

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Nuclear Power Plant Cost Recovery  
Clause

Docket No. 110009-EI

**REDACTED**

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**Nineteenth  
Request for Confidential Classification  
Exhibit B**

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DOCUMENT NUMBER-DATE

06278 AUG 31 =

FPSC-COMMISSION CLERK

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET NO. 110009-EI  
FILED: JULY 27, 2011

IN RE: NUCLEAR COST RECOVERY CLAUSE VOLUME I

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PROCEEDING: DEPOSITION OF JOHN ELNITSKY

DATE: August 3, 2011

TIME: 11:00 a.m. - 4:44 p.m.

PLACE: Offices of Progress Energy Florida  
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REPORTED BY: Stephanie A. Walters  
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(PAGES 1 - 184)

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1 answer that as a percentage. I can kind of tell you  
2 what kind of inputs we provided, but I don't know  
3 that there is a way to say what percentage of the  
4 product it's at. I don't know that it really would  
5 scale that way.

6 BY MR. SAYLER:

7 Q All right. What type of inputs would you have  
8 provided?

9 A Primarily, capital costs associated with the  
10 different types of resources that -- or assets that  
11 might be constructed in particular timeframes.

12 So, for example, as we talked about during my  
13 first deposition, when you see in different charts a

14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED] really, would be the

19 extent of those inputs.

20 Q And when you mean generic estimates, can you  
21 define that?

22 A Not as good as a Class 5.

23 Q Okay. Class 5?

24 A Yeah --

25 Q Okay.

1 all of these scenario plannings?

2 A Let me get myself in the time frame here. So  
3 in early 2010, mid-2010, Crystal River 3 would have been  
4 out of service for a steam generator replacement for  
5 power uprate.

6 I'm just trying to think. I think -- and this  
7 is subject to check -- I think the assumption in here  
8 was that Crystal River 3 would come back in service  
9 after the initial delamination repair, so it was  
10 probably assumed to be back in service in 2011.

11 I don't know exactly when it was assumed. It  
12 would probably have been in the first quarter. Again,  
13 I'd have to check, and I don't know if there is an easy  
14 way to look at these and figure that out or not, but --

15 Q Do you have a copy of the June 17th --

16 MR. REHWINKEL: Exhibit 2.

17 BY MR. SAYLER:

18 Q -- Exhibit 2?

19 A Okay.

20 Q If you'll look at unnumbered Page 2 --

21 A Okay.

22 Q -- I believe there is a chart -- at the bottom,  
23 there is a key that says nuclear uprate, and then if you

24

25 A Yeah. So that would assume -- yeah, I think

1 you're right. [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 That would make sense. Because at that time,  
5 when this was being built, that was where we were in the  
6 repair process and the restoration process.

7 Q So all the assumptions related to all the  
8 scenarios assumes CR-3 was in service at the uprated --  
9 at the newly uprated amount?

10 A I think that is correct.

11 MR. SAYLER: Okay. My -- for the benefit of  
12 those not seeing this, my yellow page, you can't  
13 really tell the uprate came into service, hence my  
14 question --

15 THE WITNESS: Yeah, it's a little harder.

16 MR. SAYLER: -- regarding --

17 THE WITNESS: Can we go off the record for a  
18 second?

19 MR. SAYLER: Yeah, certainly.

20 (WHEREUPON, a brief discussion is held off the  
21 record.)

22 MR. SAYLER: All right. Back on the record.

23 BY MR. SAYLER:

24 Q If you will look at that same unnumbered Page  
25 2, at the top of the page, it says, [REDACTED]

1 [REDACTED] It appears that the Levy  
 2 project is not on there; is that correct?

3 A That's correct.

4 Q So that would assume that Levy is not coming  
 5 into service?

6 A That's correct.

7 Q All right. If you turn to the next page, you  
 8 have this line designated, [REDACTED]  
 9 Can you explain that line?

10 A Yes, I can, and I think it's used in a couple  
 11 of different places and, in fact, in the later  
 12 presentations, I think it's actually called [REDACTED]

13 [REDACTED]

14 So, for example, if you go to the August 23rd  
 15 presentation -- and I'll just -- let me just find a  
 16 place where it is -- on August 23rd, Exhibit 4, Page 7,  
 17 a similar kind of line shows up on there.

18 In that case -- and I think this was, as we  
 19 evolved, how we were labeling things, to be more precise  
 20 here, we said, PEF non-nuclear strategic capital  
 21 benchmark.

22 Again, this first one that you're looking at is  
 23 an earlier product. [REDACTED]

24 [REDACTED]

25 [REDACTED]

1 [REDACTED]

2 [REDACTED]

3           So in the later presentations, that becomes a  
4 lot clearer, and it has a different defi -- the  
5 definition of what that line is trying to show is a  
6 little clearer.

7           Q     Okay. So for the benefit of those who are  
8 listening, but don't have this, I guess it is a  
9 landscape diagram, and you've got little mountains going  
10 above and below the capital -- [REDACTED]

11 [REDACTED]

12           Anything above that line is required more  
13 capital than Progress at that time had? I'm just trying  
14 to understand, where it's going above and below the  
15 line.

16           A     No, I don't -- no, I don't think -- I don't  
17 think I would say it's more capital than we had. What  
18 we were trying to do -- and it connects into, you know,  
19 much later on when you get to the consolidated  
20 plan is -- so looking at things like [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 Q [REDACTED]

7 A [REDACTED]

8 Q [REDACTED]

9 [REDACTED] [REDACTED]

10 hav [REDACTED] [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 A I think it's just trying to show, as I  
14 understood it from the presentations and the briefs,  
15 that for [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 The line is just sort of showing the benchmark.  
21 that kind of keeps us on balance. And then wherever you  
22 see a rise above it, there is additional action that  
23 could be required.

24 Q Okay. One moment.

25 MR. SAYLER: Did we have someone come on the

1 line or off the line? I can't tell which.

2 BY MR. SAYLER:

3 Q All right. If you'll turn to the next line,  
4 which, I guess, is unnumbered slide 3 or 4. It's on --

5 A Got it.

6 Q When it says [REDACTED]

7 [REDACTED]

8 A [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 And I think this may be a good -- if I can,  
23 just a moment, on these charts, because now you see all  
24 the items on here, I think it's a little easier to  
25 explain.

1           You know, all this is trying to do is, in that  
2 scenario of moderate change, this is one possible mix of  
3 how you might adjust your generation resources.

4           The Page 2 of this same document, the June 17th  
5 brief that's Exhibit 2, is a different mix of resources  
6 that might address that type of a world if you had to  
7 deal with it.

8           I think what's important to note about these  
9 is, this is not necessarily an executable plan. It's  
10 not necessarily the way you would build things.

11           Good example: The boxes on the right of the  
12 moderate change case [REDACTED]

13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED] [REDACTED]  
17 [REDACTED]  
18 [REDACTED]

19           So I think it's important as you look at these  
20 to recognize is this is one possible way of stacking  
21 resources together to address the drivers of a  
22 particular scenario and how you might have to deal with  
23 some of those changes.

24           It's not an ultimate answer; it's not, in some  
25 cases, an executable answer, and it certainly is not

1 something that would become a resource plan.

2 Q Okay. Still, regarding this [REDACTED]  
3 [REDACTED], this was taking place June 17th, 2010. Were  
4 you or members of the team aware of the potential Duke  
5 merger at that time?

6 A I was not -- I can't answer who might have been  
7 aware at that point in time. I don't know.

8 Q In your opinion, [REDACTED]  
9 [REDACTED]  
10 [REDACTED]

11 A In my opinion, based on the conversation that  
12 went on at this meeting and the subsequent meetings,  
13 there was [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]

19 Again, remember -- and we testified to this  
20 last year, both in Mr. Lyash's testimony and mine --  
21 that we were concerned that there was going to be a lot  
22 of pressure on our credit rating as a result of not  
23 coming to closure on a base rate settlement that, in  
24 that world, we might not be able to get capital at an  
25 equitable rate in this world.

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Q With regard to the scenario planning process,  
7 by July 27th, were you aware of the potential Duke  
8 merger?

9

A I was not.

10

Q Were members of the SMC aware of the potential  
11 Duke merger?

12

A I don't know.

13

Q What about August 23rd? Were you aware of the  
14 Duke merger then?

15

A I was not.

16

Q What about the SMC?

17

A I don't know. I want to think by August they  
18 probably were, but I don't know.

19

Q Okay.

20

A I was -- again, remember, the whole merger  
21 proceeding in process was very, very controlled. I was  
22 made aware of it in, I think, about late October or  
23 November of 2010.

24

So I -- when all this is going on, there is no  
25 discussion of Duke merger; there is no understanding on

1 August presentation, I was just wondering --

2 A Yeah.

3 Q -- if these were the same assumptions for the  
4 August presentation?

5 A That is correct.

6 Q Okay.

7 A It's just that we didn't spend the time to  
8 review them all again, because they had seen them once  
9 before -- actually, twice before.

10 Q And I just have a few questions about the  
11 assumptions on Exhibit 3, Page 2 of July 23rd.

12 A Okay.

13 Q [REDACTED]  
14 [REDACTED] [REDACTED]  
15 [REDACTED]

16 A That's correct.

17 Q [REDACTED]  
18 [REDACTED]

19 A That's correct.

20 Q [REDACTED]  
21 [REDACTED]  
22 [REDACTED]

23 A Yes, that's correct.

24 Q Okay. And when it comes to comparing these  
25 natural gas scenarios to the cumulative present worth

1 (sic) value revenue requirement, is there any -- any  
 2 analogue or comparison?

3 [REDACTED]  
 4 [REDACTED] [REDACTED]  
 5 [REDACTED]  
 6 [REDACTED] [REDACTED]

7 A Not exactly. The better way to describe  
 8 them -- and we describe them in detail in the cumulative  
 9 present value of revenue requirement -- what the inputs  
 10 are to the CPVRR. They are related.

11 We provide in -- you know, in 2010, we provided  
 12 a variety of high and low band width curves, and I'd  
 13 have to go back and look at 2010 versus 2011. I've got  
 14 that here.

15 Well, to answer the question, is they're  
 16 related; they're not, you can't look at a curve in our  
 17 CPVRR input and say, well, that was the moderate change  
 18 scenario. They're not -- they aren't tied together that  
 19 way. They are similar sets of inputs, but the gas  
 20 forecast for the CPVRR analysis were independent of how  
 21 these bands were picked for the scenario planning  
 22 purpose.

23 Q Okay?

24 A And I think the way to think about that is,  
 25 we're just saying, you know, [REDACTED]

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Q Okay. So it's not an apples-to-apples comparison?

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8

A Yeah, it's not -- you can't go look and say, oh, this curve is your technology-driven change in the CPVRR. It doesn't work that way.

10

11

Q Okay. Now looking at the

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A You know, I would answer that the same way. There are carbon assumptions that go into each of the line items in the CPVRR, and we describe what each of those are.

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They are comparable, but again, there is no direct -- you can't go look at the CPVRR line and say, well, this is the business-as-usual line. I mean, again, that's not how these things were used; they don't tie directly to the -- to that process.

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Q

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1 A Standards.

2 Q -- Standards? [REDACTED] [REDACTED]

3 A I don't know. I'd have to get back to you on  
4 that. I forget what that one was. Huh. I don't know.  
5 I apologize. I should know that. I just don't  
6 remember.

7 Q [REDACTED]

8 A That's correct.

9 Q [REDACTED]

10 [REDACTED]

11 [REDACTED] [REDACTED]

12 A [REDACTED]

13 [REDACTED]

14 Q Okay.

15 A So you're saying -- and again, what we're  
16 trying to do here is if some of these things happen, how  
17 do you think about the different approaches that the  
18 company would take to deal with that change.

19 I do know one of the thoughts there was, that  
20 part of this technology-driven approach, [REDACTED]

21 [REDACTED]

22 [REDACTED] [REDACTED]

23 [REDACTED]

24 Q [REDACTED]

25 [REDACTED]

1 A [REDACTED]

2 Q [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 A Yeah, potentially. So that's saying, hey.

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 Q And these assumptions carry through both  
12 documents and also into the consolidated results for  
13 Progress and Carolina?

14 A That is correct.

15 Q Florida and Carolina?

16 A That's correct.

17 Q Do you know if the Carolina group used the same  
18 planning scenario assumptions?

19 A As I recall, yes. These were -- in order to be  
20 able to do that consolidation, they were given the same  
21 inputs. There is one delta, I think, as I recall, in  
22 August. They actually, in the Carolinas, looked at a --

23 Q [REDACTED]

24 A [REDACTED]

25 [REDACTED] -- but

1 assumptions that were made in -- by the time we got to  
2 August then what were thought about in July, none the  
3 least of which are -- I'm just looking here.

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 So again, it's just looking at a different  
8 stack-up, and what you saw, and as I recall, one of the  
9 things that was an observation in July, so if -- and I'm  
10 back on Page 8 and I'm comparing it to --

11 Q Page 8 of Exhibit 3?

12 A Yeah, sorry. Page 8 of Exhibit 3, and I'm  
13 comparing that to Page 5 --

14 Q Of Exhibit 4?

15 A -- of Exhibit 4. You know, one of the things I  
16 remember as an observation -- I think I'm the one that  
17 made it, as a matter of fact -- was, you know, this is  
18 an interesting solution set for this scenario, but there  
19 is a lot of this that is unrealistic.

20 For example, [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 You can't execute that way; you won't execute  
25 that way. There is probably some other ways to think

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[REDACTED]

So I don't -- and the long answer to your question:

[REDACTED]

Q [REDACTED]

[REDACTED]

A Yeah --

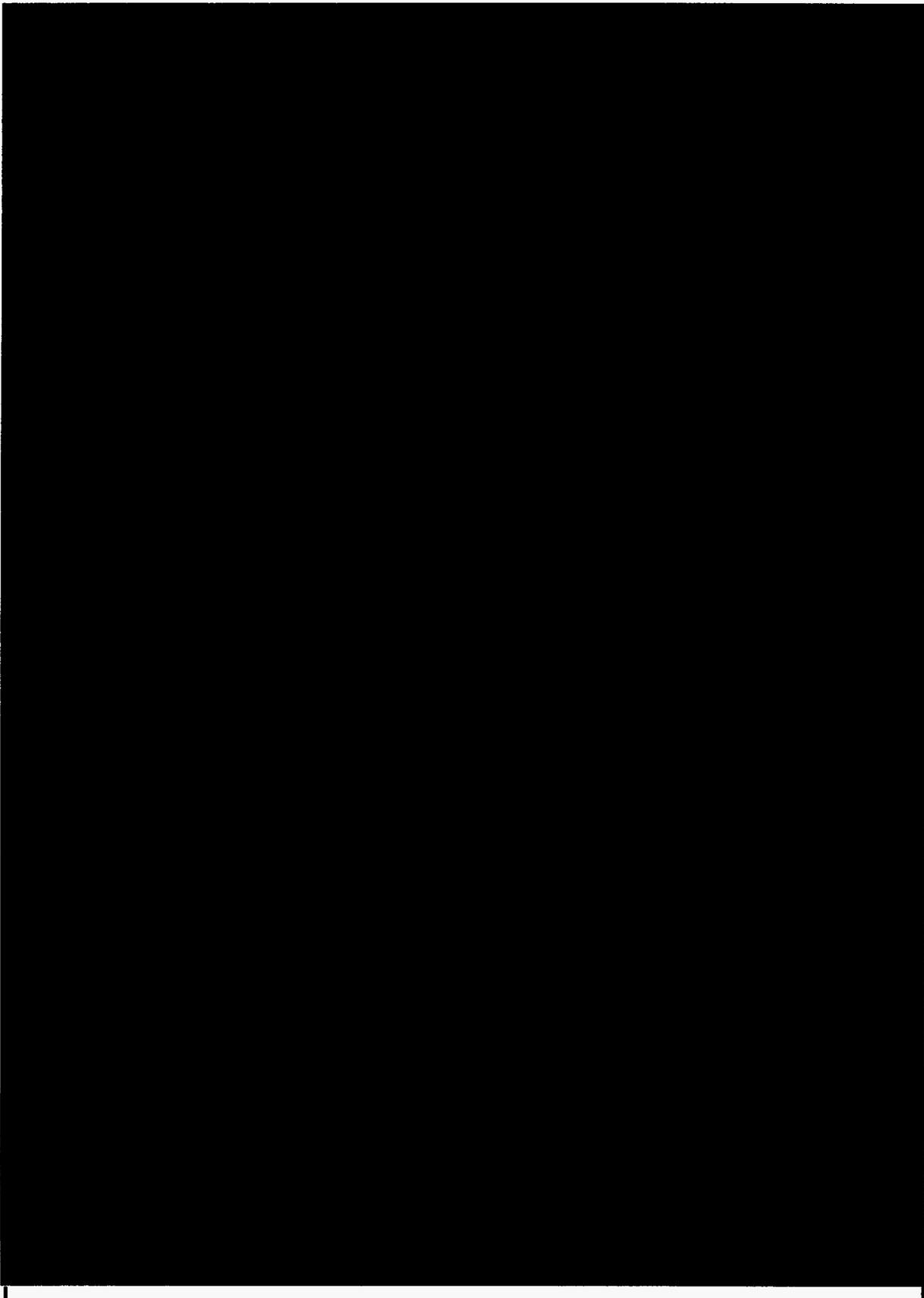
Q Let me --

A -- I mean, yes, they do. They are part of the elements that go into defining where that line should be, yes.

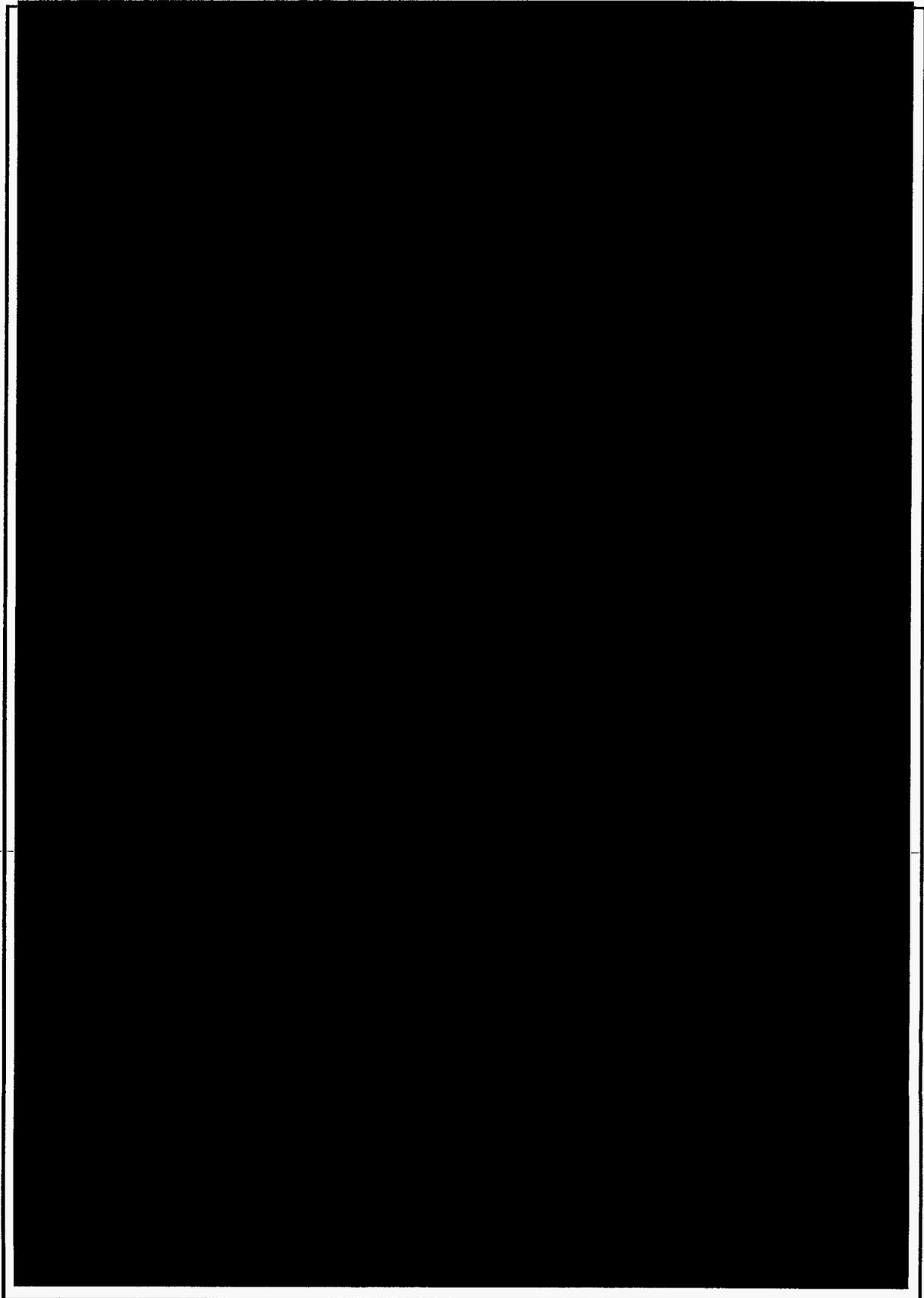
[REDACTED]

I think we've said this before -- in my testimony, and I know Mr. Lyash last year -- I mean,

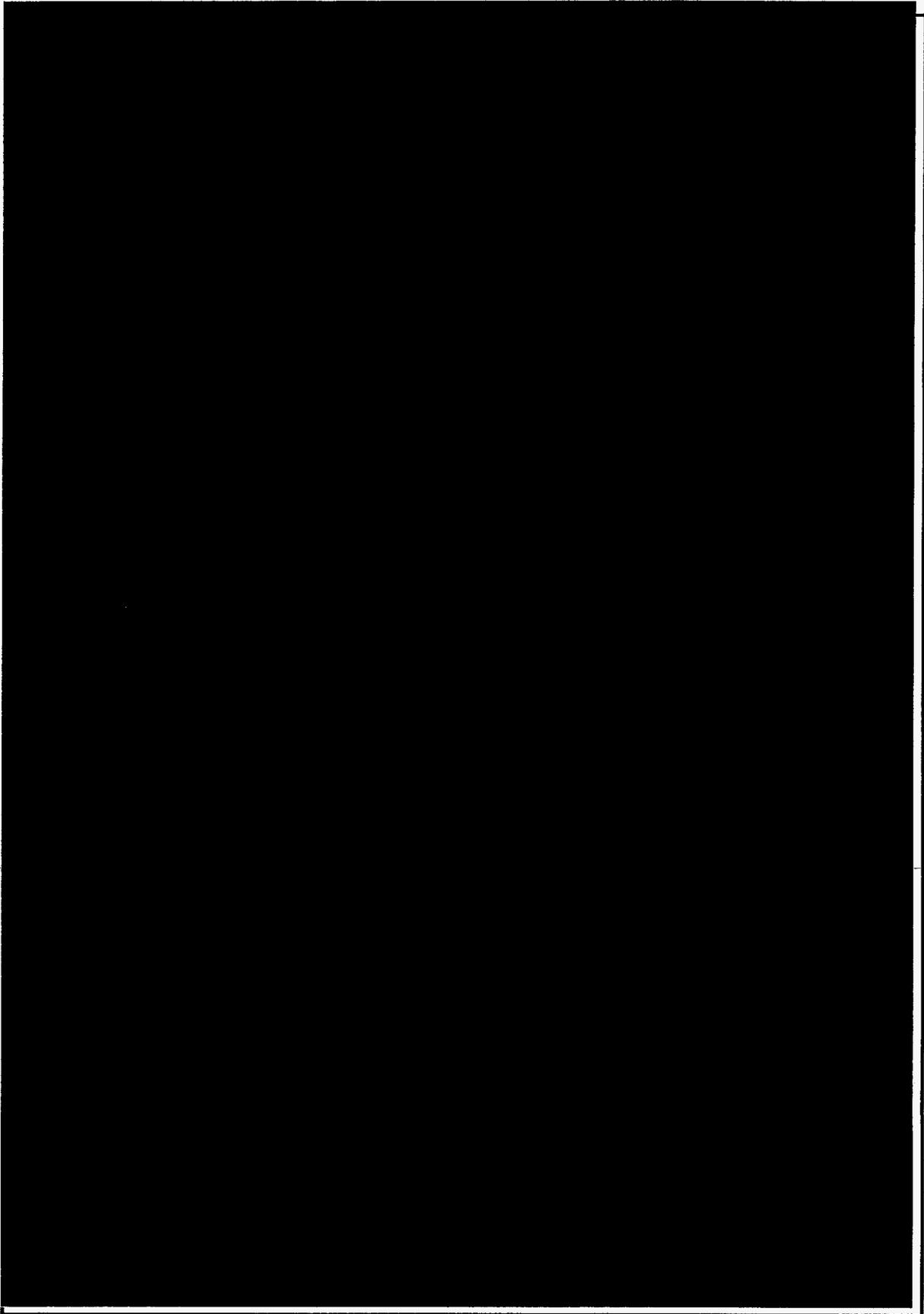
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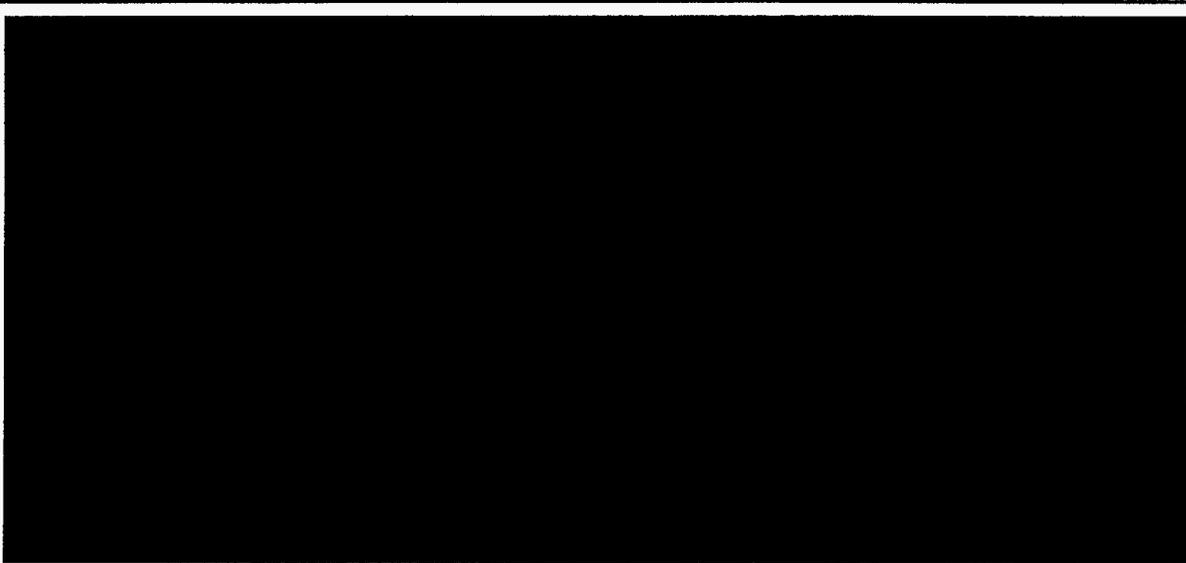
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Q Okay.

A [REDACTED]

So, you know, again, this is sort of the nuance of this. It's nice to put these different resources, in terms of new generation, into these plots, but then you've got to ultimately figure out is that even executable and does it make sense on other vectors, such as cumulative present value of revenue requirement analysis or heat rate analysis, and that sometimes drives you to some different solutions.

So since the -- you know, we're not trying to get the resource plans; we're trying to broaden our understanding. [REDACTED]

[REDACTED]

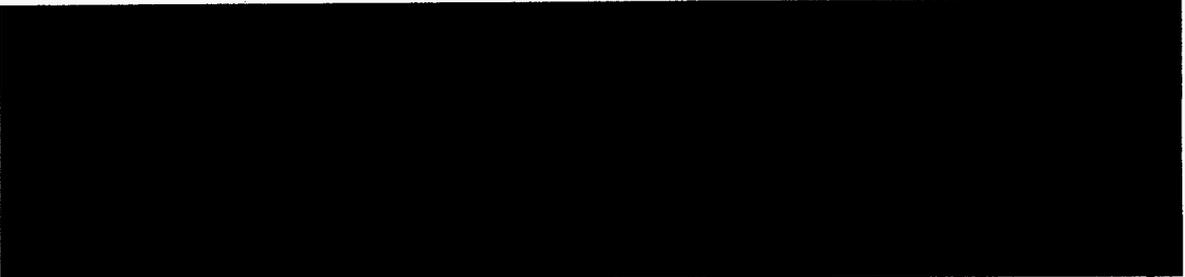
[REDACTED]

[REDACTED]

And certainly, if that's not the approach that

1 you take as a replacement power, then that's going to  
 2 drive changes in the out-years, including affect in how  
 3 soon you might need an asset like Levy to come in  
 4 service.

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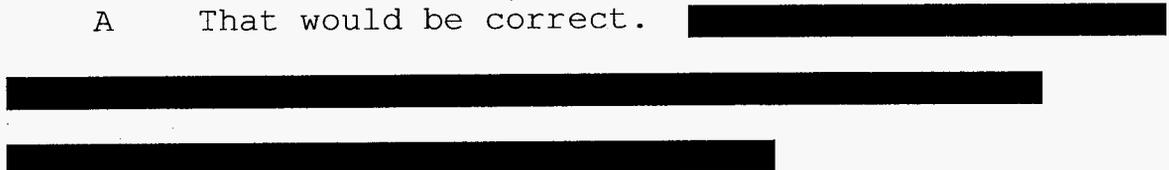


9 A That's correct.

10 Q And so that would be true also under the  
 11 August 23rd scenarios?

12 A That would be correct.

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15 Q Okay. All right. And looking at slide 4 of  
 16 the August scenario, Exhibit 4, you have two --

17 A Hang on. Let me get to slide 4.

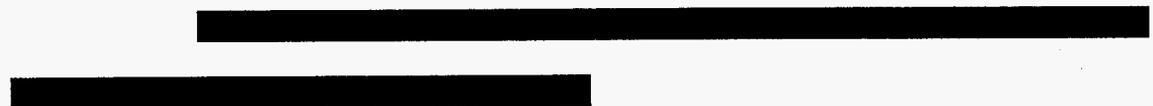
18 Okay.

19 Q You have two purple units, dark blue-purplish?

20 A Yeah.

21 Q As a guy, I have about eight colors; my wife  
 22 has about 64.

23  
 24



25 A Yeah.

REDACTED

1 Q [REDACTED]

2 A No, I think what it says down at the bottom  
3 here -- and this is, again, in the -- you know, this is  
4 the March -- you're looking at slide 4. Let me make  
5 sure I'm on the right slide --

6 Q Slide 4, Exhibit 4 --

7 A -- Exhibit 4. So this is --

8 Q -- march 2010 resource plan.

9 A Yeah, this is the resource plan as it existed  
10 in March of 2010. So the last time, I think, we talked  
11 about this, this was just the company's sort of overall  
12 program of record from a resource plan, that was  
13 consistent with the 10-year site plan.

14 [REDACTED]

15 [REDACTED]

16 [REDACTED] I think that's the color code, if I'm reading this  
17 right, down at the bottom, and that would make sense.

18 MR. SAYLER: Can I see that on your chart,  
19 Mike, because I've got that yellow highlighting.

20 THE WITNESS: [REDACTED] [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 So I think what this resource plan -- and

REDACTED

1 again, program of record was saying there is likely  
2 going to be [REDACTED]

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7 BY MR. SAYLER:

8 Q All right. If you turn to slide 7 of the  
9 August 23rd, Exhibit 4, [REDACTED]

10

11

12 A Yeah.

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15 A Let me see if that make sense. I think it  
16 could be. Yeah, the time frame is right, so I think on  
17 here -- you're right. -- On slide 7, it's showing those as

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24 Q And that's the 10-year site plan--

25 A Yeah, and --

REDACTED

1 Q -- resource -- okay.

2 A -- you know, that's what -- you know, [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 Q Okay. So --

8 A -- which is why it wasn't specific on here as  
9 opposed to slide 7.

10 Q Okay. So this slide 7 has a little more  
11 granular detail to the 10-year site plan?

12 A Yeah, I think so.

13 Q Okay. Still looking at slide 7 of the Exhibit  
14 4.

15 A Okay.

16 Q You have that red -- solid red line, which is  
17 the [REDACTED]

18 A Uh-huh.

19 Q Why is it called non-nuclear?

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

1 about this.

2 So when you look in the Page 5 now of Exhibit  
3 4, [REDACTED]

4 [REDACTED] and then Levy coming in later in the scenario.

5 Again, it's a different stack-up that gets you  
6 to a potential solution set for this scenario; and  
7 again, it's just different ways of looking at it.

8 And again, remember what we're trying to do  
9 here: We're not trying to come up with a resource plan;  
10 we're trying to stress what are the different ways that  
11 we might have to respond in a world where the things  
12 that are described in the moderate change case develop  
13 or, if only some of them develop, how might you have to  
14 respond.

15 Again, making sure that we as a company are  
16 agile enough to continue to provide reliable baseload  
17 generation and service for our customers, regardless of  
18 the type of world that we have to deal with.

19 Q Okay. Returning to Exhibit 3, slide 10, with  
20 its analogue being Exhibit 4, slide 8 --

21 A Yep.

22 Q -- you have on Exhibit 3, slide 10, you have  
23 [REDACTED] and then slide 8,  
24 you have [REDACTED]

25 One question about the line: [REDACTED]

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[REDACTED]

[REDACTED]

A Not exactly. As I recall, on -- and again,

[REDACTED]

[REDACTED]

[REDACTED]

It really is trying to look at a balance. I think in the August brief there is a picture maybe -- it's in July. Let me look here just a second.

[REDACTED]

1 there is certainly pressure on credit ratings, if you're  
2 not smart about how you approach the balance of debt and  
3 equity, and how you would go forward with raising funds  
4 for a project like Levy.

5 But I don't think it's -- I don't think you can  
6 say that because you're making additional capital  
7 investments that that's going to negatively impact  
8 earnings.

9 Q And in both the July 27th and August 23rd, you  
10 have various charts titled [REDACTED]

11 [REDACTED]  
12 A Do you want to just walk me through what slide  
13 you're flipping through?

14 Q Sure. If you look at slide 17, Exhibit 3 and  
15 slide 15, Exhibit 4, [REDACTED]

16 [REDACTED]  
17 A Uh-huh. 17, Exhibit 3. What was the other  
18 one?

19 Q Slide 15, Exhibit 4.

20 A Okay.

21 Q And there are changes -- two main differences  
22 on slide 15 of Exhibit 4 is, one, [REDACTED]

23 [REDACTED]  
24 [REDACTED]  
25 [REDACTED]

## REDACTED

1           A       Yes, it's just looking at different approaches  
2 to how you might deal with each of these scenarios. For  
3 completeness, in August, we showed the March 2010 case,  
4 which, at that point, was the resource plan that was the  
5 program of record, and to give an adjusted position,  
6 showing the moderate change case that had Levy in the  
7 plan later.

8                   Now, was it a good comparison? Again, you  
9 know, what are we trying to do here? We're trying to  
10 compare how to think about dealing with these different  
11 environments.

12                   And again, it's a lot of things. [REDACTED]

13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16                   I mean, there is a lot of factors. Again,  
17 it's -- this is not just about projects; this is about  
18 how you're going to run the company.

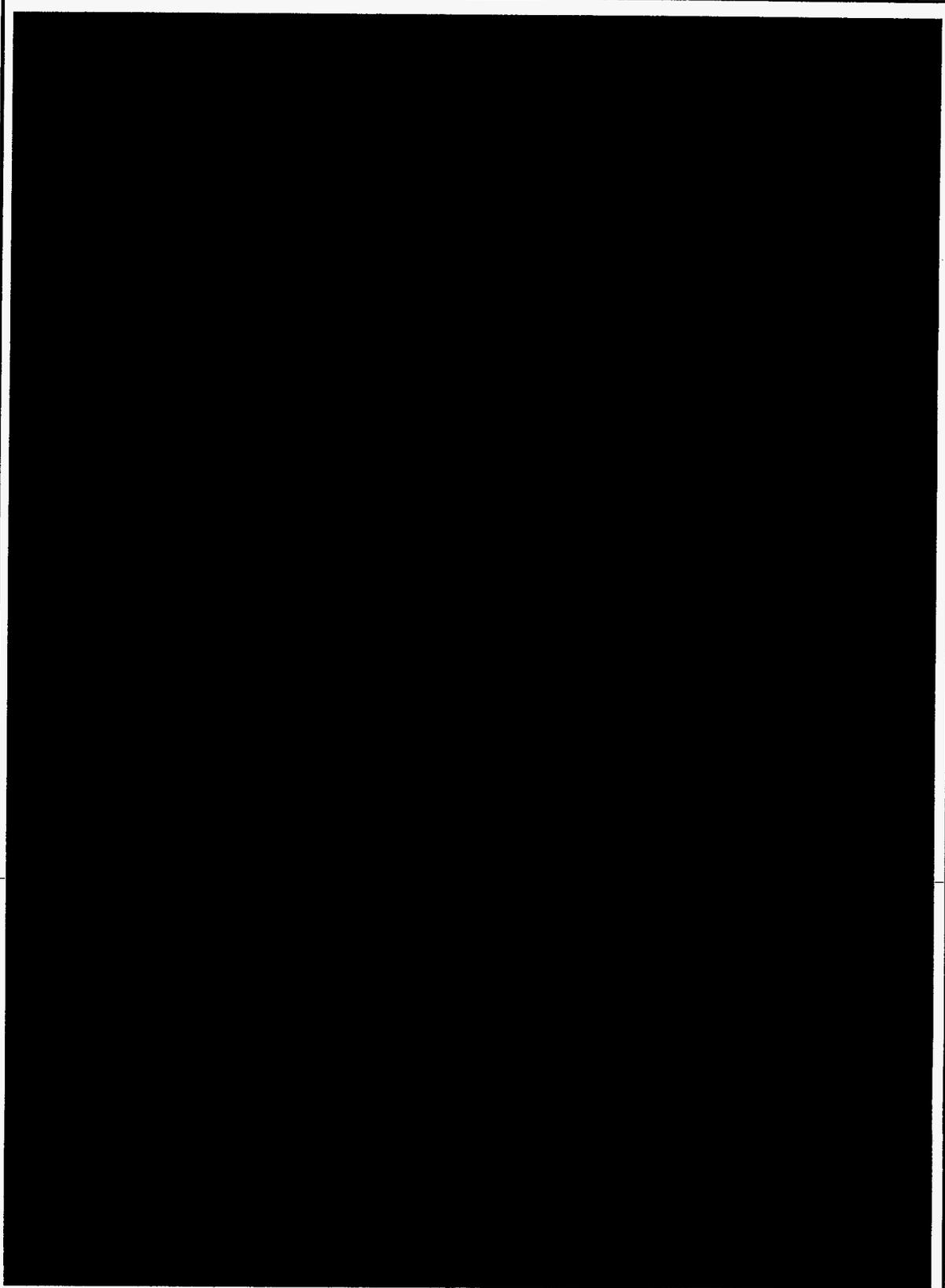
19           Q       All right. A few more questions about July  
20 27th, Exhibit 3. If you turn to -- I guess it would be  
21 slide 20. It just says [REDACTED] right?

22           A       Okay.

23           Q       Slide 21 is titled [REDACTED] [REDACTED]  
24 [REDACTED] [REDACTED]

25           A       [REDACTED]

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So are we agile enough to serve our customers,

1 regardless of how some of these things play out, and  
2 that was one of the reasons this was part of the  
3 analysis.

4 Q Okay. [REDACTED]

5 [REDACTED]

6 A The shape of that. Yeah, it's the shape of  
7 that dotted line -- or the dotted curve -- dotted line.

8 Q [REDACTED]

9 [REDACTED]

10 A Yeah, just as -- yes, that's correct, and only  
11 because some of the input slides that had already been  
12 reviewed with the SMC were not repeated again in August,  
13 just like that slide we talked about earlier, which had  
14 all the assumptions for each scenario. It wasn't --  
15 wasn't included. Again, it was just to sort of  
16 streamline that discussion.

17 Q So the assumptions related to this are still on  
18 the August 23rd --

19 A That's correct.

20 Q -- but not the slide itself?

21 A The slide just wasn't there. That's correct.

22 Q Okay. Turning to slide 23 of the Exhibit 3,  
23 July 27, we can skip that page. To slide 24, which is  
24 titled, [REDACTED] And  
25 for purposes of the July 27 meeting, these are the --

1 kind of the big picture things for the SMC to keep in  
2 mind related to the scenario planning? Would you agree?

3 A Yes, but again, I think it requires a little  
4 more explanation. These are preliminary, as you'll see  
5 labeled on the top of 25 and 26 in Exhibit 3. It's to  
6 get the discussion started again. There's -- you'll see  
7 changes in these, as you go into August again, and some  
8 additional items that were added.

9 Again, the purpose being, you know, [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 Q All right. And if you turn to slide 19 of the  
18 August 23rd, Exhibit 4 --

19 A Yeah.

20 Q -- it would have that same title,

21 [REDACTED] is that  
22 correct?

23 A Yeah.

24 Q And if you turn to slide 20, that would be  
25 analogous to slide 25 on Exhibit 3, right?

1           Some of them had not seen any of this type of  
2 work up until that point, so this was Mark Myers'  
3 reminder to everybody on how this process works and sort  
4 of base-lining everybody on what went into building  
5 this.

6           Again, that's why several of the things that  
7 you see in July don't show up again in August, because  
8 there was no need to re-baseline everybody on what the  
9 general assumptions were for how we were doing business  
10 with this particular process.

11         Q     Okay. Let's return to Exhibit 3, July 27, Page  
12 23. I remembered my question.

13         A     Okay.

14         Q     This slide says [REDACTED]  
15 [REDACTED]  
16 [REDACTED]

17 [REDACTED] correct?

18         A     Yes, but I think there is a little more to it  
19 than that, so we've got to be careful about terminology  
20 here.

21           Again, we're looking at different approaches to  
22 dealing with these different scenarios, so there is no  
23 one solution set here, as we discussed, and not trying  
24 to find one solution set.

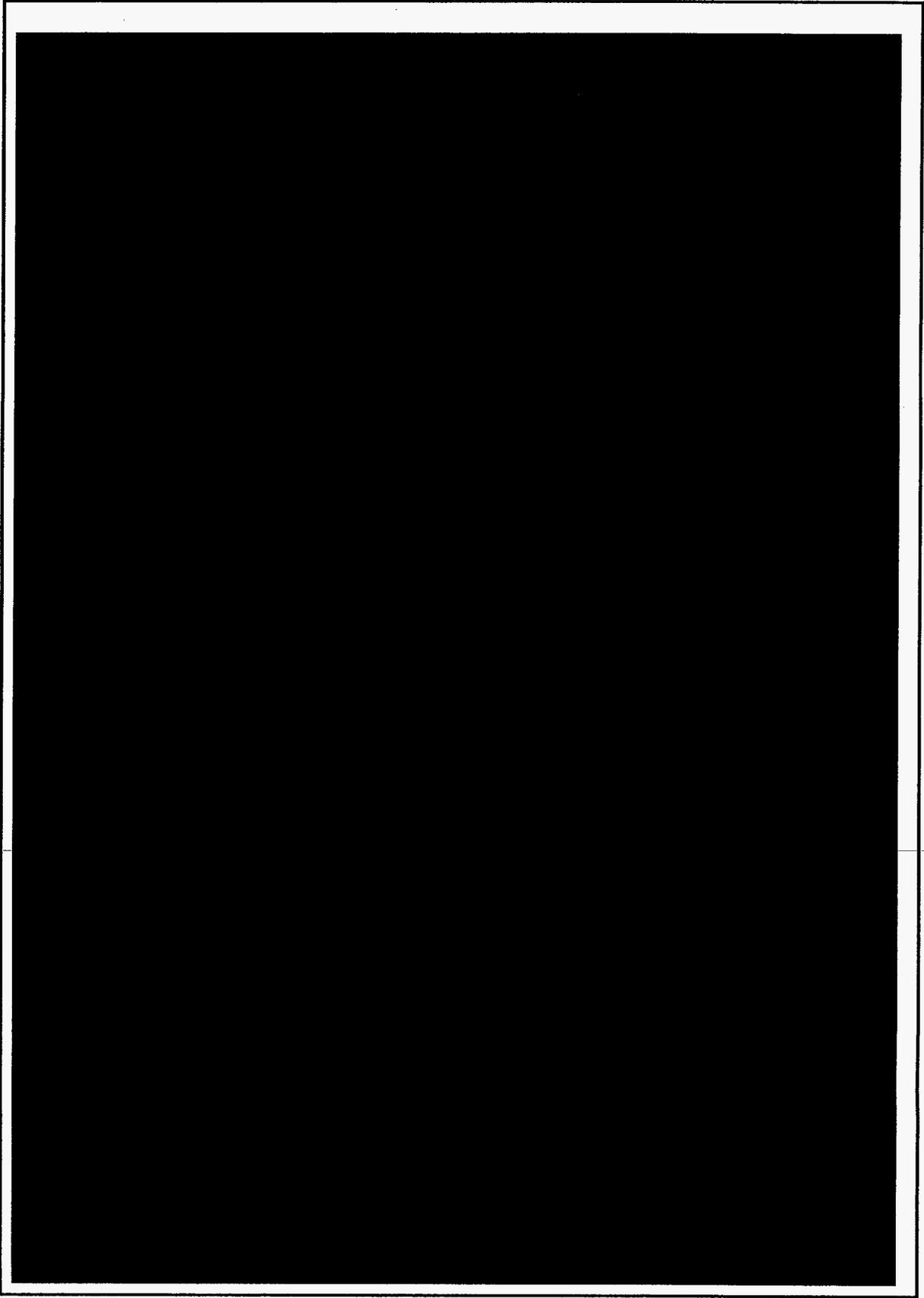
25           The bullet here that says, [REDACTED]

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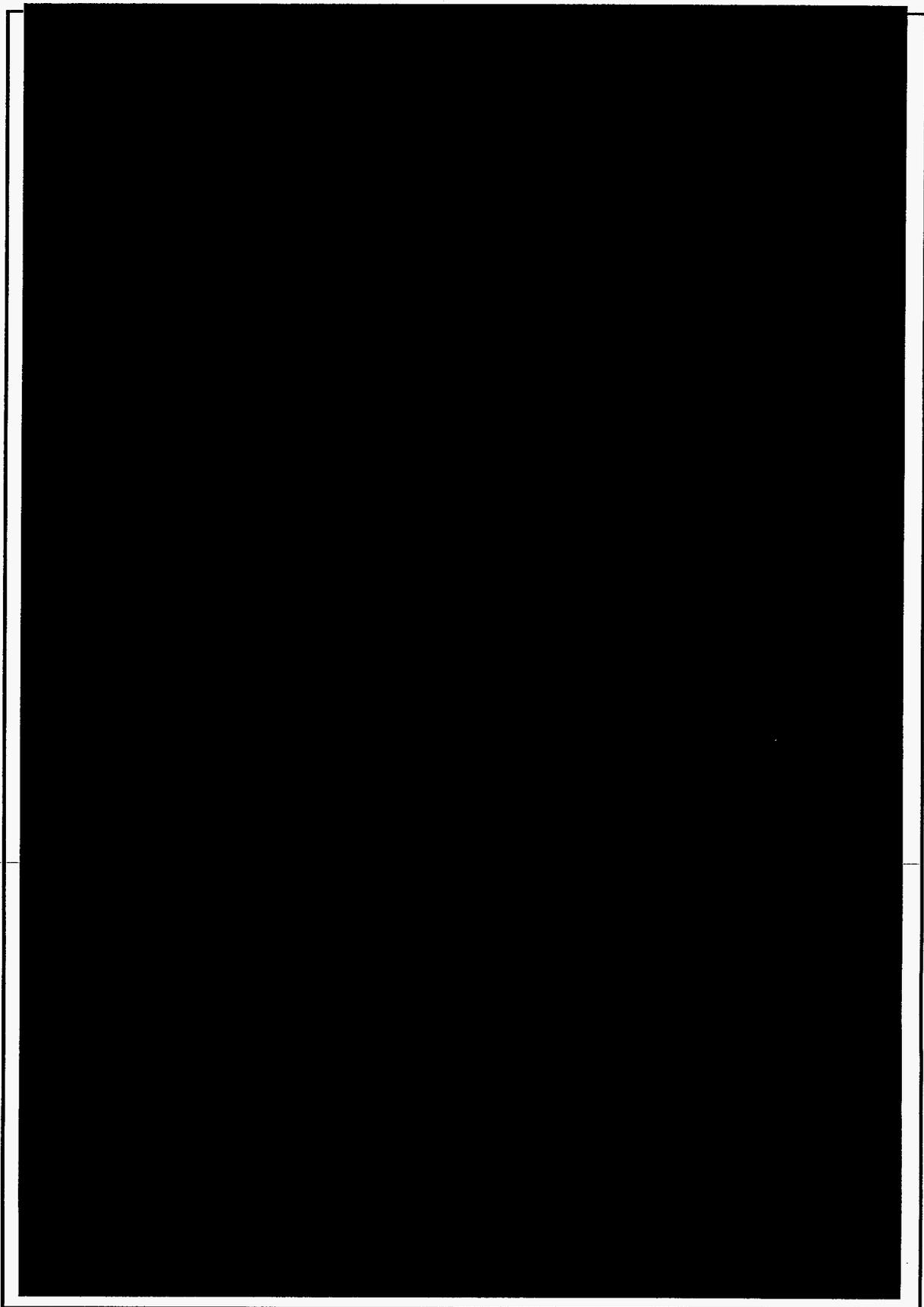
" and then there is one that says, [REDACTED]

[REDACTED]

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REDACTED

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6 A That's correct.

7 Q [REDACTED]

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9 A Yeah, that's correct.

10 Q And the Levy county project, which is green --

11 A Yeah.

12 Q -- it looks like a green Mt. Everest, it  
13 goes -- it peaks out at over \$2.5 billion in 2017, and  
14 it steeply rises from 2013 through 2017, and then still  
15 is pretty significant through 2021, correct?

16 A Yes, but be careful about how you read this,  
17 too, because remember, these are all -- you know, these  
18 layers add on top of one another.

19 So if you want to look specifically just at  
20 Levy, you've just got to jut sort of visually integrate  
21 the green slice in this -- in this pie.

22 So yeah, no mistake. Levy adds a substantial  
23 amount of capital requirement. It's not adding 2.5 five  
24 billion; it's -- [REDACTED]

25

REDACTED

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So if I looked at just the green section, you know, that's more, like, maybe a billion, billion-and-a-half peak.

5

And, you know, the easiest way to get it, you know, what does that really look like if you go back to the estimates we provided you in the cash flows for our present intent to bring these projects in, in 2021 and 2022. That's, I think, would be consistent with the program of record as it was established in March.

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REDACTED

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9 A No, not at all.

10 Q Okay.

11 A As a matter of fact, I think -- let's see -- I  
12 think in the consolidated brief, if you go into some of  
13 the appendixes, it actually shows sort of the, you know,

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21 Q Speaking of Exhibit 5, if you look on slide 3  
22 of Exhibit 5 --

23 A Okay. Slide 3, Exhibit 5?

24 Q Right. It looks like -- and this would be  
25 consolidated for both Progress Florida and Progress

1 Carolina, correct?

2 A That's correct. So this would be different  
3 than what we were just looking at in Exhibit 3, in that  
4 that was a Florida-specific picture.

5 Q Right -- or actually, Exhibit 4, slide 7?

6 A Yeah.

7 Q And that black line would be the same as the  
8 [REDACTED] the consolidated?

9 A I think that's correct, yes, and this is the  
10 consolidated version.

11 Q Right. And slide 3 of Exhibit 5 shows the  
12 March 2010 plan of record, correct?

13 A That's correct.

14 Q And then slide 7 of that same Exhibit 5, the  
15 slide, again, is titled, "Capital growth spending,  
16 moderate change," shows that same black line, correct?

17 A That's correct.

18 Q And the main difference between slide 3 and 7  
19 is the nuclear mountain related to Levy, the nuclear PEF  
20 mountain, has been moved off into the future by a number  
21 of years; is that correct?

22 A Yeah, that's correct, but I think also you've  
23 got to explain, you know, that's connected back to some  
24 different approaches of how you think about in that  
25 particular scenario.

1 You have to figure out what's the right place to do some  
2 of these major projects and how do you balance that  
3 against the pressure it's going to put on customers, in  
4 terms of their ability to pay for and finance  
5 the building of this project.

6 Q Referring back to Exhibit 4 -- actually, before  
7 we get to Exhibit 4, [REDACTED]

8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]

11 A No, not exactly. [REDACTED]

12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED]  
23 [REDACTED]  
24 [REDACTED]  
25 [REDACTED]

REDACTED

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2

That's something we may want to think about as you move around different projects or consider different projects, but you should not consider that the imaginary line that you never cross.

6

Q Okay. I'm trying to see if I'm completely done with the July exhibit. I think so.

8

All right. Now, we'll just have the Exhibit

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A Okay.

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Q -- and Exhibit 5.

12

A Okay. Got it.

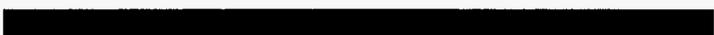
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Q On Page 3 of Exhibit 4, where it talks about scenario analysis --

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A Uh-huh.

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Q -- it says, 

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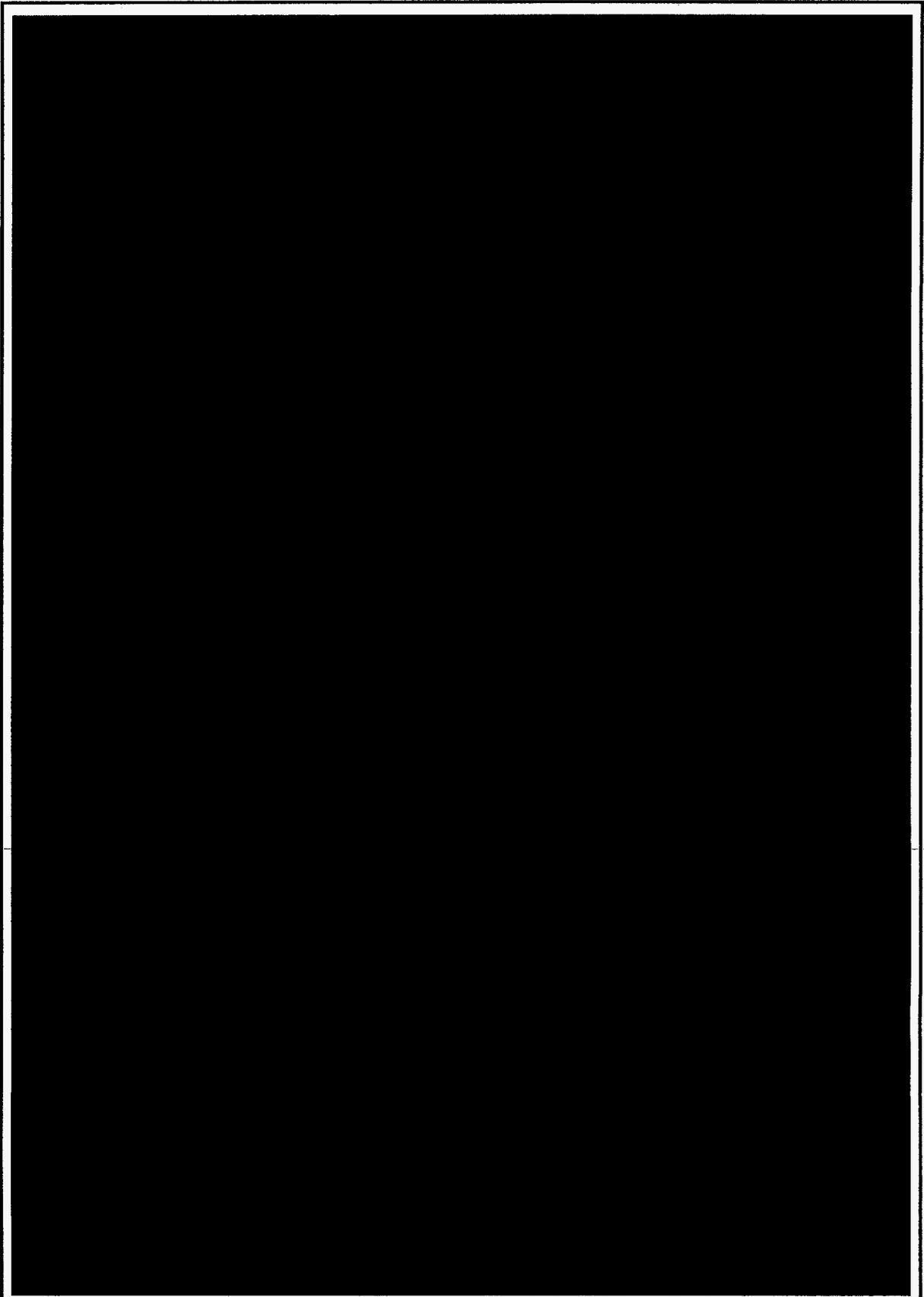
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REDACTED

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8 Q But noting again, under the considerations, you  
9 have all the same considerations in August as you do in  
10 July, except for the quote, "We're not picking a  
11 scenario" consideration, correct?

12 A That's correct, and as I explained before,  
13 there's a lot of things in the August brief that are not  
14 repeated.

15 Again, you know, trying to do set-up, and in  
16 the interest of people's time, there's -- you'll see a  
17 lot of slides in July that are not incorporated in this  
18 brief.

19 So, you know, at this point, I don't think Mark  
20 Myers thought it was necessary, again, to remind people  
21 that this is just a way to think about how to deal with  
22 change.

23 Q But you agree it could be read a different  
24 direction?

25 A Well, it could be, but it would be wrong.

REDACTED

1 record.)

2 MR. SAYLER: We're going back on the record.

3 BY MR. SAYLER:

4 Q Okay. Go ahead.

5 A All right. So in the 10-year site plan, it  
6 doesn't specifically talk to Levy yet, because this is  
7 '11 through '20 --

8 Q Okay.

9 A -- as the latest site plan. So the first time  
10 you'll see Levy reflected as a resource in the 10-year  
11 site plan will be next year.

12 Q In next year's 10-year site plan?

13 A That's right.

14 Q Okay. All right. Now, looking at the  
15 March 2010 resource plan [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 A Uh-huh.

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 A The same thing we talked about earlier, that's  
24 probably about a five-year lead time.

25 Q So earliest, 2013, to bring the 2018 unit,

REDACTED

1 correct?

2 A That's correct.

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7 A That's correct.

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11 A In the chart -- if you're looking at the charts  
12 on Page 4 and 5 in Exhibit 4, that's correct.

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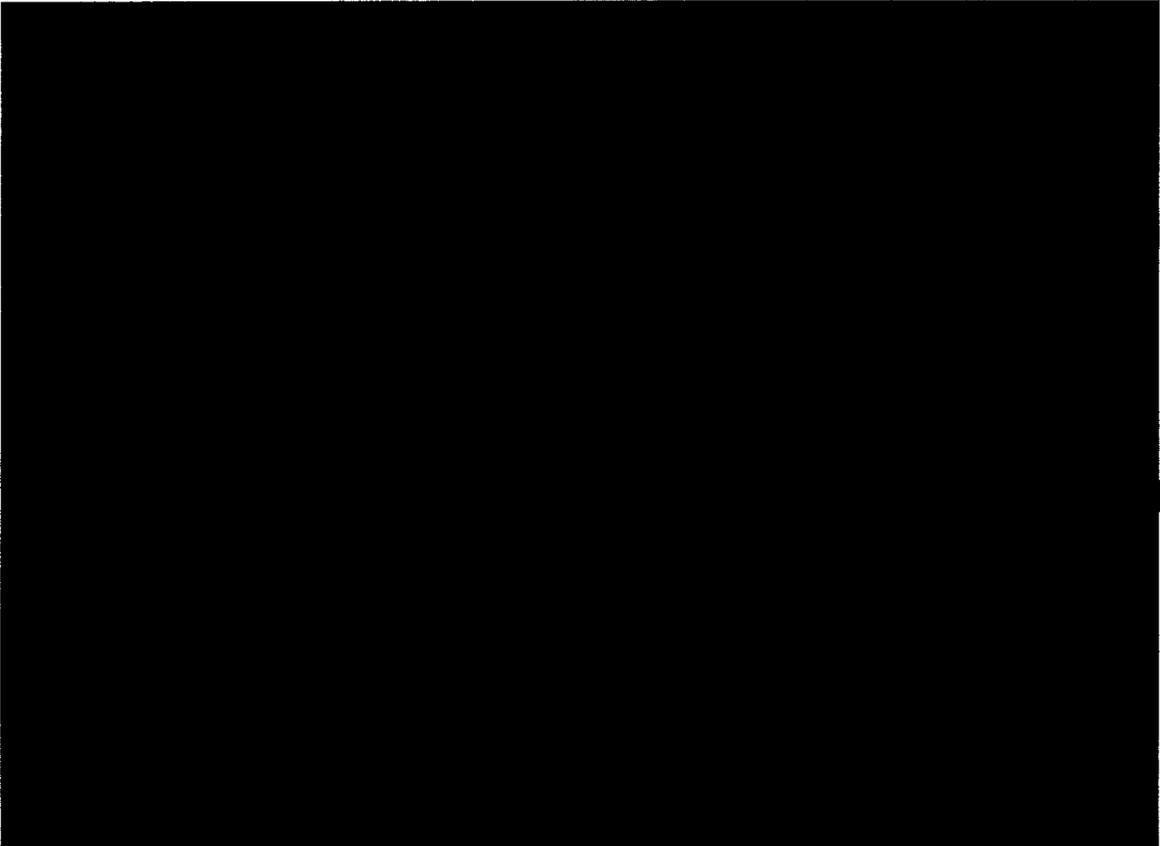
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1           A     I'm sorry. Say that again.

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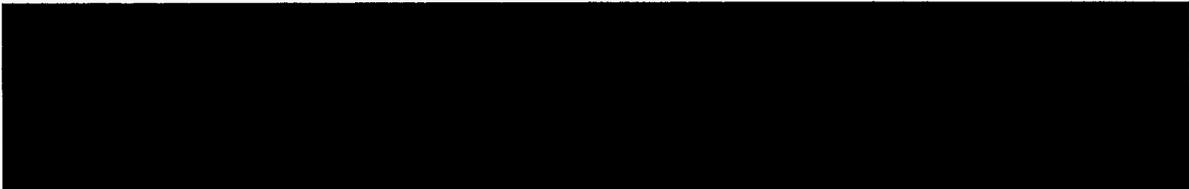
15           Q     Yes.

16           A     No.

17           Q     Okay. And just backing up a moment, as -- you  
18 are the executive who is responsible for new generation  
19 programs and projects, right?

20           A     That's correct.

21  
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23



24           A     That's correct.

25           Q     And you would be responsible for the

1 development of -- oversight of those projects; is that  
2 correct?

3 A That's correct.

4 Q [REDACTED]

5 A That's correct.

6 Q [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 A That's correct.

10 Q And you would be part of that decision-making  
11 to present those proposals to Senior Management and the  
12 Board of Directors?

13 A Yes, in general, as a minimum, to Senior  
14 Management and sometimes also to the Board of Directors,  
15 depending on the particular project.

16 Q And you have testified that this scenario  
17 ~~planning exercise that we've been going through really~~  
18 had no role in new generation planning; is that correct?

19 A Well, no, that's not exactly what I testified  
20 to. What I said was the scenario planning does not  
21 drive you into development of specific programs or  
22 resource plans. It's an input to an overall process, as  
23 we previously described.

24 Q Is it a major or minor input?

25 A Again, I think I've answered that already, but

REDACTED

1 enterprise risks associated with Levy, would result  
2 in us not being agile enough and responsible enough  
3 to be able to continue to provide reliable baseload  
4 generation to our customers.

5 So this process helps us get ahead in our  
6 thinking around how we might have to deal with some  
7 of these eventualities, should they actually occur.

8 BY MR. SAYLER:

9 Q In your opinion, were the scenario plans  
10 exercise done last year, were they significant or  
11 insignificant? Hold on. Strike that question.

12 A Yeah, I don't know how to answer that.

13 Q Do you think it was worth the time spent  
14 developing the scenario plans last year? Worth your  
15 time, worth the Senior Management time, to go through  
16 those various plans?

17 A Yes, I think it was, and I can speak for  
18 myself; I'm not going to necessarily speak for what the  
19 SMC may have thought about it.

20 I think it was informative, to see how things  
21 like [REDACTED]

22 [REDACTED]  
23 You know, I'm not sure that -- you know, my own  
24 personal perspective, [REDACTED]

25 [REDACTED]

REDACTED

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2           It certainly broadened my understanding of how  
3 to think about the enterprise risks that -- that affect  
4 Levy and how those have to dovetail into our overall  
5 program for Levy and our overall business plan.

6

7           So, yeah I, think you would find that most of  
8 the participants in this exercise learned are better  
9 informed about how to kind of watch these different  
10 external factors and what they could ultimately mean to  
11 our business.

12

13           Q     And when it comes to scenario planning, while  
14 it's not a direct input to resource planning, it's  
15 useful to Senior Management for allocating capital, for  
16 future capital outlay?

17

18           MR. WALLS: Object to the mischaracterization.

19

20           THE WITNESS: No, I don't think I would  
21 characterize it that way. It's useful to Senior  
22 Management in the same way I just described it's  
23 useful to leadership.

24

25           It doesn't necessarily drive how you think  
about allocating capital. What drives how you think  
about allocating capital is the broader resource  
planning and budgeting process that we go through as  
a company each year.

26

REDACTED

1 BY MR. SAYLER:

2 Q Returning to the March 2010 scenario on slide 4  
3 of Exhibit 4 --

4 A Okay.

5 Q [REDACTED]

6 [REDACTED]

7 [REDACTED] is that correct?

8 A That's correct.

9 Q Is there a process underway, currently, to make  
10 a presentation to -- I think, as you put it, have you --  
11 have you -- have you secured a charter for that  
12 particular project?

13 A For that particular project, no, [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 Q All right. With what in-service date?

22 A I think it -- I don't know that it is specific  
23 to an in-service date; I think it is tied to what's in  
24 the 10--year site plan, which I think is still

25 [REDACTED]

I'll have

REDACTED

1 to check that, though.

2           At this point, we haven't been asked to  
3 establish a project until we get to a particular  
4 in-service date.

5           Q     So your charter is exploring options, but --

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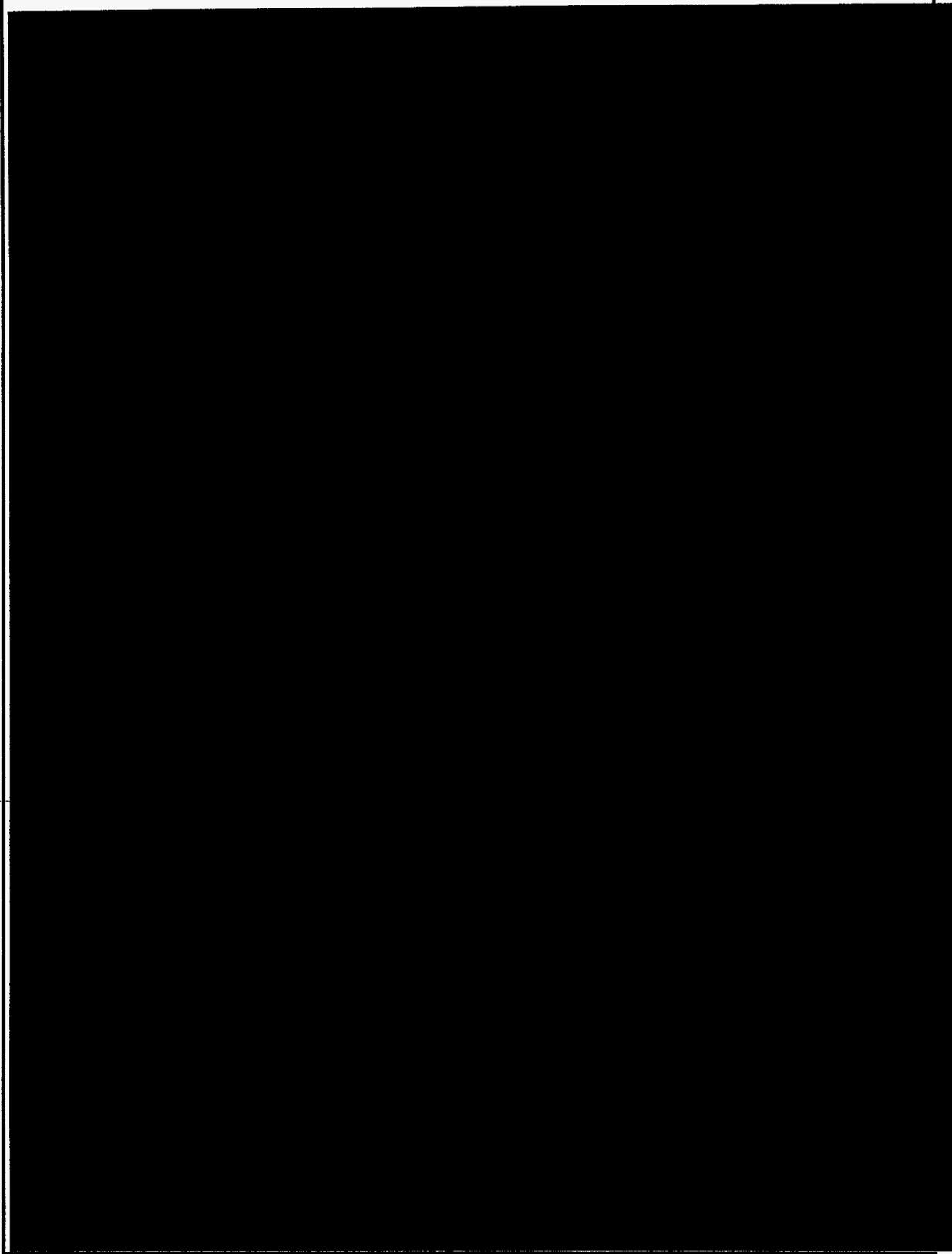
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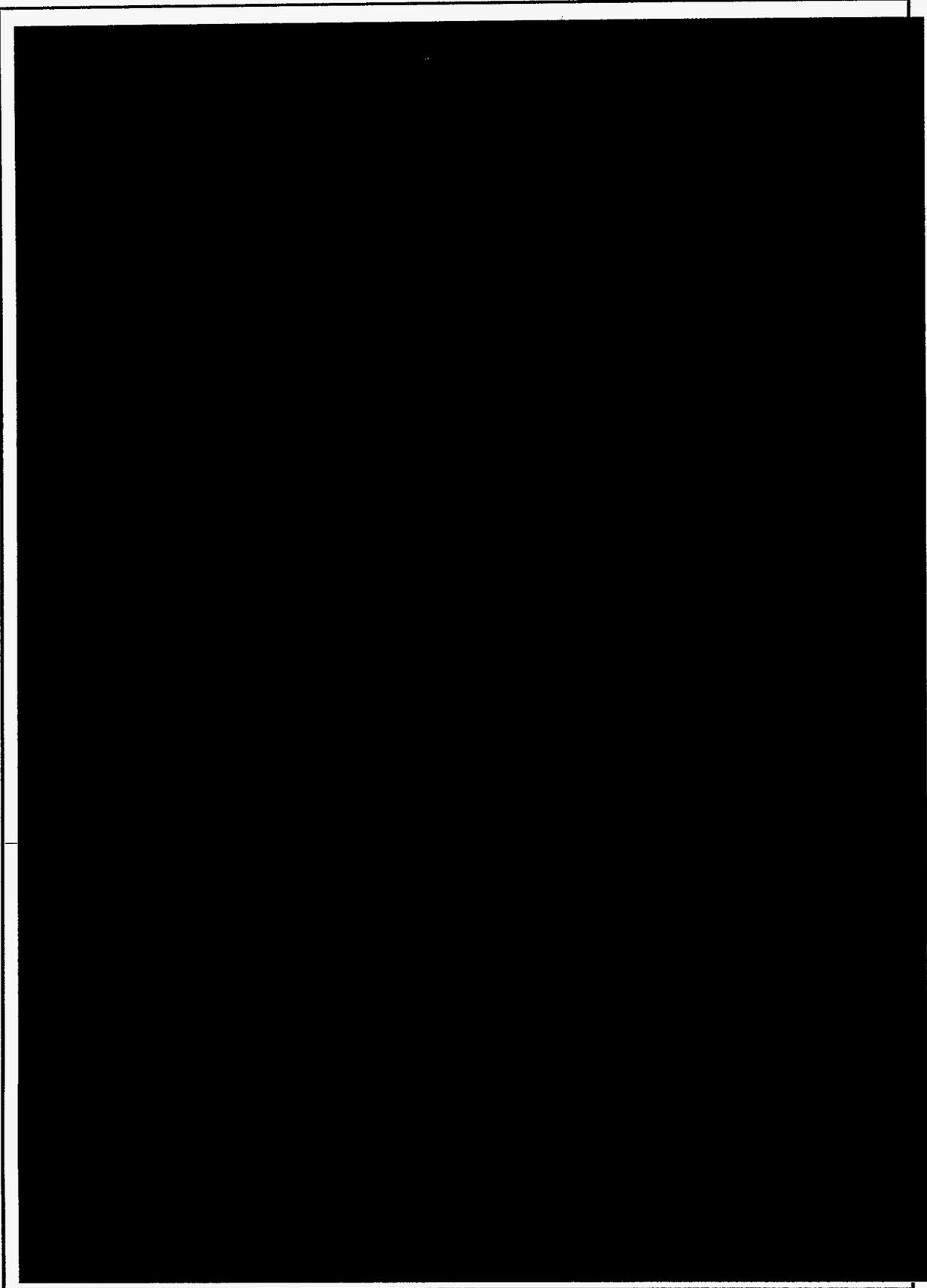
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Q     Okay.



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A Well, it's going to depend on what's driving you to make the change. So certainly, if you can meet emissions requirements by just doing a gas conversion, that may be a good strategy, but it doesn't get you to no carbon output, though.

By that taken, a repowering doesn't get you to no carbon, but a repowering gets you a substantially better heat rate and a substantially more efficient plant, and it gives you a lot more flexibility, just like a combined cycle gives you more flexibility in terms of a minimum-to-maximum load and the ramps that you can run up and down.

Again, that's part of the whole resource planning process, so you would take -- and what resource planners are required to do each year is look at how to implement those different types of assets.

So it depends on what's -- I mean, the bottom line, is it depends on what's driving the need for the new generation. It's the same logic of why you might build a new combined-cycle plant.

Q Going back to Exhibit 3, slide 23 --

REDACTED

1           A     Okay.

2           Q     Okay.  I lied.  I'm not done with the other  
3 exhibit.

4           A     That's all right.  I didn't put them away.  You  
5 know, I know better.

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21           Q     Okay.

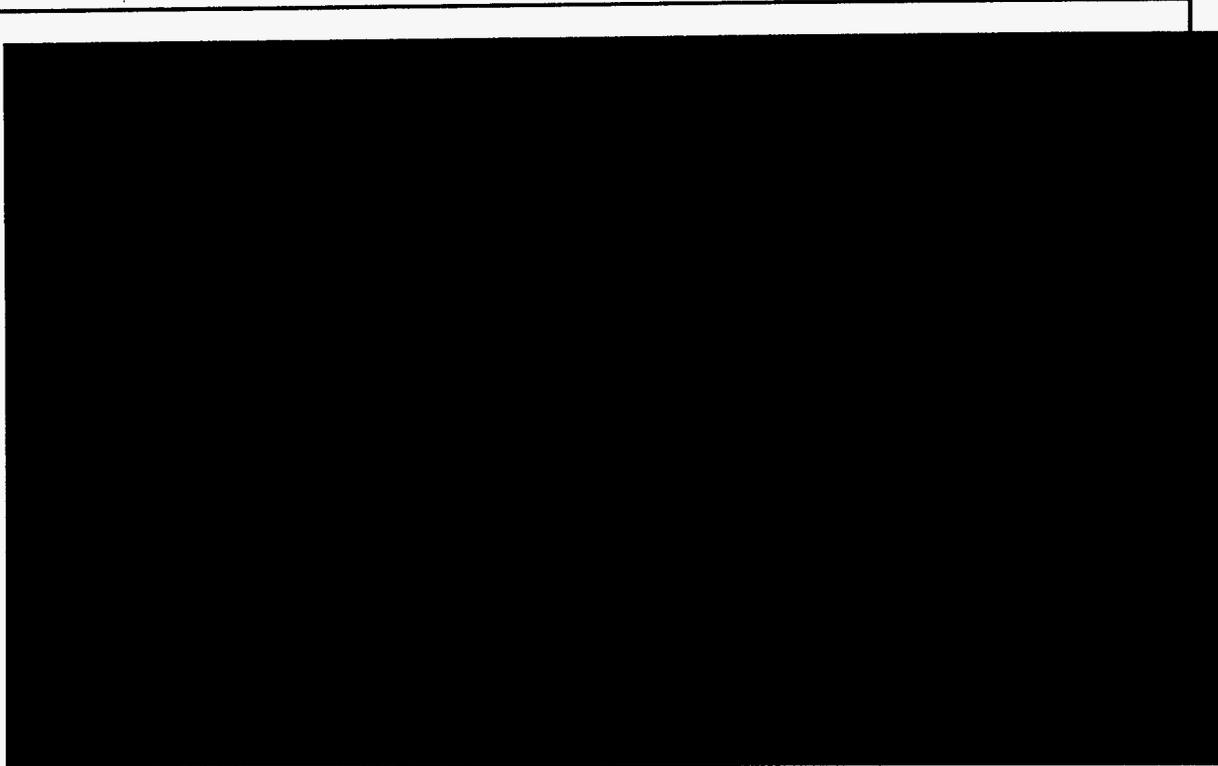
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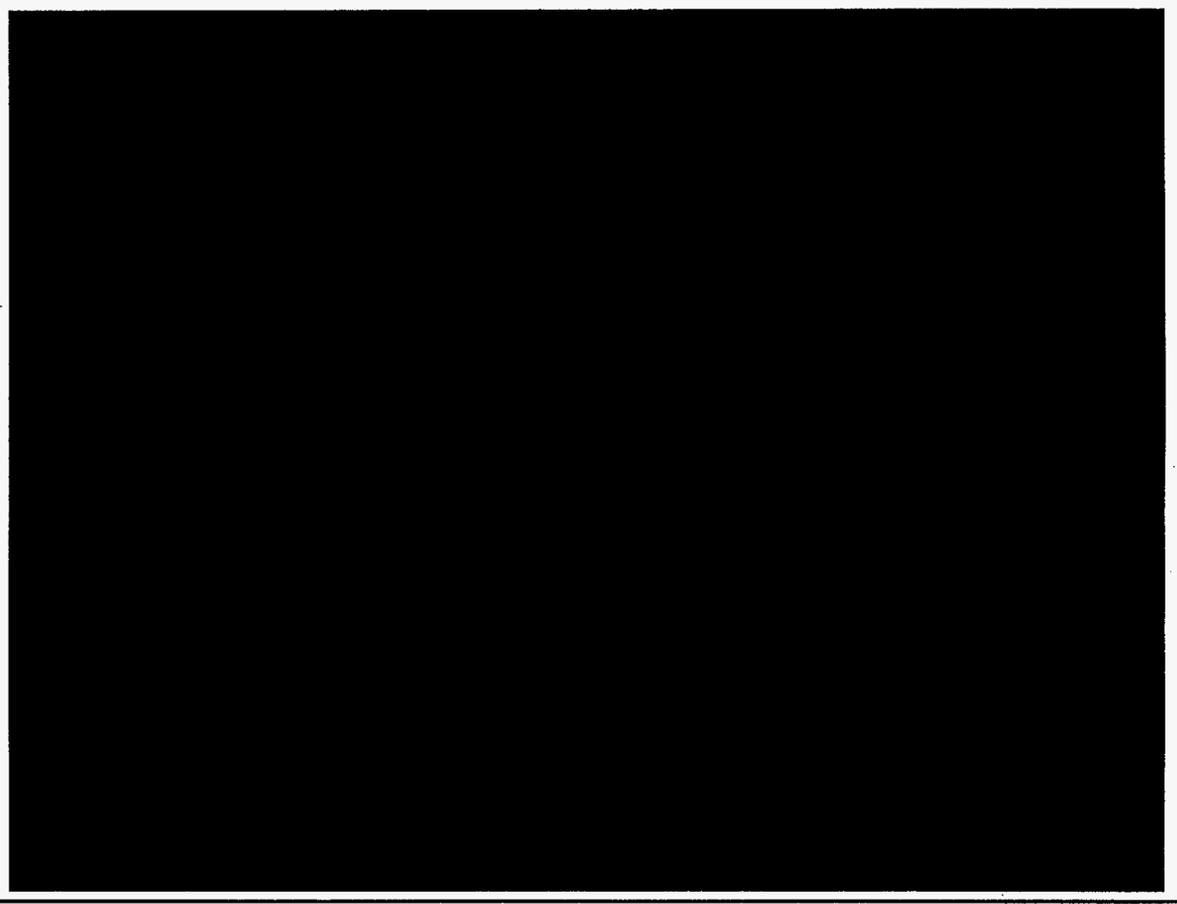
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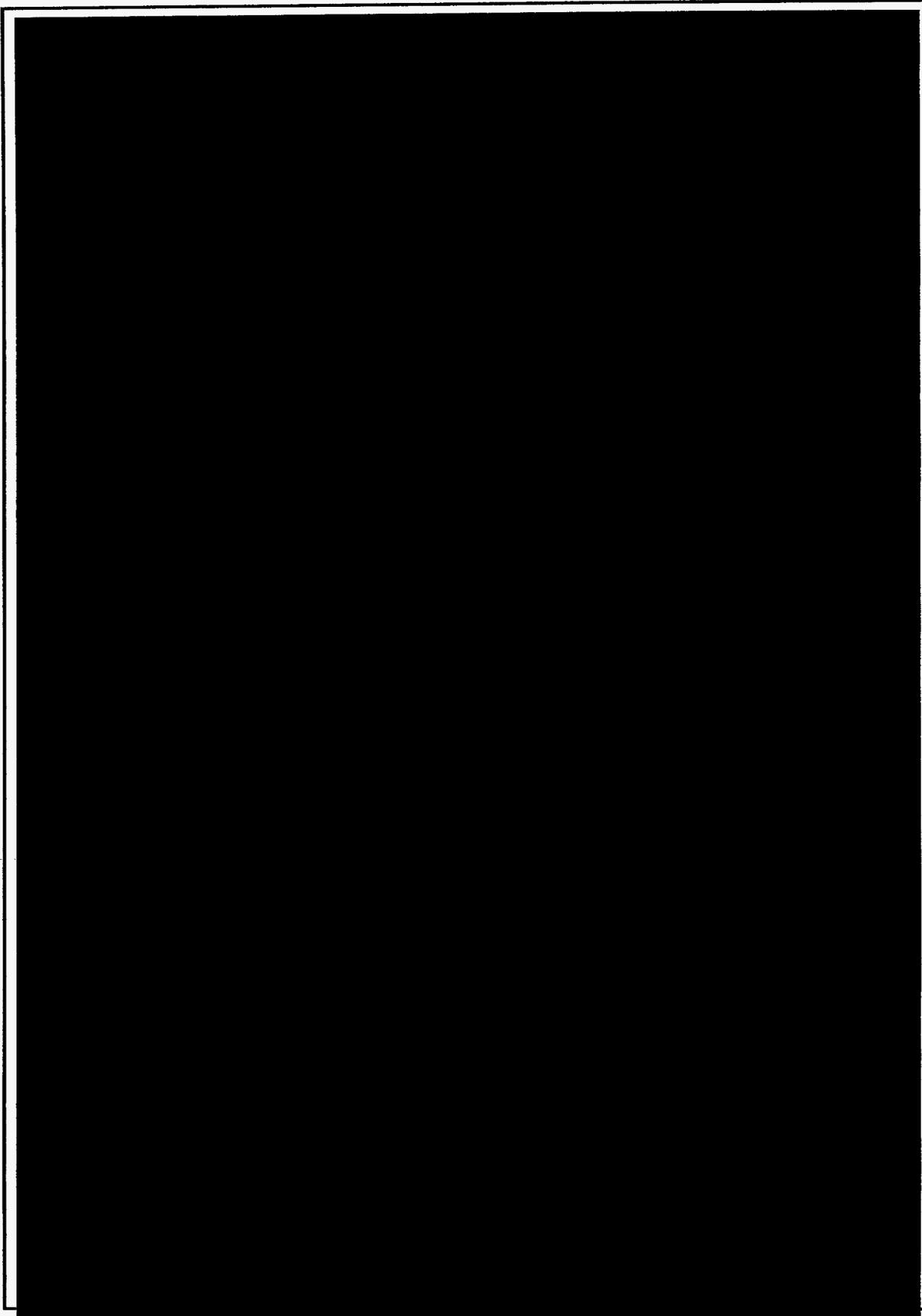


A Yeah.



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REDACTED

1 Q All right. So to use a term of art, to  
2 fast-track, are you familiar with that term of art?

3 A Sure.

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A You know, that's going to be one of those

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[REDACTED]

[REDACTED] What is the topic of the 2011 planning scenario exercise to scale back one?

A I think it's really -- again, I haven't seen many of the documents on the first brief, that I'll likely be in with that will either be August or September.

I think they're just renewing the 10-year site plan, the plan of record, and reviewing our out-year capital requirements as we go into the merger. There is nothing like this, in terms of a set of scenario documents or updates to it.

Again, because this takes -- you know, as you can see from building these, there's a lot of work that goes behind this, so it's not something that we would go through each year.

Q Do you know if that scenario planning exercise involves anything to do with CR-3 being offline?

A I don't know. [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

So that -- and there is a set of resource plan analysis work that's going on with that, but I won't --

1 it's not in this sort of scenario. It's really how are  
2 you going to deal with the generation requirements  
3 during that time frame.

4           What do we have; what's our reserve; what are  
5 we going to do in terms of purchase power and other  
6 arrangements, is the way I understand it.

7           Q     So that is -- that scenario planning related to  
8 CR-3 is more tangible, real world, as opposed to the --

9           A     Yeah, it's more dealing with the -- you know,  
10 again, because that's dealing with a -- this is a  
11 condition that has occurred. Here's a change that has  
12 manifested itself; now, deal with it.

13           And again, the fact that we had done, you know,  
14 work like this in previous years that starts, you know,  
15 stressing how do you think about our agility as a --  
16 that puts us in a better position to deal with a problem  
17 like that. I think that's the power of this type of  
18 methodology.

19           Q     And would that planning potentially affect the  
20 in-service of the -- [REDACTED]

21 [REDACTED]

22           A     I would say only if, for some reason, there was  
23 ultimately a decision to retire. It might, but again,  
24 we'd have to run that through a more rigorous resource  
25 plan analysis to get to that point.

1 I don't -- and our current intention is to, you  
2 know, repair that, do the containment repair and put  
3 that unit back in service. At the moment, it would not  
4 change anything in terms of out-year generation  
5 requirements.

6 And even if, for some reason, there is a  
7 decision that we would have to retire, I'm not sure that  
8 that in itself would drive any of those other assets to  
9 come forward.

10 You know, there is a connection, if you look at  
11 those scenario planning -- or analysis that says, you  
12 know, if you have to take certain units out, that's  
13 what's kind of driving [REDACTED]  
14 [REDACTED].

15 It's really decommissioning its earlier units  
16 that come out, and it seems to be strong -- more  
17 strongly connected to what it would have to happen,  
18 potentially, [REDACTED]

19 [REDACTED]

20 Q Without CR-3 in service, what is your reserve  
21 margin? Do you know?

22 A You know, I don't know off the top of my head.  
23 I would prefer not to try to quote that. We can  
24 certainly get you that.

25 I mean, I've heard some numbers in some of

1 these different meetings, but I'd probably be talking  
2 out of school to try to quote that.

3 Q All right. Let's return to Exhibit 4. It  
4 would be the page before Page 20, Page 19, but it's not  
5 labeled as such. It says, [REDACTED]

6 [REDACTED]

7 A Okay.

8 Q Would it be fair to say that all the pages that  
9 preceded this are, you know, considerations that play  
10 into the [REDACTED]  
11 correct?

12 A Yes, I would say they are foundational  
13 material. Again, you know, reminding what we're trying  
14 to accomplish here is how do you look at your current  
15 programs, given these future scenarios that could play  
16 out.

17 Are we in a position to be able to deal with  
18 any of these, should they occur, or are we in a position  
19 to deal with elements of them, should they occur. You  
20 know, if one item only moves, the fuel changes  
21 dramatically, or some other thing happens that affects  
22 us.

23 So yeah, I would say the preceding materials  
24 are the foundation that kind of gets you to these last  
25 couple of slides.

REDACTED

1 Q And some of those preceding materials would be  
2 residential rate impact, on Page 14 and 15, correct?

3 A That's correct.

4 Q And on Page 15, it shows a residential rate  
5 impact for 1,000 kilowatt hours, and for the March 2010  
6 plan of record, for the time period [REDACTED] it  
7 says [REDACTED] What is that [REDACTED]? Is that a  
8 cost impact, or is that the cumulative -- I mean, what's  
9 that -- what drives that [REDACTED]

10 A Yeah, that's showing, during that [REDACTED]  
11 [REDACTED], what's the [REDACTED] And as you see,  
12 it says [REDACTED] --

13 Q Right.

14 A -- [REDACTED]  
15 [REDACTED]  
16 [REDACTED]

17 Q So -- and all the slides preceding this March  
18 2010 was compared with the moderate change scenario; is  
19 that correct?

20 A Not exactly. The -- you know, by the time we  
21 got to August, we had spent more time -- we had spent  
22 some time on the other scenarios, and as you saw in the  
23 earlier briefs.

24 And the front, in fact -- the other scenarios  
25 are in the appendix here. The front discussion was sort

1 of comparing those two approaches, just for the point of  
2 making that case.

3 But I don't think I would say that all of the  
4 preceding material is just about that, because it was  
5 also -- you know, if you look at, for example -- just  
6 let me pick one here -- you know, most of these slides,  
7 like slide 9, have [REDACTED]

8 [REDACTED]

9 Slide 10 has [REDACTED]  
10 [REDACTED] slide 11 has [REDACTED]

11 [REDACTED] so I don't think it's accurate,  
12 necessarily, to say that the front material is just  
13 about the moderate in the March 2010 case. It really  
14 has all the other cases sort of rolled into it.

15 Q Well, that's true, but the majority of the  
16 comparison, as far as the detailed slides -- like, on  
17 individual slides; those would be March 2010 versus the  
18 moderate change; is that correct?

19 A No, I don't --

20 MR. WALLS: Objection. Vague and ambiguous.

21 THE WITNESS: No, I don't think so. I think I  
22 gave you a couple of examples where that's not the  
23 case.

24 BY MR. SAYLER:

25 Q Right.

1 change --

2 A Well, we can compare all of them; they're all  
3 on that slide, if you want.

4 Q I mean, they're all on the side --

5 A Yeah, which is what -- you know, if you want to  
6 be consistent with what this SMC and leadership team  
7 were looking at, you look at all of them.

8 Q Okay. For 2010 to 2015 -- well, I don't want  
9 to necessarily go laboriously into detail --

10 A Okay.

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20 A That is correct.

21 Q

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23 A That is correct.

24 Q

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REDACTED

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3 A No, I wouldn't --

4 MR. WALLS: Objection. It assumes facts not in  
5 evidence.

6 Go ahead.

7 THE WITNESS: Yeah.

8 No, I wouldn't agree, and that's -- you know,  
9 we -- we've gone through this several times in the  
10 two depositions.11 It's very dangerous, in this approach, to say  
12 is one of these more likely than another, because  
13 they're not trying to do that.14 The scenarios are not trying to say, is this  
15 case more likely than another; what they're trying  
16 to do is group a set of factors together in a way  
17 that you can logically talk about them, and then  
18 make sure that the course that you select, the  
19 program of record that you select, positions you as  
20 a company to -- in our case, provide reliable  
21 service in a cost-effective way to our customers,  
22 while dealing with some of these changes that could  
23 have happened.24 And let me give you a specific example: I  
25 would argue, sitting here today, [REDACTED]

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So I don't think that you -- you make a -- we make a mistake, if we as an organization, or Florida as a state, looks at these and says, well, one of these is more likely than another, because that's not how the tool is used, and it's certainly not how you can think about each of the scenarios.

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What it does tell you -- and again, sitting here today -- is we need to look at, for example, some of the things that the aggressive mandate for change might drive us to, because, potentially, some of those factors continue to manifest themselves over the next five to 10 years.

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Q And on Page 27 of that, you showed that aggressive mandate for change resource plan, and that pushes Levy off to 2024 and 2026, correct?

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A Let me just get to the page again.

Yes, I would agree that one of the potential solutions for aggressive mandate for change -- and

REDACTED

1 again, it depends on which elements manifest  
2 themselves -- but all the things that we articulated in  
3 that scenario were to manifest themselves, what you see  
4 is, there is little need to support new load growth.

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13 So again, how do you position yourself to deal  
14 with some of those factors or all of those factors, if  
15 they were to occur, and that's part of what this  
16 analysis does.

17 Q All right. On slide 16, where it's titled " [REDACTED]

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19 A Okay.

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MR. SAYLER: Okay. Mike, this is another instance where the yellow highlighting has eroded my ability to tell the difference between the March 2010 moderate change. Do you mind if I look at your chart?

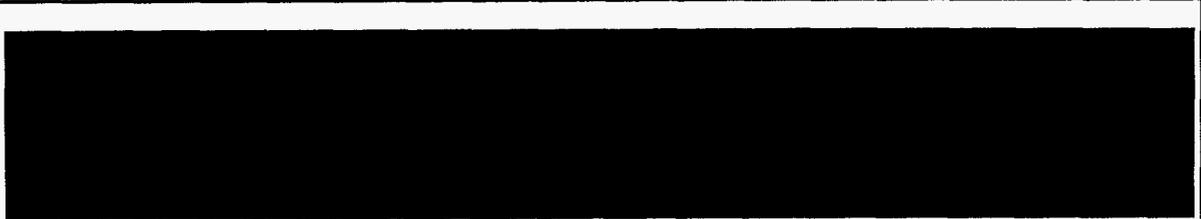
MR. WALLS: Sure, you can.

BY MR. SAYLER:

Q Okay. Well, let me ask you --

REDACTED

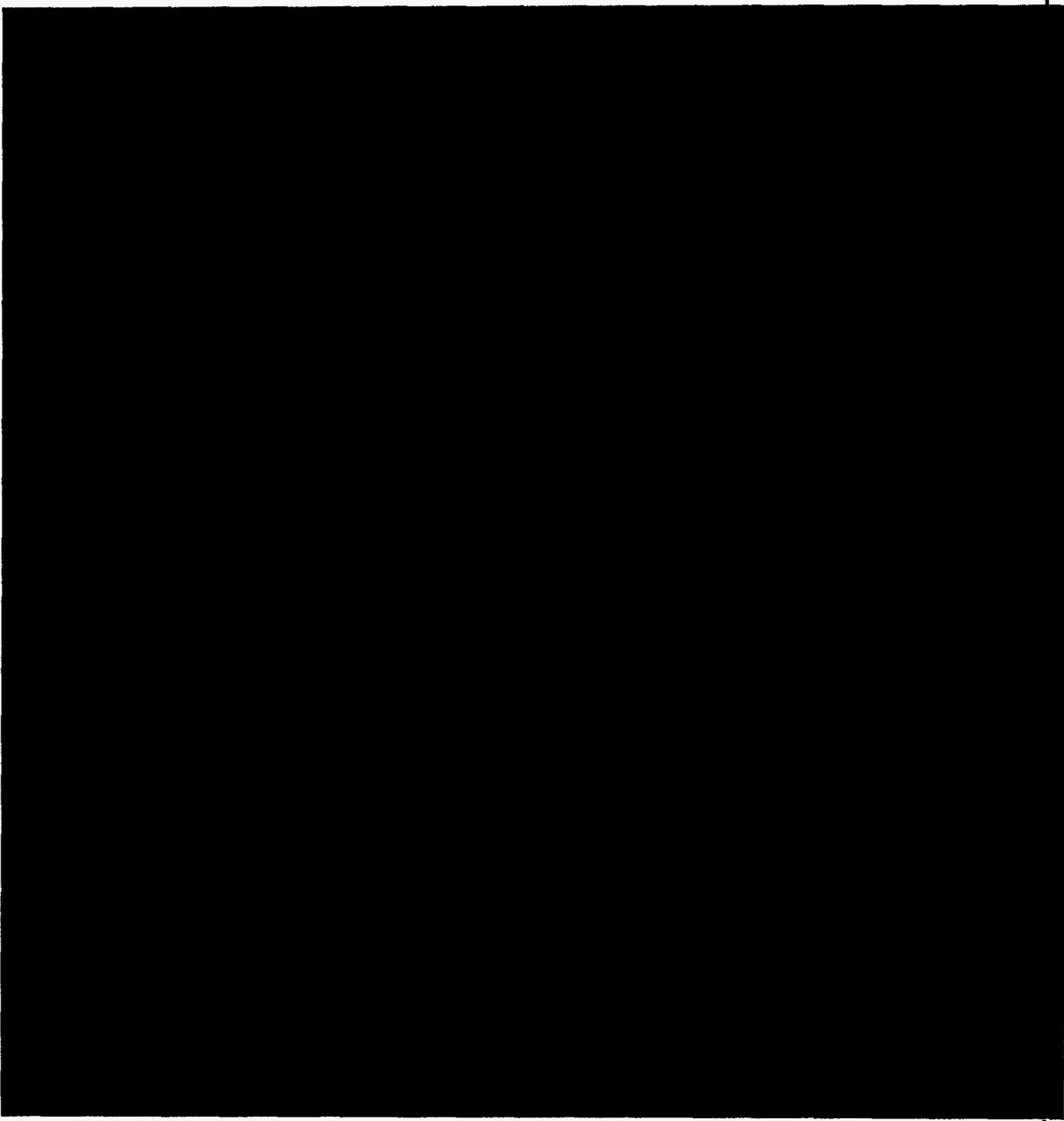
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A Well, let's see.

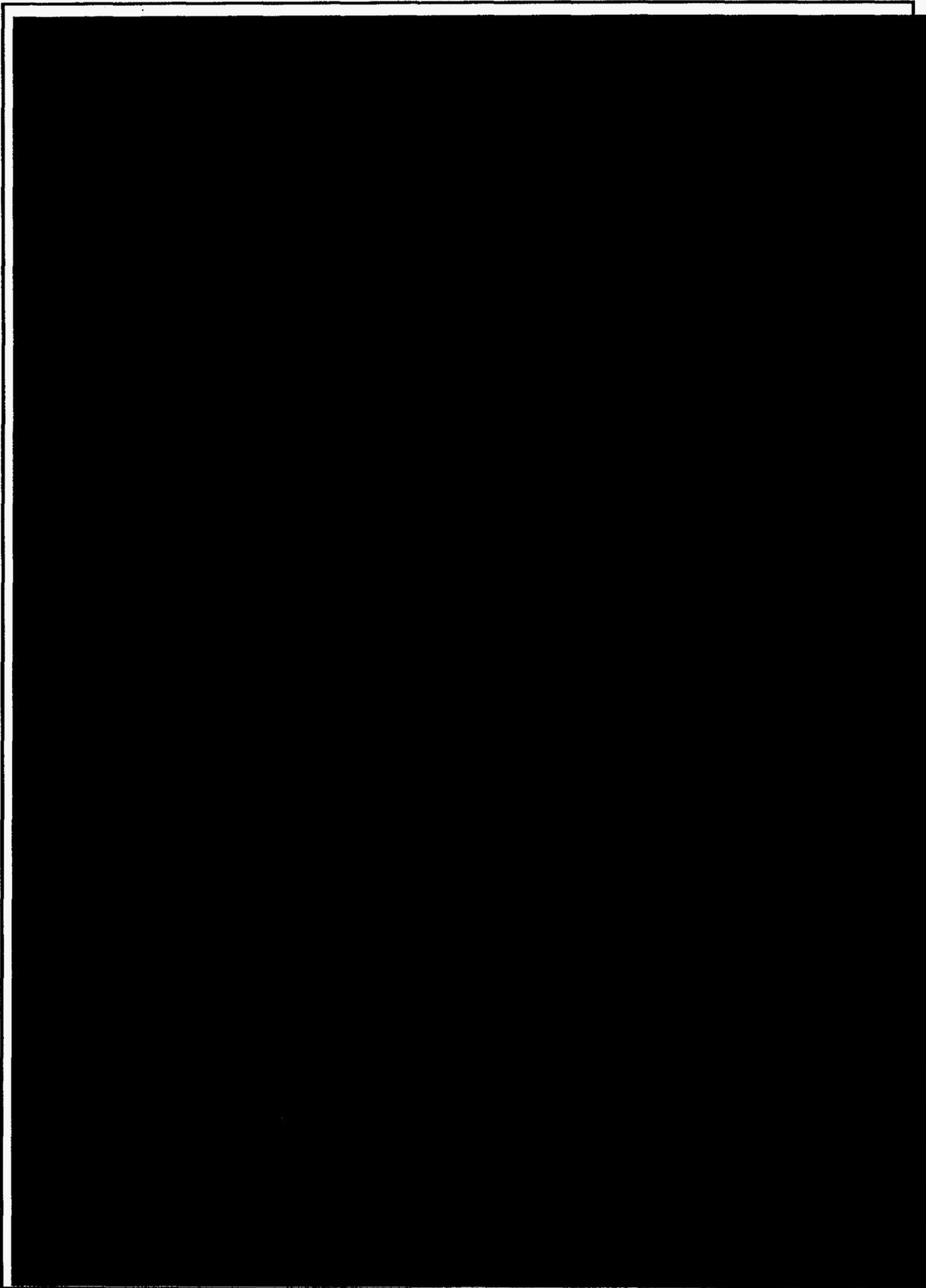
Q [Redacted]

but --



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12           So it's just trying to give some motion around  
13 how you might think about capital requirements. I don't  
14 know that it is specifically germane to the bigger  
15 discussion.

16           Q     All right. And turning to slides -- to slide  
17 20, which follows -- which earlier we said the

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Is this, like, the detailed -- details

1 associated with moderate change, and then to the right  
 2 you have the four remaining scenarios, March 2010,  
 3 business as usual, tech and aggressive. And the key  
 4 differences in other scenarios, if any, are listed  
 5 underneath on that chart; is that right?

6 A Yeah, that's correct. What this is trying to  
 7 do is take -- you know, like right now, you've seen all  
 8 these different work products; you've seen these  
 9 different scenarios, different, potential approaches to  
 10 how do you -- how do you deal with them.

11 So now, sort of, think about it this way: Sort  
 12 of blur your eye a little bit and think about of all  
 13 these things in one context, and now we're down to

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 And just for simplicity, rather than writing  
 18 everything down five times, we wrote down the moderate  
 19 change stuff, and then said what's different in some of  
 20 these others.

21 Q All right. So, for instance, [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 A That would be true.

25 Q [REDACTED]

REDACTED

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A Potentially, yeah.

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Q I'm just trying to understand it and read it correctly.

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A Yeah, that's basically the approach, say, in each of those others. You'd likely -- because you see that on the potential resource slides as well, that

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Q Okay. For the Levy, it says preferred resource, but dependent upon robust policy support. So for all of these scenarios, Levy is a preferred resource, correct?

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A That's correct.

Q Except for business as usual, because it's not economic due to low gas and no greenhouse gas legislation, right?

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A Yeah, and remember in the business as usual -- and again, we talked about this last time; I sort of wished we used a better name there -- but it was, you know, business as usual as it existed maybe five or 10 years ago, where there was very low gas, and no carbon and no environmental restrictions.

1           So in that case -- and, I mean, you know, it's  
2 consistent, to some extent, with how we talk about  
3 things in our enterprise risks, and how we talk about  
4 things in our cumulative present value of revenue  
5 requirement analysis that, you know, in that type of  
6 work, it doesn't necessarily make common sense.

7           Q     And in the moderate change scenario, Levy is  
8 preferred in 2027 and 2029, correct?

9           A     No, what I would say is in the one possible  
10 solution set for moderate change, I think what we showed  
11 in here for Levy was the 2027 and 2029 in-service, but  
12 again, that's just, you know, one potential set of  
13 solutions to how you would go after this.

14                 I'll give you -- I'll give you a specific  
15 example: [REDACTED]

16 [REDACTED]

17 [REDACTED]

18           Q     Right.

19           A     So again, you know, how do you look at that.  
20 So Levy is, as I discussed, a preferred resource. What  
21 we take from the conclusion of that is, is we went into  
22 our resource planning and our business planning for  
23 2011, was we stay with our program of record, as we had  
24 articulated in April IPP in 2010, as we had presented to  
25 the Commission last year, and as we articulated in our

REDACTED

1 IPP in March of 2011.

2 So when you look at this, you say, hey, you  
3 know, Levy is a preferred resource. Let's stay with our  
4 program of record. It makes sense. Yes, we think so,  
5 and that's as documented in those -- in that IPP  
6 document in March of 2011.

7 Q And for levy to be the preferred resource, it  
8 says dependent on robust policy support what constitutes  
9 robust policy support.

10 A You know, we talked about that during our last  
11 deposition, but I'll also refer you to my testimony this  
12 year, and my testimony and Mr. Lyash's testimony last  
13 year, where we talked about the need for stable  
14 regulatory environment, stable legislative environments  
15 and continued stability in how we approached cost  
16 recovery and project execution.

17 Q Okay.

18 A But there is more details, as we talked about  
19 in my enterprise risks discussions in those two  
20 testimonies last year. I won't repeat that, in the  
21 interest of time.

22 Q Thank you. We'll reference that.

23

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A

1 Q [REDACTED]

2 A That's correct.

3 Q [REDACTED]

4 A That's correct.

5 Q Okay. [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 A [REDACTED]

11 Q Okay. But as non -- speaking for myself -- as  
12 a non-PEF insider, when I look at the scenario  
13 implications for key plan components, it seems like  
14 every word would be important.

15 Like, key plan components, like, these are the  
16 five key plans, and the moderate change appears to be  
17 the winner, based upon, for lack of a better term, based  
18 on the other slides -- better earnings; lower costs for  
19 the customer; things of that nature.

20 The moderate change is then here, and then  
21 every other plan, even the March '10 program of record  
22 is compared to the moderate change.

23 So would you agree that looking at it as an  
24 outsider, that's what it appears to be, that everything  
25 is geared towards a moderate change as opposed to these

1           A     And I understand your question; I understand  
2 how you read this. And the other thing that's important  
3 is, what you really have to know for each of those key  
4 plans, [REDACTED]

5 [REDACTED]  
6                    Because that's the real question. It's not --  
7 again, I know I've said this several times already: But  
8 it's really not is this scenario moderate; is the March  
9 2010 program of record plan; is it business as usual.

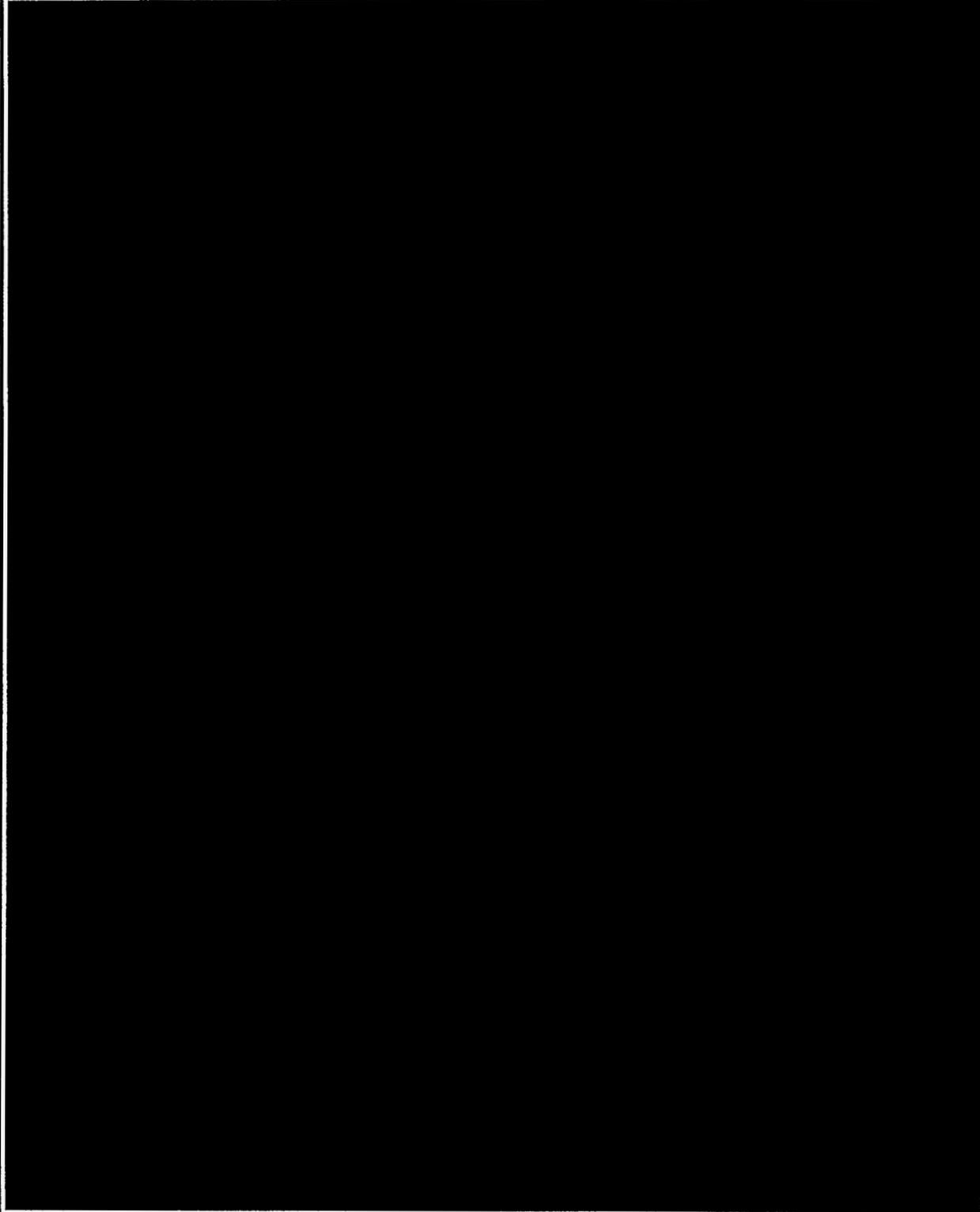
10                   That's really not the issue. The issue is to  
11 be good stewards of ratepayer dollars, and to do our  
12 job, as we see necessary, we need to be looking across  
13 all of these spectrums and have we positioned each of  
14 these plans in the best way possible, and we think we  
15 have.

16           Q     Well, again, my question may be -- would have  
17 been better asked, if March 2010, as the program of  
18 record, is what Progress is really doing, why weren't  
19 all the other unrealistic blue-sky scenarios compared  
20 with that, whereas here, just by implication, it seems  
21 like the moderate change is the unofficially recommended  
22 plan and everything else is the contrast when compared  
23 to that?

24           A     I won't disagree that's it might appear that  
25 way. That's certainly not how this is -- like I said,

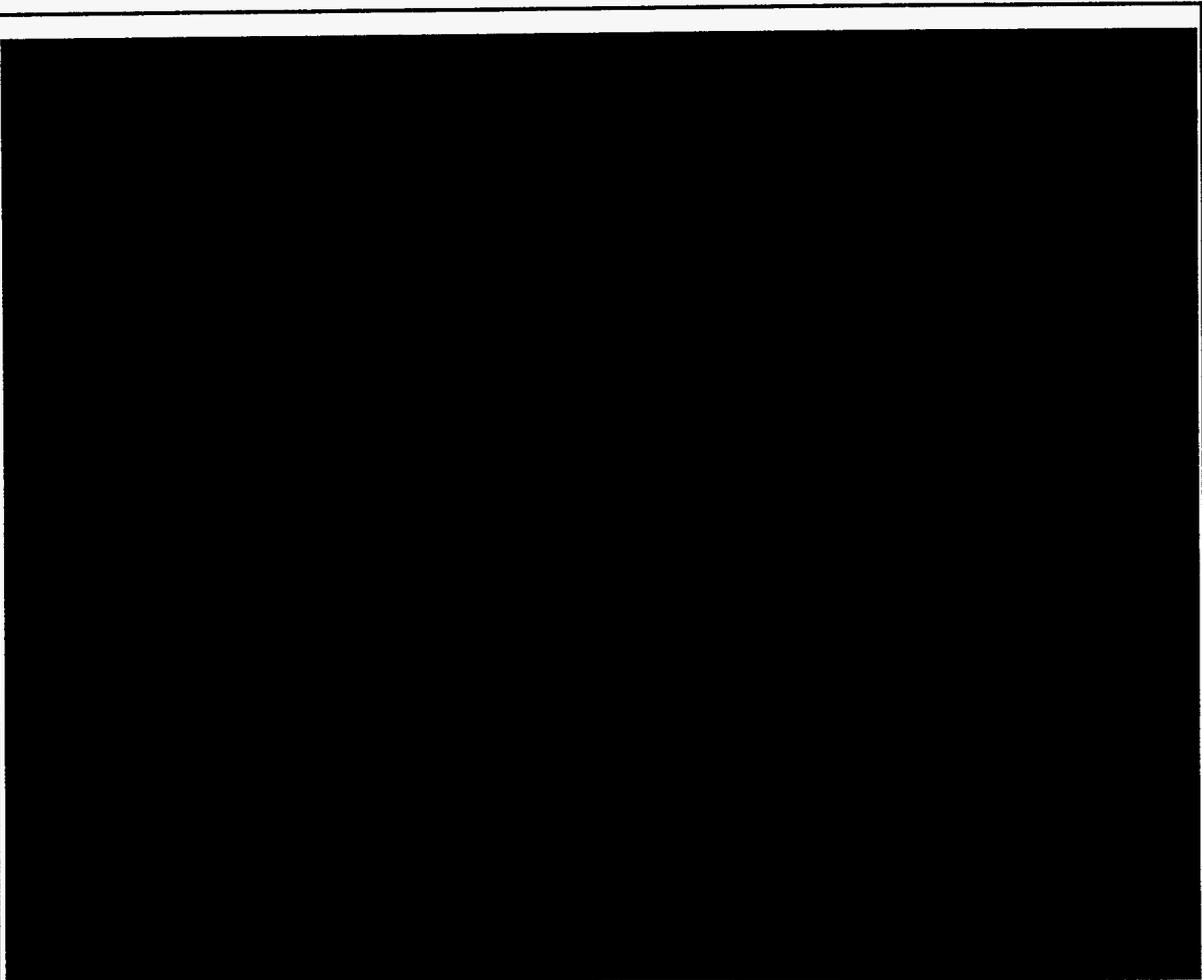
1 scenario planning, and on Page -- slide 2, business as  
2 usual, technology change and aggressive [REDACTED]

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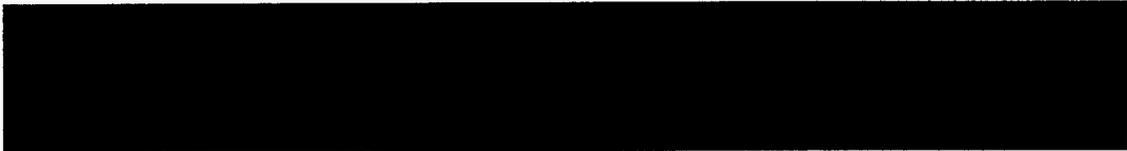


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MR. SAYLER: [REDACTED]



BY MR. SAYLER:

Q [REDACTED]

kind of flows into both; is that accurate?

A That's correct.

Q All right. Let's compare slide 3 with slide 7  
on Exhibit 5.

A Okay.

Q [REDACTED]

REDACTED

1 and [REDACTED]

2 A Yeah.

3 Q Similar to the Progress Energy Florida  
4 scenario, there is a very large chunk of spending  
5 starting in 2015 and ending in 2021, under the March '10  
6 scenario, [REDACTED]

7 [REDACTED]

8 [REDACTED]; is that right?

9 A Yes, this is consistent with our earlier  
10 discussion about different, potential resource plans  
11 that might address some of the factors in the moderate  
12 change scenario.

13 Q Now, hypothetically speaking, when it comes to  
14 these large capital expenditures, if there is a  
15 likelihood that a -- like, the Levy project wasn't going  
16 to come online, or is going to be the COL -- and I put a  
17 pause -- would it be better then to push that large  
18 capital expenditure off into the future, if it's likely  
19 that that large project is never going to come online?

20 A I'm having a hard time answering that one,  
21 because I don't know what the -- if the question is -- I  
22 mean, it sound ed like what you asked me is, if you're  
23 not going to do the project, would you move the capital  
24 out into the future.

25 If you're not going to do a project, you don't

REDACTED

1 have capital in the future. Is that the question, or am  
2 I misunderstanding?

3 Q Well, let me --

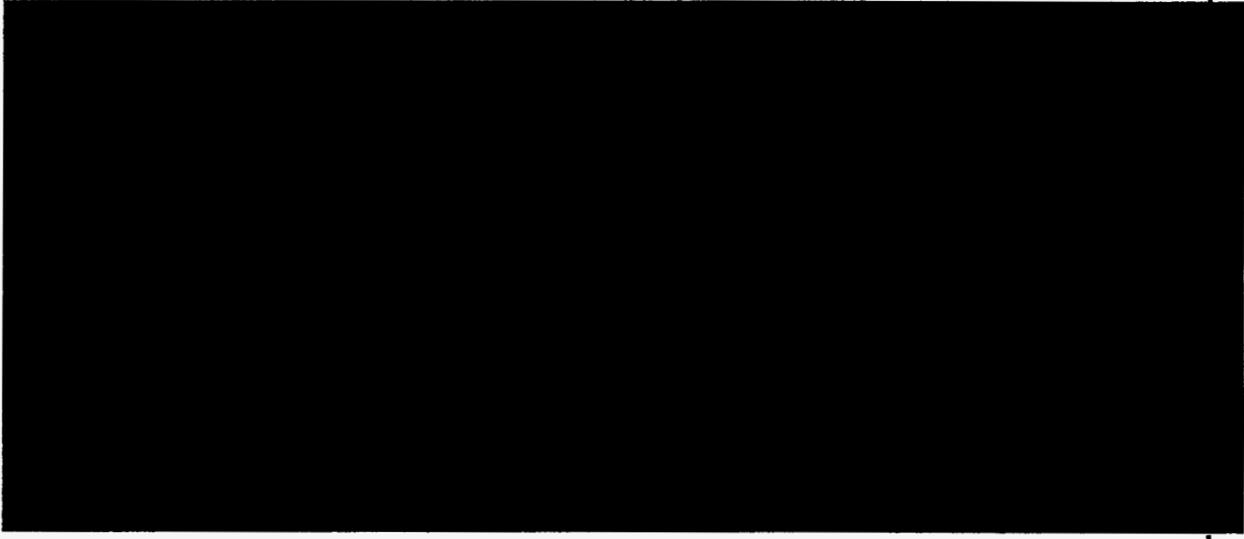
4 A I just didn't follow your question.

5 Q Well, if you -- hypothetically, if you have a  
6 capital project that you can do sooner or later, and if  
7 you end up doing it later, then that would require that  
8 capital outlay be later, correct? You wouldn't be  
9 expending a large amount of capital for --

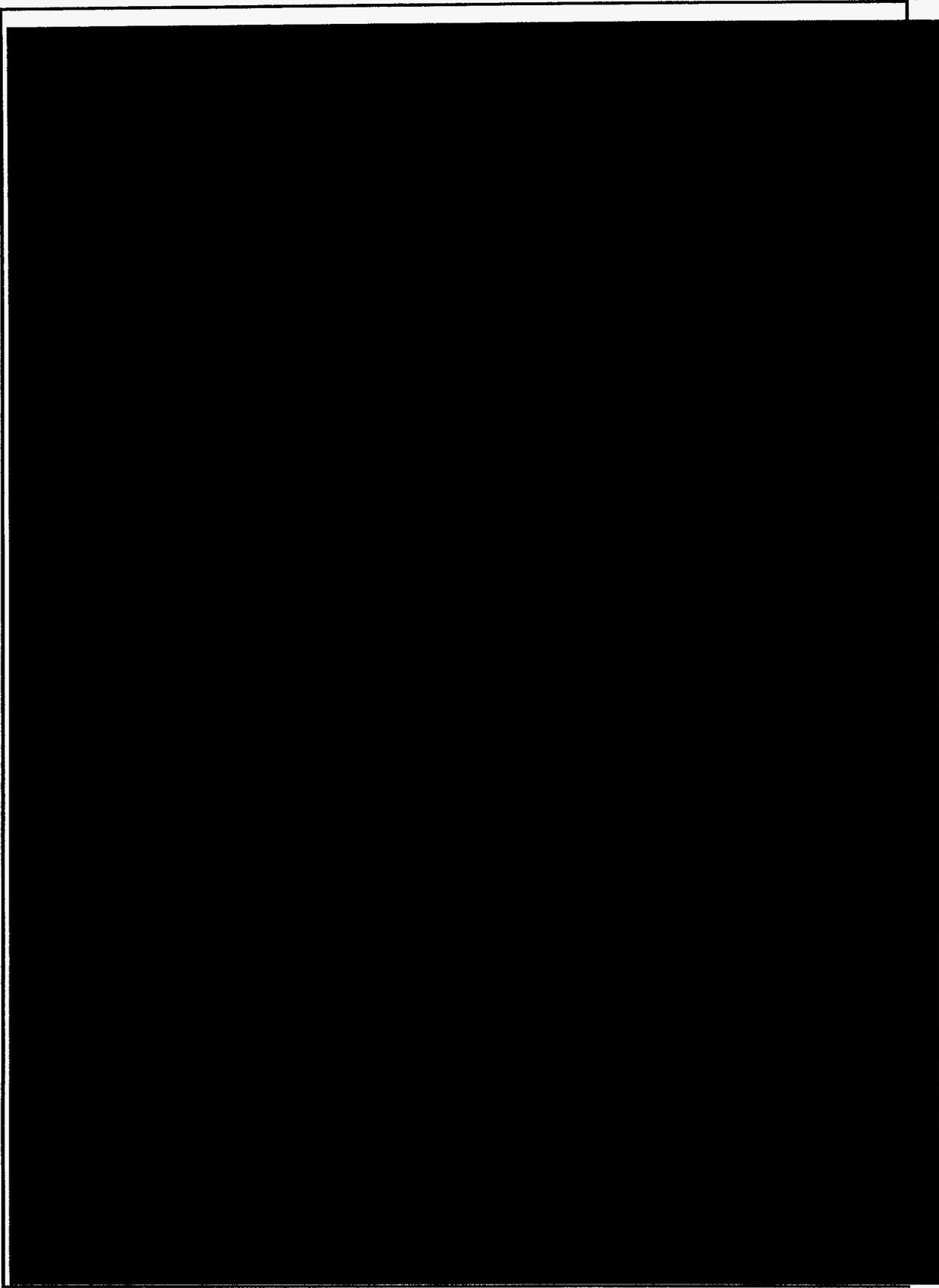
10 A Yes, what I would agree with is that if the  
11 schedule of the project is such that the required  
12 in-service date is later, then, yes, the capital would  
13 not get expended until a time commensurate with the  
14 execution plan and the cash flow requirements of that  
15 project.

16 Q Turning to slide 4 and 8 -- 4 and 8 for the  
17 March 2010, 

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23 Q Would you agree that a big chunk of the capital  
24 outlay requiring new debt for Progress Florida would be  
25 the Levy project?

REDACTED

1 A Yes.

2 Q And hypothetically speaking, [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 A I would say, no, and here is why: Because  
7 again, it's not that simple. [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 So it's not as easy as just saying, take one  
20 resource out and then everything else stays the same.  
21 In fact, if you take anyone resource out, it perturbates  
22 the overall plan.

23 Q Comparing slide 6 with slide 10, the metrics  
24 between those two --

25 A What are you looking at now? I'm sorry.

REDACTED

1 Q Oh, sorry. Page 6 and 10, where it talks about

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3 A Yeah, I think that's correct.

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19 So there is a sweet spot, in general, where you

20 want to be in credit rating. The balance is the cost of

21 capital against the other things you have to do as a

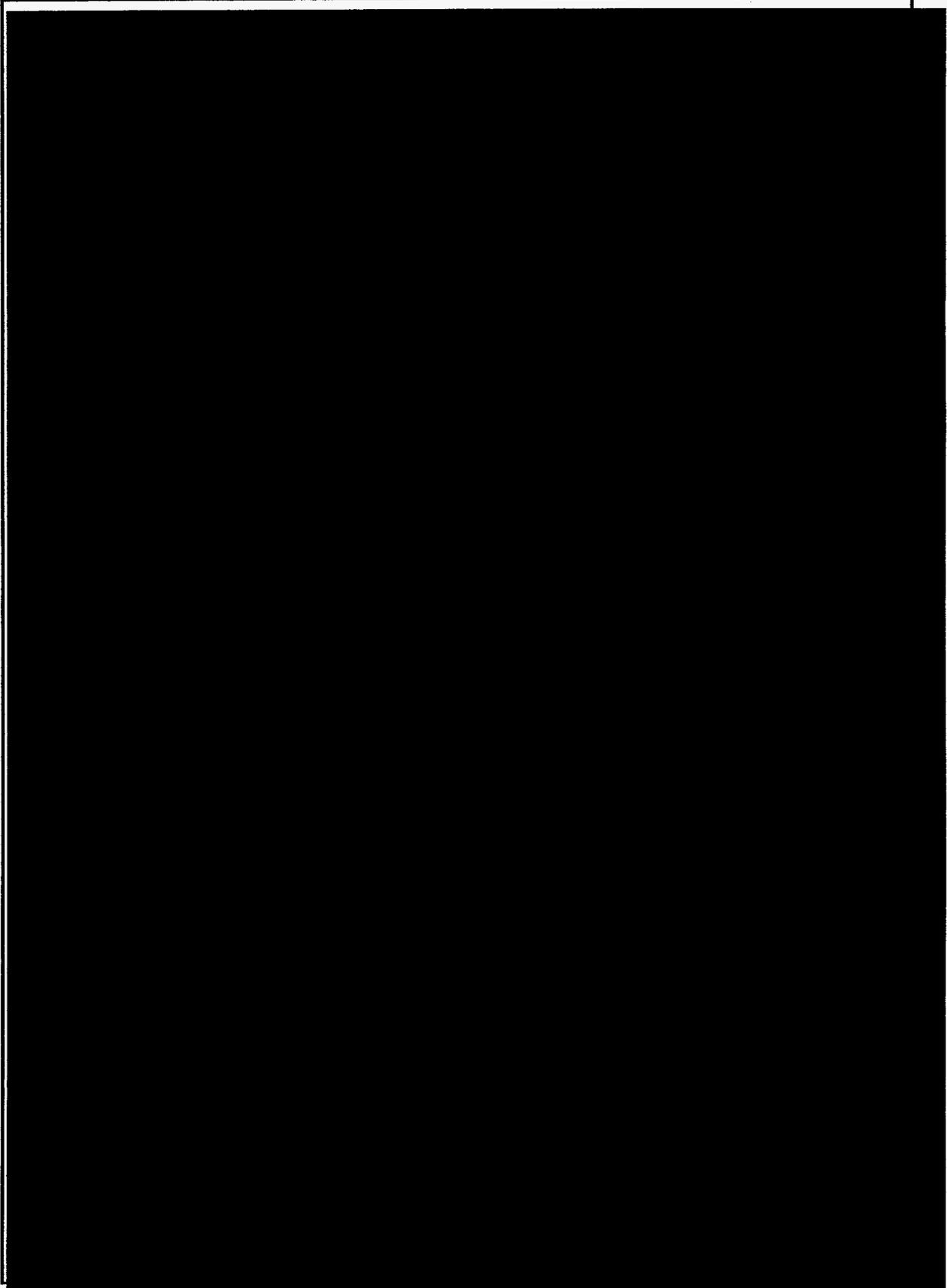
22 company.

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18 Q With that, I'm going to wrap up the scenario  
19 planning.

20 MR. BREW: Does that mean that you're moving on  
21 to your second topic?

22 MR. SAYLER: Yes, Jay, which should go much  
23 more quickly.

24 BY MR. SAYLER:

25 Q And this -- this kind of regards that program

1           BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
2                   DOCKET NO. 110009-EI  
3                   FILED: JULY 27, 2011

4 IN RE:    NUCLEAR COST RECOVERY CLAUSE                   VOLUME II  
5 \_\_\_\_\_/

6 PROCEEDING:       DEPOSITION OF JOHN ELNITSKY  
7

8 DATE:            August 3, 2011  
9

10 TIME:            11:00 a.m. - 4:44 p.m.  
11

12 PLACE:           Offices of Progress Energy Florida  
13                   299 1st Avenue North  
14                   St. Petersburg, FL 33701

15 REPORTED BY:     Stephanie A. Walters  
16                   Florida Professional Reporter  
17                   Notary Public, State of Florida

18                                   (PAGES 185 - 226)  
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24                   4010 WEST STATE STREET  
25                   TAMPA, FL 33609  
                  PHONE: (813)490-0003  
                  FAX: (813)831-1599

1 Q But if you told the NRC that, here are some new  
2 in-service dates; we're planning to develop Levy on  
3 those dates, they would continue to process your COL  
4 application?

5 A I would say that's not necessarily a given. It  
6 is entirely possible, based on conversations we've had  
7 them around our Harris project, that without a clear  
8 in-service, they might not prioritize the reviews  
9 necessary to proceed with a license, and might, in fact,  
10 recommend that the applicant suspend activities  
11 associated with the license.

12 Q And what are the projected Harris in-service  
13 dates?

14 A [REDACTED]  
15 [REDACTED]

16 Q Okay. Would you agree that costs associated  
17 with amending the EPC contract are not necessary for  
18 receipt of the COL?

19 A Yes, but again, only as those costs are  
20 necessary to maintain the planned in-service date, and  
21 that connection to the NRC's reviews and receipt of the  
22 license.

23 Q Would you agree that that Full Notice to  
24 Proceed costs or negotiations costs, or FNTF negotiation  
25 costs, are not necessary to receive the COL?

1 Q Could those plans change at all and still get  
2 the COL from the NRC, the in-service dates?

3 A Potentially, but as I've mentioned, what we've  
4 heard from the NRC recently, is that as in-service dates  
5 move further and further out, they are going to be less  
6 inclined to continue with licensing activities.

7 Q Referring to your Exhibit JE-8 from your direct  
8 testimony --

9 A Okay. Let me go back.

10 Okay.

11 Q -- you show costs on here that are associated  
12 with receipt of the COL. Looking at the line, COLA,  
13 [REDACTED] in 2011; [REDACTED] in 2012, correct?

14 A That's correct.

15 Q And all the other costs -- are any of these  
16 costs that you have shown here discreet costs, not  
17 necessary for the COL?

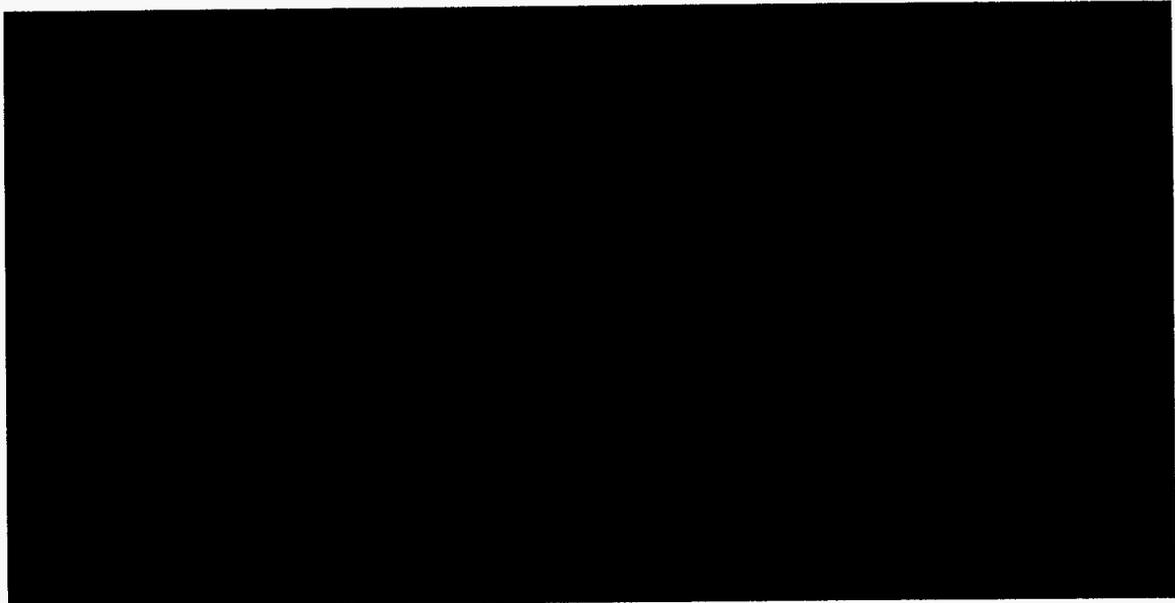
18 A I guess the way I'd answer that is, what we do  
19 here, as we show our -- I think I'm going to the wrong  
20 exhibit. I'm sorry.

21 Q Page 2 of 2.

22 A Yeah. I'm sorry. What we do here is depict,  
23 you know, how we have broken costs into specific  
24 buckets. But again, I will mention that we allocate  
25 specific costs that are the work necessary directly for

1 factors identified by Jacobs in his testimony were  
2 identified by the potential joint owners as impediments  
3 to their ultimate participating -- participation in the  
4 joint ownership in the LNP."

5           What impediments did they identify as being  
6 barriers to joint ownership?



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16 Q     [REDACTED]

17           A     They weren't specific, but they did -- we  
18 talked about, you know, our overall schedule, that we  
19 would engage with them again this fall, around how  
20 things were proceeding around our license, and as we  
21 discussed in my last deposition, that we would target  
22 2012 as a reasonable time to get into more concrete  
23 discussions around joint ownership structures and  
24 agreements, so that, preferably, we could have those in  
25 place on or near receipt of our -- or on or near the

1 negotiation of the Full Notice to Proceed.

2 Q Any other impediments identified by the owners?

3 A No, sir.

4 Q All three had the same impediments --

5 impediment?

6 A Basically, they described it about the same

7 way.

8 Q So cost of the project wasn't an issue?

9 A No.

10 Q They're buy-in requirement?

11 A No.

12 Q Okay.

13 A In fact, my sense of their conversations was an  
14 element of concern, that now that we were moving forward  
15 with the Duke merger, that there would not be an  
16 adequate share for them to purchase, which we abated.

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11           Sorry. That was pre-deposition humor.

12           Q     Is Progress Energy and the Senior Management  
13 Committee still willing to go forward with the Levy  
14 project without joint owners?

15           A     We are still willing to do that. However, we,  
16 as previously stated last year, in my testimony and  
17 Mr. Lyash's, and again this year, we think they're  
18 important.

19                     There are substantial benefits to a joint  
20 ownership arrangement that makes the Levy nuclear  
21 project more of a statewide initiative than just an  
22 individual set of customers.

23           Q     After your discussions with the joint owners,  
24 did you make any kind of report to leadership about  
25 those impediments they expressed?

REDACTED

1 A Yes.

2 Q Do you see the column that's labeled, "Planned  
3 date"?

4 A Yes.

5 Q Okay. Can you tell me: Are all of the dates  
6 listed there still accurate and expected?

7 A Let me just run through them real quick. The  
8 only item that has changed is the actual, for  
9 finalization of long-lead equipment, was not completed  
10 in April of '11. I think we talked about this during  
11 deposition last time.

12 We had two items that required some additional  
13 negotiations, [REDACTED]

14 [REDACTED]  
15 [REDACTED] Those negotiations and  
16 change orders were completed here at the end of July.

17 Q Okay. But for all of those dates that are  
18 currently in the future, those expected dates remain  
19 accurate, to the best of your knowledge?

20 A To the best of my knowledge, today, that's  
21 correct, sir.

22 Q Okay. Thank you.

23 Moving to JE-14 -- to get rid of the clutter --  
24 on the redacted version, on Page 9, which is 10 of 40 of  
25 that exhibit.

1 our earlier discussion, business as usual scenario

2

3

4 So in that scenario, when you look at  
5 application of resource options, Levy is not in the  
6 equation, not in this time frame.

7 Q So at least through -- it would be through the  
8 year 2014 or 2013, whenever you expected to receive the  
9 COLA?

10 MR. WALLS: Object. Assumes facts not in  
11 evidence.

12 But go ahead.

13 THE WITNESS: Yeah. Can you --

14 BY MR. BREW:

15 Q Well, let me rephrase that.

16 A Yeah, please.

17 Q For the lines on this exhibit, for the  
18 business-as-usual case, for the years 2010 through 2014,  
19 the residential rate impact that is listed there for  
20 each of those years, can you tell me what that includes?

21 A Yeah, let me just -- I just want to flip back  
22 to the capital chart that goes with this, because that  
23 will help me there -- get there, I think.

24 So it includes the expenditures associated with  
25 either already -- you know, already actual costs in '10,

REDACTED

1 for '11, '12, and it looks like probably just to the end  
2 of '12.



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9 Q Okay. So I guess another way to ask that would  
10 be: On this chart, does -- do these estimates reflect  
11 any expenditures for Levy, beyond receipt of the COLA?

12 A And the answer to that would be no.

13 Q Okay. Thank you.

14 On the next page, 37, the technology-driven  
15 change, which does assume Levy in service in '27 and  
16 '28, right?

17 A That's -- I think that's correct. Yeah, that's  
18 correct. Actually, yeah, '27/'29, but, yeah, that's  
19 correct.

20 Q Okay. Same question then: For the amounts  
21 that are estimated under capacity nuclear, are those  
22 amounts premised upon 100 percent or 50 percent  
23 ownership?

24 A This would, again, be 50 percent ownership.

25 Q And the same would be for the other scenarios