Elnitsky	CONFIDENTIAL – A chart of the current long lead

² The May 2, 2011 Exhibits of John Elnitsky JE-1 through JE-8 have been renumbered to JE-4 through JE-11 to be consistently consecutively numbered with Mr. Elnitsky's March 1, 2011 exhibits.

		equipment ("LLE") purchase order disposition status
JE-7	John Elnitsky	PEF's updated cumulative life-cycle net present value revenue requirements ("CPVRR") calculation for the LNP compared to the costs-effectiveness analysis presented in the Need Determination proceeding for Levy Units 1 and 2
JE-8	John Elnitsky	A composite exhibit of PEF's rating agency reports
JE-9	John Elnitsky	Illustrative example of estimated typical customer bill impact of the near-term LNP costs in 2010-2012
JE-10	John Elnitsky	Compound annual growth rates for PEF retail customers
JE-11	John Elnitsky	CONFIDENTIAL – Estimate updates of LNP costs post-COL receipt

3. REBUTTAL TESTIMONY EXHIBITS.

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
TGF-7	Thomas G. Foster	Selected Pages of Commission Order No. PSC-09-0783-FOF-EI related to the LNP rate management plan
TGF-8	Thomas G. Foster	Selected Pages of Commission Order No. PSC-11-0095-FOF-EI related to the LNP rate management plan
TGF-9	Thomas G. Foster	Schedule showing rate impacts of PEF's proposed rate management plan compared to what they would be under the plan presented in 2010.
JF-12	Jon Franke	Excerpts of Jacobs' deposition testimony in Docket No. 110009-EI
JF-13	Jon Franke	Excerpts of Jacobs' deposition and hearing testimony in Docket No. 100009-EI
JF-14	Jon Franke	The CR3 EPU Expert Panel Management Debrief

dated July 14, 2009

JE-12	John Elnitsky	CONFIDENTIAL – LNP March 2011 Integrated Project Plan (“IPP”)
JE-13	John Elnitsky	CONFIDENTIAL – LNP April 2010 IPP
JE-14	John Elnitsky	PEF July 27, 2010 scenario analysis
JE-15	John Elnitsky	Selected, relevant discovery requests in the 2010 and 2011 nuclear cost recovery clause (“NCRC”) proceedings
JE-16	John Elnitsky	Excerpts of Jacobs’ deposition testimony in Docket No. 090009-EI.

C. PEF’S STATEMENT OF BASIC POSITION:

CR3 Uprate Project.

The Crystal River 3 (“CR3”) Extended Power Uprate Project (“CR3 Uprate”) is a three-phase project involving the engineering, design, equipment procurement, and equipment installation necessary to generate an additional, estimated 180 MWe of efficient nuclear power at the Company’s existing nuclear unit. PEF is currently performing the engineering and design analyses, and identifying and procuring the material and equipment, necessary to complete the third and final phase of the CR3 Uprate. This is called the Extended Power Uprate (“EPU”) work phase because, upon completion of the EPU work and Nuclear Regulatory Commission (“NRC”) approval of the Company’s License Amendment Request (“LAR”) for the power uprate, the Company will be able to increase the power generated by CR3. The joint owners of CR3 have indicated that they are electing to take their share of the additional uprate MWe, and contribute their share of the costs incurred to obtain these additional MWe. PEF expects the EPU phase of the CR3 Uprate project to be successfully completed and the LAR approved by the NRC.

Pursuant to Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C., PEF filed a petition on March 1, 2011, requesting a determination of prudence for its CR3 Uprate 2009 project costs and 2009 project management, contracting, and oversight controls (deferred until this docket by Commission Order No. PSC-11-0095-FOF-EI, issued February 2, 2011). PEF’s March 1st Petition also seeks the recovery of the carrying costs on its 2010 construction expenditures and a determination of the prudence of those costs, as well as a determination of the prudence of the Company’s 2010 project management, contracting, accounting and cost oversight controls. PEF filed the testimony and exhibits of Mr. Franke and Mr. Garrett in support of the prudence of these costs and project management, contracting, accounting, and cost oversight controls.

PEF filed, on May 2, 2011, a petition, additional testimony, and Nuclear Filing Requirements (“NFR”) schedules AE-1 through AE-7B and P-1 through P-8 and Appendices, for years 2011 and 2012, respectively, in support of PEF’s actual/estimated costs for 2011 and projected costs for 2012 and schedules TOR-1 through TOR-7, which reflect total project estimated costs. PEF also filed testimony and exhibits regarding the long-term feasibility of completing the CR3 Uprate project. On July 1, 2011, PEF filed its Motion for Deferral of the Approval of the Long-term Feasibility and the Reasonableness of Projected Construction Expenditures and Associated Carrying Costs for the Crystal River Unit 3 Uprate Project and Petition for Temporary Variance or Waiver of Rules 25-6.0423(5)(c)2, 5, F.A.C. on an Emergency Basis (hereinafter the “Motion and alternative Petition”).³ This Motion and alternative Petition seeks to defer the consideration of the long-term feasibility and the reasonableness of projected construction expenditures to the 2012 nuclear cost recovery clause (“NCRC”) proceeding to include updated information in light of the second delamination event at CR3.

PEF developed and utilized reasonable and prudent project management policies and procedures to carry out the CR3 Uprate project. PEF requests that the Commission find that its project management, contracting and oversight controls for 2009 and 2010 were reasonable and prudent.

PEF also developed and utilized reasonable and prudent accounting and cost oversight controls. Pursuant to these policies, PEF submitted its actual 2009 and 2010 costs and developed and submitted its actual/estimated 2011 costs and projected 2012 costs. PEF therefore also requests that the Commission find that its accounting and cost oversight controls for 2009 and 2010 were reasonable and prudent.

PEF was permitted to recover its 2009 CR3 Uprate project costs when the Commission determined that they were reasonably incurred in the Commission’s Order in the 2010 NCRC proceeding, deferring only the determination of the prudence of those costs. Because PEF’s testimony and supporting exhibits in this docket demonstrate the prudence of those costs, PEF requests that the Commission approve the prudence of these 2009 costs, and authorize PEF to recover the revenue requirements associated with those costs. For the time period January 2009 through December 2009, PEF is requesting a total of \$15,510,412 in revenue requirements, adjusted for the contribution to construction expenditures made by the CR3 joint owners. PEF requests that the Commission approve the prudence of these 2009 costs.

PEF was permitted to recover its 2010 CR3 Uprate project costs when the Commission determined that they were reasonably incurred in the Commission’s Order in the 2010 NCRC proceeding. Because PEF’s testimony and supporting exhibits in this docket demonstrate the prudence of those costs, PEF requests that the Commission approve the prudence of the CR3 Uprate Project’s 2010 costs, and authorize PEF to recover the revenue requirements associated with those costs. For the time period January 2010 through December 2010, PEF is requesting a total of \$8,028,381 in revenue requirements, adjusted for the contribution to construction

³ On July 5, 2011, PEF filed a Notice of Filing Corrected Motion for Deferral to Correct Typographical Errors in Rule Citations with an attached Corrected Motion.

expenditures made by the CR3 joint owners. PEF requests that the Commission approve the prudence of these 2010 costs.

For all these reasons, as more fully developed in PEF's pre-filed testimony and exhibits, including its NFR schedules, PEF requests that the Commission determine that the CR3 Uprate project's actual 2009 and 2010 costs were prudently incurred, and that the CR3 Uprate project's 2009 and 2010 project management, contracting and oversight controls were reasonable and prudent.

Levy Nuclear Project

Pursuant to Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C., PEF filed a petition on March 1, 2011, for cost recovery of its Levy Nuclear Project ("LNP") costs. PEF filed NFR schedules, specifically Schedules T-1 through T-7B, in support of PEF's actual costs for 2010. In addition, PEF filed testimony regarding the LNP costs and the Company's project management policies and procedures. PEF then filed, on May 2, 2011, a petition, additional testimony, and NFR schedules AE-1 through AE-7B and P-1 through P-8 and Appendices, for years 2011 and 2012, respectively, in support of PEF's actual/estimated and projected costs and schedules TOR-1 through TOR-7, which reflect total project estimated costs.

PEF developed and utilized reasonable and prudent project management policies and procedures to carry out the LNP. These procedures are designed to ensure timely and cost-effective completion of the project. PEF therefore requests that the Commission find that its project management, contracting and oversight controls for 2010 were reasonable and prudent.

PEF also developed and utilized reasonable and prudent accounting and cost oversight controls. Pursuant to these policies, PEF developed its actual 2010 costs and 2011 and 2012 cost estimates based on the best information available to the Company. PEF therefore requests that the Commission find that its accounting and cost oversight controls for 2010 were reasonable and prudent.

PEF reasonably and prudently incurred capital preconstruction, construction carrying costs, and CCRC recoverable O&M expenses for the LNP in the amount of \$111,554,540 for 2010. The prudence of all costs incurred in 2010 have been supported by PEF's testimony and exhibits filed in this proceeding. No Staff or intervener witness contends that any of the actual costs the Company incurred for the LNP for 2010 are imprudent. Accordingly, PEF requests that the Commission approve the prudence of these costs.

PEF has also reasonably estimated and projected its capital preconstruction and construction LNP costs for 2011 and 2012, in the amount of [REDACTED] and [REDACTED], respectively. None of the Staff or intervener witnesses identify any specific, actual/estimated 2011 or projected 2012 LNP cost that is not reasonable. The actual/estimated 2011 and projected 2012 LNP costs reflect the Company's decision regarding the LNP schedule and its focus on obtaining key state and federal permits for the LNP.

No Intervener or Staff witness disputes the prudence of any cost incurred by PEF on the LNP in 2010 or the reasonableness of any actual/estimated cost and projected cost that PEF has incurred or expects to incur on the LNP in 2011 and 2012. Further, no witness filed testimony in this proceeding disputing PEF's analysis of the long-term feasibility of completing the LNP. Finally, no witness filed testimony in this proceeding disputing the prudence of PEF's LNP project management, contracting, accounting, and cost oversight controls.

Pursuant to Rule 25-6.0423(5)(c)5, PEF demonstrated the long-term feasibility of completing the LNP. The Company employed a two-step process to determine if the LNP is feasible. First, the Company employed a qualitative analysis of the technical and regulatory capability of completing the plants, the risks, and the costs and benefits of completing the Levy nuclear power plants. The second step was an updated, quantitative cumulative life-cycle net present value revenue requirements ("CPVRR") economic analysis that includes comparisons to the cost-effectiveness CPVRR analysis in the Company's need determination proceeding for the LNP described in Order No. PSC-08-0518-FOF-EI. The updated CPVRR indicates that the LNP is economically viable and has the potential to provide PEF and its customers with fuel and environmental cost savings over the life of the project. The LNP is also feasible from a regulatory and technical perspective. PEF has, therefore, demonstrated the long-term feasibility of completing the LNP.

For all these reasons, as more fully developed in PEF's pre-filed testimony and exhibits, including its NFR Schedules, PEF respectfully requests that the Commission grant cost recovery for PEF's CR3 Uprate and Levy Nuclear Projects.

D. PEF'S STATEMENT OF ISSUES AND POSITIONS:

1. LEGAL/POLICY ISSUES.

Proposed Staff Issue A:

Should the Commission defer its decision regarding the long-term feasibility of completing the Crystal River Unit 3 (CR3) Extended Power Uprate (EPU) Project and the reasonableness of PEF's 2011 and 2012 ongoing construction expenditures, including associated carrying charges.

PEF Position:

This procedural issue is the subject of PEF's pending Motion for Deferral, (which appears to be unopposed by the parties) and should not be presented as a fact issue for determination in the proceeding. PEF also incorporates its Motion herein by reference.

2. FACT ISSUES.

Issues 1 through 19 are Florida Power & Light (FPL) specific issues and as such PEF takes no position on these issues.

Levy Nuclear Project:

Issue 20: Should the Commission approve what PEF has submitted as its 2011 annual detailed analysis of the long-term feasibility of completing the Levy Units 1 & 2 project, as provided for in Rule 25-6.0423, F.A.C? If not, what action, if any, should the Commission take?

PEF Position:

Yes, the Commission should approve what PEF has submitted as its annual detailed analysis of the long-term feasibility of completing the LNP. With the testimony and exhibits of John Elnitsky, PEF submitted a detailed analysis setting forth the long term feasibility of completing the LNP, consistent with the requirements of Rule 25-6.0423 and the analysis this Commission originally approved in Docket No. 090009-EI. First, the Company employed a qualitative analysis of the technical and regulatory capability of completing the plants, the risks, and the costs and benefits of completing the Levy nuclear power plants. As part of this analysis, the Company demonstrated that the LNP is feasible from a regulatory and technical perspective. The second step was an updated CPVRR economic analysis. The updated CPVRR indicates that the LNP is economically viable and has the potential to provide PEF and its customers with fuel and environmental cost savings over the life of the project. The Company has demonstrated that the LNP is feasible.

If the Commission does not approve what PEF has submitted as its annual detailed analysis of the long-term feasibility of completing the LNP based on a perceived technical deficiency in PEF's filing, the Commission should specifically identify the nature of its perceived deficiencies in PEF's analysis and permit PEF to re-file with the additional requested information.

If the Commission finds that PEF's filing is technically acceptable but that the LNP is not feasible going forward on substantive grounds, the Commission's determination would preclude the Company from completing the construction of the LNP and the Commission should award PEF cost recovery of its prudent 2010 costs and reasonable 2011 costs as well as reasonable project exit costs pursuant to Section 366.93(6). (Elnitsky)

DISPUTED

Issue 21: Proposed FIPUG-PEF Issue 1:

What is the total estimated all-inclusive cost (including AFUDC and sunk costs) of the proposed Levy Units 1 & 2 nuclear project and is it reasonable?

PEF Position:

PEF objects to this issue and disputes that it should be admitted as an issue in this docket. Please see PEF's brief filed on July 26, 2011 regarding this issue.

DISPUTED

Issue 22: Proposed FIPUG-PEF Issue 2:

What is the estimated planned commercial operation date of the planned Levy Units 1 & 2 nuclear facility and is it reasonable?

PEF Position:

PEF objects to this issue and disputes that it should be admitted as an issue in this docket. Please see PEF's brief filed on July 26, 2011 regarding this issue.

Issue 23: Do PEF's activities to date related to Levy Units 1 & 2 qualify as "siting, design, licensing, and construction" of a nuclear power plant as contemplated by Section 366.93, F.S.?

PEF Position:

Yes. Section 366.93 of the Florida Statutes, clearly provides that all costs associated with siting, design, licensing, and construction of a nuclear power plant are recoverable. The statute further provides that "costs" which are recoverable by a utility include but are not limited to, "all capital investments, including rate of return, any applicable taxes, and all expenses, including operation and maintenance expenses, related to or resulting from the siting, licensing, design, construction, or operation of the nuclear power plant." See Section 366.93(1)(a). This is an intentionally broadly worded statutory definition encompassing "all costs" for the underlying activities, namely, the "siting, licensing, design construction, or operation of the nuclear power plant." On its face, then, the statute contemplates, and common sense dictates, that a utility will move through these stages concurrently but also in sequence at times over an ultimately unfixed time period -- from siting to ultimate construction. Costs for licensing activities for a nuclear power plant necessarily fall within recoverable costs under the statute whether

those costs are incurred in isolation or in concert with costs for other activities for a nuclear power plant and its associated transmission facilities.

Moreover, the statute explicitly mandates that the Commission establish “alternative cost recovery mechanisms for the recovery of costs incurred in the siting, design, licensing, and construction of a nuclear power plant” ... and contemplates expressly that “[s]uch mechanisms shall be designed to promote utility investment in nuclear....” *See id.* at subparagraph (2). An interpretation that recognizes that costs for licensing activities for a nuclear power plant are recoverable whether or not those costs are in connection with other activities for the nuclear power plant is consistent with this express legislative intent.

The LNP is an active project under an existing NRC licensing application and construction contract. PEF executed its Engineering, Procurement and Construction (“EPC”) contract with Westinghouse and Shaw, Stone & Webster (the “Consortium”), on December 31, 2008 to build two AP1000 nuclear power plants on a site in Levy County. As described in the direct testimony of Mr. Elnitsky and Ms. Hardison, all costs incurred by PEF in 2010 and projected for 2011 and 2012 for the LNP are specifically related to the siting, licensing and/or design of the Levy nuclear plants. These activities are consistent with the efforts to actively pursue the development and construction of a new nuclear power plant. That is in fact what PEF is doing. PEF has an EPC contract for the design and construction of the LNP that is still in effect. PEF amended that EPC contract to extend the partial suspension and slow down the project, a decision that the Commission determined was reasonable last year. PEF is implementing this decision this year with the present intent to build the LNP on the current project schedule. (Elnitsky, Hardison)

Issue 24: Should the Commission find that for the year 2010, PEF’s project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Levy Units 1 & 2 project? If not, what action, if any, should the Commission take?

PEF Position:

Yes, for the year 2010, PEF’s project management, contracting, accounting and oversight controls were reasonable and prudent for the LNP. These procedures are designed to ensure timely and cost-effective completion of the project. They include regular status meetings, both internally and with its vendors. These project management and oversight controls also include regular risk assessment, evaluation, and management. There are also adequate, reasonable policies regarding contracting procedures. The Company also has appropriate, reasonable project accounting controls, project monitoring procedures, disbursement services controls, and regulatory accounting controls. Pursuant to these controls, PEF regularly

conducts analyses and reconciliations to ensure that proper cost allocations and contract payments have been made. (Garrett, Hardison, Elnitsky).

Issue 25: What system and jurisdictional amounts should the Commission approve as PEF's final 2010 prudently incurred costs and final true-up amounts for the Levy Units 1 & 2 project?

PEF Position:

**Capital Costs (System) [REDACTED]; (Jurisdictional) \$79,917,103
O&M Costs (System) \$2,877,079; (Jurisdictional) \$2,496,726
Carrying Costs \$49,280,391 and Other Adjustments credit of \$5,302.**

The over recovery of \$60,743,424 should be included in setting the allowed 2012 NCRC recovery.

The 2010 variance is the sum of over-projection preconstruction costs of \$58,175,233, plus an over-projection of O&M expenses of \$1,190,702 plus an over-projection of carrying costs of \$1,372,188, plus an under-projection of other adjustments costs of negative \$5,302. (Garrett, Hardison)

DISPUTED

Issue 26: Proposed OPC-PEF Issue 6

Should the Commission approve for recovery in 2012 any estimated 2011 and 2012 costs not necessary for receipt of the Combined License (COL) for Levy Units 1 & 2? If not, what action can and should the Commission take with respect to these costs?

PEF Position:

PEF objects to this issue and disputes that it should be admitted as an issue in this docket. Please see PEF's brief filed on July 26, 2011 regarding this issue.

Issue 27: What system and jurisdictional amounts should the Commission approve as reasonable actual/estimated 2011 costs and estimated true-up amounts for PEF's Levy Units 1 & 2 project?

PEF Position:

PEF Position (A): Consistent with PEF's May 2, 2011 Filing:

Capital Costs (System) [REDACTED]; (Jurisdictional) \$72,747,008

O&M Costs (System) \$1,557,765; (Jurisdictional) \$1,414,419
Carrying Costs \$48,372,525.

The Commission should also approve an estimated 2011 LNP project true-up under recovery amount of \$5,775,063 to be included in setting the allowed 2012 NCRC recovery.

The 2011 variance is the sum of an under-projection of Preconstruction costs of \$6,190,953, plus an over-projection of O&M expenses of \$2,409,464 plus an under-projection of carrying charges of \$1,993,574 (Foster, Hardison).

PEF Position (B): **Consistent with PEF's response to Staff POD 1 Question 3:**

Capital Costs (System) ██████████; (Jurisdictional) \$72,747,008
O&M Costs (System) \$1,557,765; (Jurisdictional) \$1,414,573
Carrying Costs \$48,372,525.

The Commission should also approve an estimated 2011 LNP project true-up amount of \$5,775,217 to be included in setting the allowed 2012 NCRC recovery.

The 2011 variance is the sum of an under-projection of Preconstruction costs of \$6,190,953, plus an over-projection of O&M expenses of \$2,409,310 plus an under-projection of carrying charges of \$1,993,574 (Foster, Hardison).

Issue 28: What system and jurisdictional amounts should the Commission approve as reasonably projected 2012 costs for PEF's Levy Units 1 & 2 project?

PEF Position:

PEF Position (A): **Consistent with PEF's May 2, 2011 Filing:**

Capital Costs (System) ██████████; (Jurisdictional) \$39,583,863
O&M Costs (System) \$1,545,388; (Jurisdictional) \$1,404,922
Carrying Charges \$48,466,132. (Foster, Hardison)

PEF Position (B): **Consistent with PEF's response to Staff POD 1 Question 3:**

Capital Costs (System) ██████████; (Jurisdictional) \$39,583,863
O&M Costs (System) \$1,545,388; (Jurisdictional) \$1,405,073
Carrying Charges \$48,466,132. (Foster, Hardison)

Crystal River Unit 3 Uprate project

Issue 29: Should the Commission approve what PEF has submitted as its 2011 annual detailed analysis of the long-term feasibility of completing the Crystal River Unit 3 Uprate project, as provided for in Rule 25-6.0423, F.A.C? If not, what action, if any, should the Commission take?

PEF Position:

This issue is the subject of PEF's pending Motion for Deferral. The Commission should defer consideration of the long-term feasibility of completing the CR3 Uprate project until the 2012 NCRC docket, to allow the Commission, its Staff, and the Intervenor more time to fully analyze and engage in discovery regarding the updated feasibility analysis that will later be completed. PEF also incorporates its Motion herein by reference. However, at the time PEF filed its testimony on May 2, 2011, its long-term feasibility analysis was accurate and the 2011 and 2012 costs were reasonable. (Franke)

DISPUTED

Issue 30: Proposed OPC-PEF Issue 2

Should the Commission approve as prudent any costs incurred between October 2, 2009 and December 31, 2010 for the Crystal River Unit 3 Uprate project?

PEF Position:

PEF objects to this issue and disputes that it should be admitted as an issue in this docket. Please see PEF's brief filed on July 26, 2011 regarding this issue.

Issue 31: For the years 2009 and 2010, should the Commission find PEF reasonably and prudently managed its Crystal River Unit 3 Uprate license amendment request? If not, what dollar impact did these activities have on 2009 and 2010 incurred costs?

PEF Position:

Yes, the Commission should find that PEF reasonably and prudently managed its CR3 Uprate license amendment request in 2009 and 2010. Any inadequate management of the LAR development in 2009 resulted in no dollar impact on 2009 or 2010 CR3 Uprate project incurred costs because AREVA fixed its quality issues at its own cost, PEF needed to spend more money, not less, on its LAR, and PEF prudently spent that money to prepare an EPU LAR document that met NRC acceptance review requirements. The costs in AREVA Change Order Number 23 were incurred to produce a high quality CR3 EPU LAR document that met NRC acceptance review

requirements and, thus, these change order costs were necessary, unavoidable, and prudently incurred. PEF is entitled to recover the costs it incurred to prepare the CR3 EPU LAR document for acceptance review by the NRC. (Franke)

Issue 32: Should the Commission find that for 2010, PEF's project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Crystal River Unit 3 Uprate project? If not, what action, if any, should the Commission take?

PEF Position:

Yes, PEF's project management, contracting, accounting and cost oversight controls were reasonable and prudent for the CR3 Uprate. These procedures are designed to ensure timely and cost-effective completion of the project. They include regular status meetings, both internally and with its vendors. These project management and oversight controls also include regular risk assessment, evaluation, and management. There are also adequate, reasonable policies regarding contracting procedures. The Company also has appropriate, reasonable project accounting controls, project monitoring procedures, disbursement services controls, and regulatory accounting controls. Pursuant to these controls, PEF regularly conducts analyses and reconciliations to ensure that proper cost allocations and contract payments have been made. (Garrett, Franke).

Issue 33: What system and jurisdictional amounts should the Commission approve as PEF's 2009 and 2010 prudently incurred costs for the Crystal River Unit 3 Uprate project?

PEF Position:

2009:

Capital Costs (System) \$118,140,493; (Jurisdictional, net of joint owners) \$87,458,545

**O&M Costs (System) \$821,773; (Jurisdictional, net of joint owners) \$762,529
Carrying Costs \$14,351,595 and a base revenue requirement of \$396,018.**

The over recovery of \$244,745 should be included in setting the allowed 2011 NCRC recovery. The 2009 variance is the sum of an O&M over-projection of \$9,999, under-projection of carrying charges of \$122,005 and an over-projection of adjustments of \$356,771. (Garrett, Franke)

2010:

Capital Costs (System) \$45,544,492; (Jurisdictional, net of joint owners) \$40,179,535

**O&M Costs (System) \$917,972; (Jurisdictional, net of joint owners) \$823,467
Carrying Costs \$10,106,450 and a base revenue requirement credit of \$2,901,536.**

The under recovery of \$108,602 should be included in setting the allowed 2012 NCRC recovery. The 2010 variance is the sum of an O&M over-projection of \$286,017, under-projection of carrying charges of \$2,549,380 and an over-projection of other adjustments of \$2,154,760. (Garrett, Franke).

Issue 34: What system and jurisdictional amounts should the Commission approve as reasonable actual/estimated 2011 costs and estimated true-up amounts for PEF's Crystal River Unit 3 Uprate project?

PEF Position:

This issue is the subject of PEF's pending Motion for Deferral. The Commission should defer consideration of the reasonableness of PEF's actual/estimated 2011 costs until the 2012 NCRC docket, to allow the Commission, its Staff, and the Intervenors more time to fully analyze and engage in discovery regarding the updated cost projections for the CR3 Uprate project that will likely be later completed. PEF also incorporates its Motion herein by reference. However, at the time PEF filed its testimony on May 2, 2011, its 2011 actual/estimated costs were reasonable. (Franke)

PEF Position (A): Consistent with PEF's May 2, 2011 Filing:

Capital Costs (System) \$94,283,759; (Jurisdictional, net of joint owners) \$49,973,404

**O&M Costs (System) \$514,991; (Jurisdictional, net of joint owners) \$476,134
Carrying Costs \$15,962,233 and a base revenue requirement credit of \$3,176,396.**

The Commission should also approve an estimated 2011 EPU project true-up over recovery of \$609,715 to be included in setting the allowed 2012 NCRC recovery. The 2011 variance is the sum of an O&M under-projection of \$53,041, plus an under-projection of carrying charges of \$5,938,404 plus an over-projection of other adjustments of \$6,601,160. (Foster, Franke)

PEF Position (B): **Consistent with PEF's motion for deferral filed July 1, 2011, which used PEF's response to Staff POD 1 Question 3 as the basis for the Revenue Requirement calculation updated for changes as identified in the motion: PEF is not requesting a review of reasonableness of capital spend at this time.**

O&M Costs (System) \$0; (Jurisdictional, net of joint owners) \$75 prior period credit.

Carrying Costs \$12,920,780 and a base revenue requirement credit of \$3,176,396.

The Commission should also approve an estimated 2011 EPU project true-up over recovery of \$4,127,377 to be included in setting the allowed 2012 NCRC recovery. The 2011 variance is the sum of an O&M over-projection of \$423,168, plus an under-projection of carrying charges of \$2,896,951 plus an over-projection of other adjustments of \$6,601,160. (Foster, Franke)

Issue 35: What system and jurisdictional amounts should the Commission approve as reasonably projected 2012 costs for PEF's Crystal River Unit 3 Uprate project?

PEF Position:

This issue is the subject of PEF's pending Motion for Deferral. The Commission should defer consideration of the reasonableness of PEF's projected 2012 costs until the 2012 NCRC docket, to allow the Commission, its Staff, and the Intervenor more time to fully analyze and engage in discovery regarding the updated cost projections for the CR3 Uprate project that will likely be later completed. PEF also incorporates its Motion herein by reference. However, at the time PEF filed its testimony on May 2, 2011, its 2012 costs were reasonable. (Franke)

PEF Position (A): **Consistent with PEF's May 2, 2011 Filing:**

Capital Costs (System) \$87,473,540; (Jurisdictional, net of joint owners) \$84,315,552

O&M Costs (System) \$473,203; (Jurisdictional, net of joint owners) \$436,937
Carrying Costs \$25,565,707 and a base revenue requirement credit of \$3,261,939 (Foster, Franke)

PEF Position (B): **Consistent with PEF's motion for deferral filed July 1, 2011, which used PEF's response to Staff POD 1 Question 3 as the basis for the Revenue Requirement calculation updated for changes as identified in**

the motion: PEF is not requesting a review of reasonableness of capital spend at this time.

O&M Costs (System) \$0; (Jurisdictional, net of joint owners) \$710 prior period credit.

Carrying Costs \$12,875,746 and a base revenue requirement credit of \$3,261,939 (Foster, Franke)

Issue 36: What amount from the deferred balance of the Rate Management Plan approved in Order No. PSC-09-0783-FOF-EI should the Commission approve for recovery in 2012?

PEF Position:

PEF's proposed LNP rate management plan should be approved by the Commission because it appropriately balances the current and future rate impacts to customers from the current and expected investment in the LNP consistent with the intent of the Commission's Order approving the LNP rate management plan. For 2012, PEF is requesting the Commission approve recovery of the amortization of \$115 million of the remaining deferred balance as well as the associated carrying costs of \$15.1 million. As stated on page 46 of Order PSC-11-0095-FOF-EI, these amounts have already been approved for recovery but deferred in an effort to manage annual rate impacts. (Foster, Elnitsky).

Issue 37: What is the total jurisdictional amount to be included in establishing PEF's 2012 Capacity Cost Recovery Clause factor?

PEF Position:

This issue is impacted by PEF's pending Motion for Deferral. The Commission should defer consideration of the reasonableness of PEF's CR3 Uprate project actual/estimated 2011 costs and projected 2012 until the 2012 NCRC docket, to allow the Commission, its Staff, and the Intervenors more time to fully analyze and engage in discovery regarding the updated cost projections for the CR3 Uprate project that will likely be later completed. PEF also incorporates its Motion herein by reference. However at the time PEF filed its testimony on May 2, 2011 its CR3 Uprate project 2011 and 2012 costs were reasonable. (Franke).

PEF Position (A): Consistent with PEF's May 2, 2011 Filing:

The total jurisdictional amount to be included in establishing PEF's 2012 Capacity Cost Recovery Clause factor should be \$157,564,361 (before revenue tax multiplier). Please see Appendix A for a breakout of these costs. (Foster)

PEF Position (B): **Consistent with PEF’s motion for deferral filed July 1, 2011, which used PEF’s response to Staff POD 1 Question 3 as the basis for the Revenue Requirement calculation updated for changes as identified in the motion:**

The total jurisdictional amount to be included in establishing PEF’s 2012 Capacity Cost Recovery Clause factor should be \$140,919,397 (before revenue tax multiplier). Please see Appendices A & B for a breakout of these costs. (Foster)

Disputed Issues:

Proposed Issues 21, 22, 26 and 30 above are disputed by PEF.

E. STIPULATED ISSUES.

None at this time.

F. PENDING MOTIONS.

Progress Energy Florida, Inc.’s Motion for Deferral of the Approval of the Long-Term Feasibility and the Reasonableness of Projected Construction Expenditures and Associated Carrying Costs for the Crystal River Unit 3 Uprate Project and Petition for a Temporary Variance or Waiver of Rule 25-6.0423(5)(c)2, 5, F.A.C. on an Emergency Basis

Florida Industrial Power User’s Group Agreed Motion for Progress Energy Florida to Begin Hearing on Date Certain of August 22, 2011

G. PEF’S REQUESTS FOR CONFIDENTIAL CLASSIFICATION.

Document No.	Request	Date Filed
01371-11	First Request for Confidential Classification re Portions of Testimony and Exhibits and Petition Filed as Part of the Company’s March 1, 2011 True-Up Filing	3/01/11
02891-11	Second Request for Confidential Classification re the Company’s Responses to OPC’s 1st Request for Production (“POD) Nos. 1,2, 3, 4 and 6 and 1 st Set of Interrogatories (“ROG”) Nos. 1 and 2	4/27/11
03022-11	Third Request for Confidential Classification re Portions of the Testimonies, Exhibits and NFRs Filed as Part of the Company’s May	5/2/11

	2, 2011 Petition for Approval of Costs to be Recovered, testimony, exhibits and NFRs of Foster, testimony of Hardison, testimony and exhibits of Elnitsky, and exhibits of Franke	
03144-11	Fourth Request for Confidential Classification re PEF's responses to Citizen's 2 nd POD Nos. 9, 10 and 11 and 2nd ROG No. 5	5/5/11
03195-11	Fifth Request for Confidential Classification re Audit Control No. 11-024-2-2 Workpapers	5/9/11
03987-11	Seventh Request for Confidential Classification re responses to Citizen's 3 rd POD Nos. 12-16 and 18 and 3 rd ROG Nos. 18, 20, 27 and 28	6/9/11
04351-11	Eighth Request for Confidential Classification re PEF responses to Staff's 3rd ROG Nos. 14 and 16	6/23/11
04345-11	Ninth Request for Confidential Classification re PEF responses to Citizen's 4 th POD Nos. 21 and 23, and 4 th ROG Nos. 36 and 55	6/23/11
04535-11	Tenth Request for Confidential Classification re Review of PEF's Project Management Internal Controls for Nuclear Plant Uprate and Construction Projects Audit Report No. PA-11-01-001	7/1/11
04539-11	Eleventh Request for Confidential Classification re PEF's Project Management Internal Controls for Nuclear Plant Uprate and Construction Projects Audit Work Papers	7/1/11
04595-11	Twelfth Request for Confidential Classification re PEF's responses to Citizen's 5 th POD Nos. 27, 28 and 29, and 5 th ROG Nos. 66, 90, 127 and documents to 142	7/5/11
04894-11	Thirteenth Request for Confidential Classification re late filed exhibit LFE No. 1 of Elnitsky and late filed exhibits of Franke Nos. 6 and 7	7/15/11
pending	Fourteenth Request for Confidential Classification re portions of John Elnitsky's June 17, 2011 deposition	7/22/11
pending	Fifteenth Request for Confidential Classification re exhibit WJR(PEF)-3 of William R. Jacob, Jr., Ph.D's Direct Testimony	7/22/11
pending	Sixteenth Request for Confidential Classification re Prehearing Statement and rebuttal testimony exhibits (pending)	

H. REQUIREMENTS OF PREHEARING ORDER THAT CANNOT BE MET.

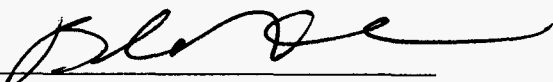
Because discovery is continuing in this matter, PEF must reserve the right to use witnesses and exhibits other than or different from those identified hereinabove, in order to respond to ongoing developments in the case. PEF further reserves the right to amend any of its positions to the issues to respond to any such ongoing developments in the case or in respond to the Prehearing Officer's or Commission's rulings on the disputed issues or the pending Motions.

I. OBJECTIONS TO WITNESSES' QUALIFICATIONS

None.

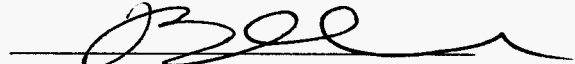
Respectfully submitted this 25th day of July, 2011.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY a true and correct copy of the foregoing has been furnished to counsel and parties of record as indicated below via electronic and U.S. Mail this 25th day of July, 2011.


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APPENDIX A
Docket No. 110009-EI

PEF - Total Jurisdictional Amount for 2012 Capacity Cost Recovery Clause Factor Summary			
		(A)	(B) *
TOPIC		Reference: PEF March 1 & May 2, 2011 NCRC Filings	Reference: Pending Motion July 1, 2011
CR 3 Uprate			
	CR3 Uprate 2010 Final True-up	\$ 108,602	\$ 108,602
	CR3 Uprate 2011 Estimated True-up	(609,715)	(4,127,377)
	CR3 Uprate 2012 Projections	22,740,705	9,613,098
	CR3 Uprate Subtotal	\$ 22,239,592	\$ 5,594,323
	Rev Tax Multiplier	1.00072	1.00072
CR3 Uprate Total		\$ 22,255,605	\$ 5,598,350
Levy Nuclear Project			
	Levy 2010 Final True-up	\$ (60,743,424)	\$ (60,743,424)
	Levy 2011 Estimated True-up	5,775,063	5,775,217
	Levy 2012 Projections	75,324,768	75,324,920
Amortization of Reg Asset		114,968,361	114,968,361
	Levy Subtotal	\$ 135,324,768	\$ 135,325,074
	Rev Tax Multiplier	1.00072	1.00072
Levy Total		\$ 135,422,202	\$ 135,422,508
NCRC Subtotal Amount			
		\$ 157,564,361	\$ 140,919,397
	Rev Tax Multiplier	1.00072	1.00072
NCRC Total Amount		\$ 157,677,807	\$ 141,020,859
<p>* Staff POD 1 Q3 was used as basis for the Revenue Requirement calculation and updated for changes as identified in the July 1, 2011 motion.</p>			

APPENDIX B
Docket No. 110009-EI

Issue 24 Detailed Support				
CR3 2012 Uprate Revenue Requirement Summary - Assuming PEF's Deferral is Approved (CR3 Uprate Scenario B)				
	2010 True Up	2011 A/E True Up	2012 Projected	Total
O&M	(286,018)	(423,168)	(710)	(709,896)
Carrying Costs	2,549,380	2,896,951	12,875,747	18,322,078
Other Adjustments	(2,154,760)	(6,601,160)	(3,261,939)	(12,017,859)
Total CR3 Uprate 366.93 Revenue Requirements	108,602	(4,127,377)	9,613,098	5,594,323

Levy 2012 PEF Levy 1 & 2 Revenue Requirement Summary Assuming LNP Scenario B				
	2010 True Up	2011 A/E True Up	2012 Projected	Total
Site Selection & Preconstruction	(58,175,233)	6,190,953	25,453,715	(26,530,565)
O&M	(1,190,702)	(2,409,310)	1,405,073	(2,194,939)
Carrying Costs	(1,372,187)	1,993,574	48,466,131	49,087,518
Other	(5,302)	-	-	(5,302)
Total Levy 366.93 Revenue Requirements	(60,743,424)	5,775,217	75,324,920	20,356,713
Plus: 2012 Amortization of Proposed Deferral			114,968,361	114,968,361
Proposed Levy Revenue Requirements for 2012 CCRC				135,325,074

Proposed NCRC Revenue Requirements for 2012 CCRC (After Revenue Tax Multiplier)	141,020,859
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