

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

EXAMINATION OF THE OUTAGE AND DOCKET NO. 100437-EI
REPLACEMENT FUEL/POWER COSTS
ASSOCIATED WITH THE CR3 STEAM
GENERATOR REPLACEMENT PROJECT,
BY PROGRESS ENERGY FLORIDA, INC.

FUEL AND PURCHASED POWER COST DOCKET NO. 120001-EI
RECOVERY CLAUSE WITH GENERATING
PERFORMANCE INCENTIVE FACTOR.

ENVIRONMENTAL COST RECOVERY DOCKET NO. 120007-EI
CLAUSE.

NUCLEAR COST RECOVERY CLAUSE. DOCKET NO. 120009-EI

PETITION FOR LIMITED PROCEEDING DOCKET NO. 120022-EI
TO APPROVE STIPULATION AND
SETTLEMENT AGREEMENT BY PROGRESS
ENERGY FLORIDA, INC.

PROCEEDINGS: DUKE/PROGRESS ENERGY MEETING

COMMISSIONERS

PARTICIPATING: CHAIRMAN RONALD A. BRISÉ
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER ART GRAHAM
COMMISSIONER EDUARDO E. BALBIS
COMMISSIONER JULIE I. BROWN

DATE: ~~Wednesday~~, August 13, 2012

TIME: Commenced at 1:00 p.m.
Concluded at 2:47 p.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: LINDA BOLES, RPR, CRR
Official FPSC Reporter
(850) 413-6734

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FLORIDA PUBLIC SERVICE COMMISSION

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APPEARANCES

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DUKE/PROGRESS ENERGY:

JIM ROGERS
VINNY DOLAN
ALEX GLENN
KEITH TRENT

COMMISSION STAFF:

LISA BENNETT

P R O C E E D I N G S

1
2 **CHAIRMAN BRISÉ:** Good afternoon. Today is
3 August 13th, and it is 1:00 p.m. And we have a special
4 Commission meeting this afternoon, and if I can get our
5 staff to read the notice.

6 **MS. BENNETT:** Certainly. Mr. Chairman,
7 Commissioners, and members of the audience, this special
8 meeting between Commissioners and Duke executives has
9 been set for this date, time, and place. The purpose of
10 this meeting is for the Commissioners to meet the new
11 leadership of Progress Energy Florida's parent
12 corporation and for the Commission to discuss how the
13 Duke/Progress merger will affect Florida consumers,
14 which will necessarily include a discussion about the
15 settlement agreement.

16 **CHAIRMAN BRISÉ:** Thank you very much. At this
17 time I want to welcome each of you to the special
18 meeting. The purpose of this meeting, as was stated, is
19 for the Commission to meet the new leadership of
20 Progress Energy/Duke, Florida's parent corporation, and
21 the Commission to discuss how the Duke/Progress merger
22 will affect Florida consumers, which will necessarily
23 include discussions about the settlement agreement.

24 I want to advise all that are in attendance
25 that while this meeting has been noticed in several open

1 docket, it is not an evidentiary hearing. There will
2 not be testimony or evidence taken at this meeting.
3 Nothing stated in this meeting can be used for
4 evidentiary, for an evidentiary proceeding, and it
5 cannot be the basis for a decision in any other docket.

6 Having said that, if there are topics that are
7 raised which Commissioners or Commission staff feels
8 need to be pursued, the Commission staff can and will
9 follow up with formal discovery questions in the
10 appropriate docket.

11 Finally, the parties to the dockets that were
12 noticed are advised that this is an opportunity for the
13 Commissioners to ask questions of the parent company or
14 parent corporation of the regulated entity, Progress
15 Energy Florida.

16 Some of the areas of inquiry touch on dockets
17 that are open. Parties should not perceive that
18 questions related to open dockets are an indication of
19 the Commission or any Commissioners' vote on any open
20 docket. The Commission will reach a decision on any
21 open docket based upon and only upon the evidence
22 adduced at the hearing.

23 I want to remind Duke, Progress Energy
24 Florida, and the Commissioners that there's a status
25 conference for the Crystal River 3 delamination, Docket

1 Number 100437, that will follow at the conclusion -- 30
2 minutes after the conclusion of this meeting, which was
3 previously published, at least the agenda was previously
4 published. I want to ask that our discussions include
5 issues outside of issues that pertain to the status
6 conference.

7 Ms. Bennett, are there any other legal things
8 that we need to make sure are clear?

9 **MS. BENNETT:** No, Mr. Chairman. I think
10 you've covered them all. Thank you.

11 **CHAIRMAN BRISÉ:** Thank you. And, and as, as a
12 person I want to welcome all of you here this afternoon.
13 There has definitely much been said about the merger and
14 so forth. And our role as, as regulators is to get a
15 sense of, of how Duke will interact with, with us, the
16 Commission, how Duke will interact with our consumers,
17 and that is the real purpose of the meeting this
18 afternoon. And we hope to go through a series of, of
19 questions and comments and so forth that would help us
20 get a better sense of what we have to look forward to
21 moving forward.

22 And I'm going to open it up to my fellow
23 Commissioners for them to make opening remarks, if they
24 would like to do so. I see a light already.
25 Commissioner Balbis.

1 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman,
2 and thank you for those opening remarks. I think you
3 covered quite a few topics that I think are important.
4 And I want to welcome Mr. Rogers and the representatives
5 from Duke and Progress Energy Florida. I mean,
6 obviously as the second largest investor-owned utility
7 in the state, you're an important part of our customers,
8 and we look forward to a good working relationship with
9 your company and also in working with consumers and the
10 consumer advocates over the next coming years.

11 I have -- you know, and I'm glad the Chairman
12 indicated that we have the open dockets. And, you know,
13 one thing that we do have in place is evidentiary
14 proceedings, namely Crystal River 3, which, as
15 Prehearing Officer, again I'll be holding a regularly
16 scheduled status conference this afternoon. So I'll
17 hold my questions on that issue at that time. And the
18 same really holds through to any of the other issues
19 that we do have open dockets that can handle this. So I
20 look forward to a presentation from Duke and Progress,
21 and, and we'll have any questions after that time.

22 **CHAIRMAN BRISÉ:** All right. Commissioner
23 Edgar.

24 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.
25 Welcome. Thank you all for coming.

1 Mr. Chairman, I would like to thank you for
2 scheduling this opportunity. I know that we as a
3 Commission had been planning on following up on some of
4 the integration and -- potential integration issues from
5 the merger after the merger was actually consummated and
6 then as other questions arose. I know you worked with
7 our staff to schedule this at a, at a good time for
8 everybody's schedule and also in due time. So thank you
9 for that.

10 Of course, for all of us up here, Florida is
11 the most important state. We'll discuss that more, I'm
12 sure, here in a little while. But we do have many large
13 issues and I am glad for the opportunity to have an open
14 noticed dialogue as we all look forward. Thank you.

15 **CHAIRMAN BRISÉ:** Thank you, Commissioner
16 Edgar.

17 Commissioner Brown.

18 **COMMISSIONER BROWN:** Thank you, Mr. Chairman.
19 And I would also like to welcome you, and agreeing to
20 meet with us and having the other members of Duke and
21 Progress here to answer our questions.

22 You know, there are obviously -- with a merger
23 of this magnitude, there's a lot of excitement and a lot
24 of, a lot of attention, deservedly so. That being
25 said, I also understand a lot of the customers'

1 concerns, legitimate ones. And we're not here to tell
2 you how to run your company, but we are here to know how
3 you run your company. So I'm looking forward to
4 discussing this with you. Thank you.

5 **CHAIRMAN BRISÉ:** Thank you, Commissioner
6 Brown.

7 Commissioner Graham.

8 **COMMISSIONER GRAHAM:** Mr. Rogers, welcome to
9 the great state of Florida. I'm not going to repeat
10 what everybody else says, but we look forward to hearing
11 your opening statement.

12 **CHAIRMAN BRISÉ:** Thank you, Commissioner
13 Graham.

14 And at this time, Mr. Rogers, if you would
15 prepare for your opening comments, and if you would
16 introduce the members of your team that are present with
17 us today. The floor is yours.

18 **MR. ROGERS:** Good afternoon. I'm now on.
19 Good afternoon. Chairman Brisé and Commissioners, I'm
20 Jim Rogers, CEO of Duke Energy. I am honored to be here
21 this afternoon to answer any questions that y'all might
22 have.

23 With me today are Vinny Dolan and Alex Glenn,
24 who y'all know. Also with me today is Keith Trent,
25 Executive VP of our regulated utilities business. Keith

1 oversees the regulated operations in six states in which
2 we operate. He also oversees our federal affairs.
3 Among the four of us, I hope we can answer any questions
4 that y'all might have. They wanted to make sure I was
5 well protected and well prepared to handle even the most
6 detailed question.

7 Since y'all don't know me very well, let me,
8 if I may, start with a brief review of my background. I
9 grew up in Kentucky. I worked for a time as a
10 journalist. I earned my law degree from the University
11 of Kentucky. I started my career in the utility
12 business more than 35 years ago working, similarly to
13 Mr. Kelly and Mr. Rehwinkel, on behalf of consumers in
14 my home state. The Consumer Counsel was in the Attorney
15 General's Office in Kentucky.

16 Subsequent to that, I served -- in the first
17 term of President Reagan's administration I served as
18 Deputy General Counsel for Litigation and Enforcement at
19 the Federal Energy Regulatory Commission.

20 I subsequently joined Public Service Company
21 of Indiana as its CEO in 1988. I've been a CEO for
22 nearly 24 years. The Progress/Duke merger is my third
23 utility combination. The combined company, and this has
24 been my experience in the past, the combined company
25 will become stronger, more efficient, better at our core

1 mission. And to me that mission is simply this:
2 Providing affordable, reliable, increasingly clean
3 electricity, and producing it in a safe manner 24/7,
4 365 days a year. We remain committed to that mission,
5 and so do our 4,000 employees who live, work, volunteer,
6 and improve the lives of others in the 36 counties in
7 Florida that we serve.

8 Like Progress, Duke has a century-long history
9 of running strong utilities. We also have a strong
10 balance sheet. We systematically invest in our system
11 and our generation fleet.

12 Our nuclear fleet, for example, has operated
13 above a 90% capacity factor for the past 12 years. To
14 give you an example of how we run our nuclear fleet, in
15 the third quarter of last year and in the first quarter
16 of this year the fleet ran at a load factor above 99%.
17 So we're very proud of our operations in that area, as
18 well as other areas of our company.

19 Most importantly, we're also focused on being
20 an active member of the communities in which we serve.
21 We have a long-standing commitment to economic
22 development. Duke has been recognized as one of the top
23 ten utilities in the country in economic development for
24 the last 13 years.

25 As I look back over this time as CEO, I will

1 tell you attracting new business, attracting new
2 investments creates jobs, and that leads to the
3 rebuilding of the middle class and leads to stronger
4 communities, and that's something that we have in common
5 with the economic development leaders both at the state
6 level as well as the city and county level throughout
7 the state.

8 We will bring the same focus and commitment to
9 Florida to build on what the company already does well
10 and continuously improve in areas where we've had
11 challenges historically. This focus in my judgment will
12 ultimately benefit our Florida customers.

13 It's been my experience that when you bring
14 two companies together, you implement the best practices
15 from each and become more efficient. We've seen this in
16 Florida actually. Since the Carolina Power & Light and
17 Florida Progress merger in 2000, our reliability here
18 has improved by 40% and safety injury rate by 70%.

19 The Florida team and their predecessors have
20 done a great job here, and in particular I want to
21 single out Vinny Dolan. He has been a driving force in
22 making these improvements happen. We all are extremely
23 grateful for Vinny's leadership as president over the
24 last four years. And as y'all know, Vinny has announced
25 that he is retiring by the end of this year, and we will

1 miss him greatly. I tried hard to talk him out of that.
2 But we are committed to continuing this excellent
3 performance with Alex as our new president.

4 We've already seen the benefits of the merger
5 in our recent storm response, and I want to share this
6 example with you because it's very applicable to things
7 that may happen in the future.

8 Just a couple of weeks ago we had terrible
9 storms in Ohio. We were able to draw upon crews from
10 Florida, the Carolinas, and Indiana to restore service
11 quickly. We were widely seen as having the best
12 response of any utility in the state of Ohio. I expect
13 we will see these and other benefits in Florida also.
14 That's just a little bit about who we are and what we
15 do.

16 Most importantly, I want to be sure to address
17 directly the matters that Chairman Brisé noted in his
18 letter: First, our commitment to Florida; second, our
19 commitment to the settlement that this Commission
20 approved in February; and finally, decisions around
21 Crystal River Unit 3.

22 I understand, as I heard earlier, that there
23 is a more detailed update on Crystal River 3 scheduled
24 after this meeting, but I did want to make a couple of
25 general points here, if that's okay.

1 First, with respect to the Florida utility,
2 we're excited to now have operations in Florida.
3 Florida is the second largest jurisdiction in which we
4 operate and represents nearly 20% of the revenue of the
5 combined company. This was one of the things that made
6 the merger attractive from the very beginning. Although
7 the economy has been hard hit in the last few years, we
8 see in the long-term great growth prospects for this
9 state. It's a great place to live. It has a number of
10 inherent advantages that many other states don't have:
11 Deep water ports, good infrastructure, a superior higher
12 education system, not to mention tourism.

13 Second, with respect to the settlement, we're
14 fully committed to honoring that agreement. We believe
15 it struck an appropriate balance between customers and
16 our company. It provides greater price stability to
17 customers over the next four to five years. That's a
18 good thing. Nothing has changed our opinion on that
19 since the day the settlement was signed. It is also
20 consistent with mine and Keith's philosophy of trying to
21 work cooperatively with consumer representatives and
22 Commissions to achieve results that benefit all parties.

23 Finally, I understand that Commissioner Balbis
24 as the Prehearing Officer in the CR3 docket has
25 requested the company provide him with an update on the

1 CR3 plant later today, which we will do. With the
2 Commission's indulgence, however, I did want to say a
3 couple of things about CR3.

4 First, we're committed to fully and thoroughly
5 reviewing the repair option. We have a project
6 management team working every day on furthering the
7 engineering and analyzing all aspects of the repair.
8 While we have not made a decision on whether to repair
9 or retire the unit, we are absolutely committed to
10 making the right decision for our customers and our
11 investors, a decision based on the facts and the best
12 available information at that time.

13 Second, we are also committed to working with
14 the consumer representatives, their technical experts,
15 and this Commission as we move forward. Be assured that
16 open and frank dialogue will continue. Crystal River
17 3 is a high priority for Duke, our customers, and the
18 communities that we serve.

19 At this time I'd like to thank y'all for
20 giving me an opportunity for these opening comments, and
21 I welcome any questions that y'all might have. Thank
22 you so much.

23 **CHAIRMAN BRISÉ:** Thank you, Mr. Rogers, for
24 your opening statements and laying out, addressing some
25 of the issues that, in my letter that we sent to you

1 that you address some of those issues. Now
2 understandably there may be some deeper interests with
3 respect to, to some of those issues, and we're going to
4 have the opportunity this afternoon to go into some of
5 those questions.

6 But I'm going to begin with sort of a broad
7 perspective. Obviously when you have a merger, then
8 there's going to be maybe some moving parts and so
9 forth. I want to have a sense of what some of those
10 moving parts will entail, particularly with dealing with
11 our Commission. So I want to have a sense of if there
12 are going to be any changes with respect to the
13 communication channels that currently exist between the
14 Commission, at least the formal communication channels
15 between the Commission and Duke coming, moving forward,
16 if I can get some elaboration on that.

17 **MR. ROGERS:** Thank you very much, Chairman,
18 for that question.

19 With Alex stepping in in the future to fill
20 Vinny's shoes, my judgment is communication will
21 continue as it has in the past. And I think that's very
22 important to keep them focused and developing the strong
23 relations that they already have with the different
24 stakeholders in this state, and we will preserve those
25 relationships going forward.

1 **CHAIRMAN BRISÉ:** Now, there has been, since
2 the finalization of the merger it is my understanding
3 that a number of Progress board members have resigned,
4 and I want to have a sense of how those vacancies will
5 be filled. What kind of board composition are you
6 looking forward to maintain, understanding the large
7 group of customers that we have in Florida and there's
8 an interest there?

9 **MR. ROGERS:** It is very important -- we've had
10 the departure, as you know so well, of two directors.
11 The current size of the board is roughly 15. It is
12 really the decision of our corporate governance
13 committee as well as our board as to whether or not to
14 replace these directors.

15 But let me just say, it's been our practice to
16 always make sure that the various jurisdictions we serve
17 are represented with directors from those areas. And as
18 you know, Carlos Saladrigas serves today on our board.
19 He lives in Miami and represents the state of Florida on
20 our board today.

21 But we are trying to build a board that's
22 diverse geographically in gender and race, and so that
23 has been very important to us in the long term -- or in
24 the past and will be going forward.

25 **CHAIRMAN BRISÉ:** Okay. Thank you very much.

1 Commissioner Balbis.

2 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.

3 And thank you, Mr. Rogers, for your opening statements.

4 I think you covered a lot of the information that I

5 would like to have discussed.

6 But I do have at least one question, and I'm

7 sure with your experience with mergers and -- it's

8 beneficial. But what I have seen that, in companies

9 that are going through a merger, that there's a period

10 of time where there's such a focus on the, the merger

11 itself that a lot of times the core operations or the

12 core mission of the company or companies, you know, it

13 kind of falters a little bit.

14 What steps are you going to take to make sure

15 that Florida's customers will see the benefits of the

16 merger and not deal with a transition time that may

17 affect them?

18 **MR. ROGERS:** I'm very proud of the people of

19 our company. We've had a little controversy swirling

20 around this combination most recently. But they have

21 really kept their heads down, sleeves rolled up, and are

22 doing their job in delivering affordable, reliable,

23 clean electricity to our customers.

24 When day one came, we were able to implement

25 19 IT systems that went to work automatically. And over

1 the next 18 months you're going to see 55 additional IT
2 systems operating. In the longer term, the operation of
3 these IT systems is going to translate into lower cost
4 operations. That will be good for consumers in Florida.

5 Also, as we standardize practices, seek out
6 best practices in terms of distribution operation and
7 the operation of our nuclear and coal and gas and oil
8 fleet, at the end of the day that will translate into
9 benefits. There will also be benefits that will come
10 from joint purchasing. Our ability to, representing all
11 these companies to buy, whether it's natural gas or
12 whether it's coal or whether it's any other commodity
13 that we use, at the end of the day we're going to be
14 able to do this on a lower cost basis. So we're very
15 focused on harvesting the cost, but at the same time
16 keeping people working hard to provide reliable service.

17 The example that I used earlier in terms of
18 the storm in the midwest and how we pulled people
19 together and addressed that and had the, and returned
20 service very fast, given the nature of the storm that
21 really crippled as that straight wind went across the
22 midwest into the Maryland area, was a classic example of
23 the kinds of things that we will do in the future, and
24 also is a good example of how our employees, with a
25 proud tradition of providing service over 100 years

1 virtually every place we do business, they have the
2 capability to keep the noise here, the integration going
3 here, not totally out of mind, but keep -- but they have
4 the capability to stay focused on what we do every day,
5 which is so important to our residential consumers as
6 well as the businesses that we serve.

7 **CHAIRMAN BRISÉ:** Thank you.

8 Commissioner Brown.

9 **COMMISSIONER BROWN:** Thank you.

10 And to focus a little bit more on the
11 communications in Florida, as Chairman Brisé started out
12 with, you said in your opening that you believe in an
13 open and frank dialogue, and I completely agree with
14 that.

15 And you also said that the communications will
16 continue as they have been. However, I believe a great
17 deal of the amount of information we've received
18 regarding the merger has occurred through news sources.
19 So I just wanted a little bit more comfort in how you
20 are going to communicate with us, Florida regulators,
21 and our staff moving forward.

22 **MR. ROGERS:** As I mentioned earlier, almost 24
23 years as CEO, one of the things that I keenly
24 appreciate, driven in part because I once was a consumer
25 advocate and once worked as a federal regulator, you

1 cannot share enough information with respect to what's
2 going on. And we're doing our very best to make sure
3 you're fully informed.

4 There have been a number of events that have
5 happened that have surprised us, but they're more in the
6 regulatory political arena than they have been in the
7 operation of our business. And my hope is that there's
8 been no change in the quality of service. And, in fact,
9 I know that that's the case. But I'd love for Vinny to
10 comment, if he would, on what we've been doing in terms
11 of maintaining our service here in this state.

12 **COMMISSIONER BROWN:** Thank you.

13 **MR. DOLAN:** Thank you, Commissioner. And let
14 me mention two things. The -- as Jim said, we've
15 enjoyed a pretty good path of increasing the customer
16 service and reliability and generation performance over
17 the last four or five years, and that's -- we have every
18 expectation that we want to continue that. I mean, the,
19 obviously the, the issues around nuclear power here in
20 Florida have made a lot of headlines. But, you know, I
21 think our 4,000 folks here on the ground have done a
22 tremendous job in terms of the day-to-day operation of
23 our company, and we have every expectation that that's
24 going to continue.

25 You know, as it relates to communications, we,

1 obviously we have a number of different entry points
2 right now with formal dockets that we are going to
3 continue with. But I hear your question, and if you
4 feel like that there are other items that you'd like to
5 hear more about in terms of the merger and we need to
6 work with the staff in that regard, we're, we're very
7 open to that suggestion and we will, we'll do followup
8 on that and make sure that you are getting the updates
9 as we're getting into the integration phase.

10 And, you know, to Commissioner Balbis's
11 question, I'm very confident that the folks on the
12 ground here that run, that really run the operations day
13 in and day out have that focus, will continue that
14 focus, and hopefully that will be completely transparent
15 in terms of what you see and what our customers see here
16 on the ground in Florida. So I'm confident about that.

17 But, clearly, if, if there's some gaps in some
18 of the information related specifically to the merger,
19 we obviously want to move to fill that and we will do
20 that.

21 **COMMISSIONER BROWN:** Appreciate that. Thank
22 you.

23 **MR. DOLAN:** Thank you.

24 **CHAIRMAN BRISÉ:** Commissioner Graham.

25 **COMMISSIONER GRAHAM:** Thank you, Mr. Chairman.

1 A couple of comments. I know in the short
2 time that we've been here, short time that I've been
3 here the interaction with Mr. Dolan has been very good.
4 You've been a good communicator, I thought, and I think
5 you're going to be missed. Alex, hopefully you've got
6 your big shoes on because you've got big shoes to fill
7 here. So I think we should be solid going forward.

8 My understanding is that, Mr. Dolan, you're
9 going to be here for at least another year -- or for the
10 remainder of this year.

11 **MR. DOLAN:** I think for the, the better part
12 of the remainder of this year. Yes. And I would just
13 tell you, Alex has been a great partner with me and he
14 will -- this will be a smooth transition. And, you
15 know, the communication in terms of that, he's, he's
16 really been carrying the lion's share of that anyway in
17 front of this Commission, so we will not skip a beat in
18 that regard. I can assure you of that.

19 **COMMISSIONER GRAHAM:** That sounds fantastic.

20 Mr. Rogers, if you give us a little idea of
21 the philosophy of Duke's philosophy, kind of talking
22 about diversity of power generation, you know, how you
23 guys feel about coal, how do you feel about nuclear, how
24 do you feel about natural gas? Just I want to get a
25 feel for if you're different than the current Progress

1 philosophy or if you plan on making those changes or --
2 for the most part, what path do you think you're going
3 down?

4 **MR. ROGERS:** One of the great strengths of our
5 company but also the great strengths of our industry is
6 we're not dependent on just one fuel. If you look at
7 the transport sector, they're almost solely dependent on
8 oil.

9 In our industry, as you know so well, we
10 generate electricity using natural gas and coal and
11 nuclear and renewables, and I even call energy
12 efficiency the fifth fuel. And so it's very important
13 to get the balance right between these different
14 alternatives. And you look back on history, you've seen
15 periods where the price of gas is low and periods when
16 it's been high. The same is true with coal.

17 But I'm a great believer, as I look out over
18 the next 40-plus years, I believe that virtually every
19 power plant is going to be retired and replaced in this
20 country and in our company. And so getting the mix
21 right is going to be very critical going forward. And I
22 think it's prudent to have a portfolio of ways to
23 generate electricity, and what is an optimal portfolio
24 may vary from region to region depending on its access
25 to different sources of fuel.

1 For instance, in the midwest we're very close
2 to the coal fields, and so there's more coal there. And
3 here, it's been greater access to natural gas than to
4 coal. So it really varies from different regions
5 depending on your access to the different commodities.

6 I think nuclear will play a key role in the
7 future because it is -- I mean, you look at the nuclear
8 plants that operate today, they operate in a very
9 low-cost way, and so they play and will play a pivotal
10 role in the future.

11 So, again, it's the portfolio that counts, and
12 the portfolio will vary in different regions of the
13 country based on access to different sources.

14 **COMMISSIONER GRAHAM:** So how do you see that
15 portfolio rolling out here in Florida?

16 **MR. ROGERS:** I think Florida historically --
17 and I have a little history with Florida. I used to run
18 Florida Gas Transmission back in the mid '80s, so I have
19 a good sense, and it's subsequently been expanded and
20 more gas has been brought to Florida.

21 I remember the days when Florida was very
22 dependent on oil, and then it sort of made the move to
23 natural gas. I know in the northern part of Florida
24 there's been more coal because there's greater access
25 than as you get to the southern part of our state.

1 So my belief is gas will continue to play a
2 major role going forward. And if shale gas turns out to
3 be the real deal, there will be adequate supplies at low
4 prices. But there's always been volatility in the price
5 of gas.

6 I used to say, quoting Benjamin Franklin, he
7 said there were only two things in life that were
8 certain, and that's death and taxes. And I have added
9 volatility in the price of natural gas would be the
10 third. And so I'm not predicting the future of coal or
11 gas prices because I'm not smart enough to do that, but
12 at the end of the day gas will be an important
13 component. We still have coal here to rely upon and we
14 have the potential for nuclear. And so I think they all
15 have got to fit in going forward.

16 **CHAIRMAN BRISÉ:** Commissioner Edgar.

17 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.
18 And I'm going to -- Mr. Rogers, you have, I think,
19 opened the door to some further questions about nuclear.
20 And if you hadn't, you would have been receiving them
21 anyway, I'm certain. But since that is a little later,
22 I think, on our agenda, I'm going to hold off on that
23 and come back to some general questions that I think, in
24 my mind anyway, are a little more around topic A on our
25 agenda.

1 This is the first time that we have met, but I
2 tend to like to be direct, so that's what I'm going to
3 be. Have you made a commitment to the Duke board or
4 Duke/Progress board, whatever is the most accurate way
5 to term it today and going forward, as to the tenure of
6 your, for you in this position?

7 **MR. ROGERS:** Good question. I get that
8 question from my wife also. I would simply say I serve
9 at the pleasure of the board. And this is the third
10 combination I've been through, and they've asked me to
11 step in because I was on the road to being executive
12 chair. In fact, they had already given me my retirement
13 gift, which when they asked me to step back in, I told
14 them, I'm not giving it back. And the bottom line is
15 I'm going to serve as long as they want me to serve.

16 But I think it's very critical to whoever
17 comes behind me to leave the company in the best shape
18 possible and to really bring these companies together,
19 have people working side by side in a really coordinated
20 effort. And so, again, I'll work as long as they want
21 me to, as long as I can add value and they want me.

22 **COMMISSIONER EDGAR:** Is that a no?

23 **MR. ROGERS:** I just don't know. I mean --

24 **COMMISSIONER EDGAR:** My question -- excuse me.
25 My question was have you made a commitment to a tenure?

1 For instance, at least six months, at least 12 months,
2 forever in a day.

3 **MR. ROGERS:** I haven't made a specific
4 commitment. They asked me to step back in and I said --
5 for some period of time, and I said, absolutely. And so
6 I haven't personally got a date. I would tell you that
7 my contract expires in 2013. Under my existing
8 arrangement I do not get paid in cash, I only get paid
9 in stock, so I have a real focus on the success of this
10 company. And so the important point here is my contract
11 expires in '13, I've made no specific commitment, and I
12 serve at the pleasure of the board.

13 **COMMISSIONER EDGAR:** That contract, when you
14 say 2013, would that be closer to January 2013 or
15 December 2013?

16 **MR. ROGERS:** December 2013.

17 **COMMISSIONER EDGAR:** Thank you. In your
18 testimony before the North Carolina Commission, I
19 believe you mentioned that you would be designating a
20 couple of point people for their efforts to be most
21 directed towards integration. And at that time I think
22 you gave a name, and it's not somebody I'm familiar with
23 and that's okay, a point person from the Duke side of
24 the partnership and stated that you would be naming
25 somebody from the Progress side. Has that been done?

1 And if so, who? And then also have you or will you be
2 designating somebody as a point person for merger
3 integration activities for Florida specifically?

4 **MR. ROGERS:** That is also a very good
5 question. And, Commissioner Edgar, we -- I have named
6 someone to lead this overall integration effort and it's
7 Lee Mazzocchi. He is from Progress. And he was before
8 part of the grid modernization, so he's going to step in
9 that role and report directly to me.

10 We also still have with our company A. R.
11 Mullinax, who runs all our IT. He was one of the two
12 people that worked on the integration process. We have
13 over 600 ideas that have been allocated to all the
14 executive VPs and their organizations, and they have the
15 responsibility of driving these changes through the
16 distribution part of our business, through the
17 generation, through the regulatory and legislative areas
18 of our business, our corporate service functions in
19 finance and HR and corporate communications.

20 So we have -- and like -- the way I think
21 about it is if you have 600 ideas, about 80% of the
22 value is in 20% of the ideas. And so what we're really
23 doing is tracking those idea, and that's Lee Mazzocchi's
24 responsibility, and he's going to follow that. But by
25 delegating them to these key leaders, I also have

1 expectations of them of turning those ideas into
2 reality.

3 **COMMISSIONER EDGAR:** So is there a Progress
4 Florida person that's going to be designated as the
5 point person for Florida issues as to good ideas and
6 synchronicity and all of that?

7 **MR. ROGERS:** The way -- and the short answer
8 is yes, because one of the roles of Lee Mazzocchi is to
9 make sure -- because we're operating -- we're -- the
10 operational model is all the generation is in one
11 organization, including Florida. So we're taking, we're
12 standardizing practices, we're adopting best practices
13 with all the generation that's here in Florida.

14 With respect to distribution, Lloyd Yates, who
15 has over 10,000 people reporting to him, runs all the
16 distributions. And the focus there, as he looks at all
17 the different areas that he serves in the country, is to
18 take good ideas and drive them through the organization
19 that will allow our distribution operation to operate in
20 a more reliable way, in a more efficient way going
21 forward.

22 So there is a functional organizational
23 structure that really allows us to accelerate best
24 practices here in Florida, both on generation as well as
25 in our transmission and distribution.

1 **COMMISSIONER EDGAR:** Just one followup and
2 then I'll move on.

3 **CHAIRMAN BRISÉ:** Sure.

4 **COMMISSIONER EDGAR:** On, on that point, that
5 organizational structure that you have just described
6 with the standardization of generation practices,
7 standardization of BMPs of transmission, distribution,
8 et cetera, is that, to your knowledge, very similar to
9 the way Progress and therefore Progress Florida has
10 operated in the most recent past, or do you see that as
11 a substantially different approach?

12 **MR. ROGERS:** I would say that it's
13 substantially the same. I mean, we've been in this
14 business for 100 years delivering electricity. The
15 generation has been very similar for most of these years
16 except for nuclear. The transmission and distribution
17 has seen incremental improvement through these years as
18 we've adopted new technologies. But they're, they're
19 not step change differences. They're minor changes that
20 you will see that will be -- you know, Florida might do
21 something better than other parts. And so other parts
22 --

23 **COMMISSIONER EDGAR:** We think so.

24 **MR. ROGERS:** -- other parts of our system will
25 really learn from what Florida does. I mean, storm

1 restoration is a huge issue here historically and we may
2 learn from that.

3 So all I'm saying is there's going to be a lot
4 of learning that goes back and forth. It's not a
5 one-way deal in terms of trying to create one of the
6 most cost-effective customer responsive organizations in
7 the country.

8 **COMMISSIONER EDGAR:** Thank you, Mr. Rogers.
9 And, Mr. Chairman, I do have other questions on some of
10 the other topics, but I'm glad to yield now until we
11 come up to those broader topics. Thank you.

12 **CHAIRMAN BRISÉ:** Sure. Thank you very much.
13 Any further questions from Commissioners sort of on the
14 broad communications and impact from the merger?

15 Okay. Moving on to questions about the
16 settlement agreement. I'm going to tee this up. I
17 understand that you stated, Mr. Rogers, that, you know,
18 you all have a full commitment to, to the settlement
19 agreement. I want to make sure that we understand the
20 same thing. So if you could walk through what your
21 understanding of -- what Duke's understanding of the
22 settlement and what all the parts that are included
23 there so that we can make sure that we're on the same
24 page from an understanding perspective.

25 **MR. ROGERS:** Thank you. I'll outline some of

1 it and turn to my team to make sure I've gotten every
2 detail.

3 **CHAIRMAN BRISÉ:** Sure.

4 **MR. ROGERS:** But I think the most important
5 thing about the settlement is is it really created a
6 path forward. It gave rate certainty for the next four
7 to five years. It set a date as the end of this year
8 when we need to make a decision about whether to, to
9 repair or retire, and we're working toward that.

10 It has specific provisions in terms of
11 basically assuring us that our past expenditures were
12 prudent. And that it was important to, that until this
13 plant, Crystal River 3 is completely -- if we go the
14 repair route, it's repaired, that it would be out of
15 rate base until, I think, '16, as I recall.

16 And so the, so the short answer here is, is it
17 really centered around Crystal River. It set some
18 specific dates like you're in, it's out of rate base
19 until a future date. And basically there are a couple
20 of other issues that were addressed in it. But those
21 are the ones that I think are the, from my perspective,
22 the most important to keep in mind going forward.

23 And with that, let me stop and turn to Alex or
24 Vinny for any adds or subtracts.

25 **MR. GLENN:** Sure. I think, I think Jim

1 characterized it well. I mean, it really addresses
2 three issues: Base rates, Levy, and Crystal 3, Crystal
3 River 3. And so with respect to the base rates, and I
4 think those are settled, those will go into effect in
5 2013. With respect to Levy, it gives some price
6 stability for customers, and lengthening that to reduce
7 the cost to customers over time, which is going to be
8 beneficial. And I think with respect to CR3 what it
9 really does is it, there are certain incentives in the
10 settlement that would incent the company to repair, and
11 there are certain timelines under that where those
12 incentives would kick in or not. And there are certain
13 penalties in the event that the company were to decide
14 not to repair the plant.

15 So I think while, while those dates are
16 important, and we're certainly working towards those,
17 towards those, we are, what I would say, as committed to
18 making what's going to be the right decision for all
19 parties involved. And, and we're going to take our time
20 and we're going to be thoughtful about it, as Jim said
21 earlier. And, and I think the, the settlement agreement
22 strikes that right balance, and we're committed to that.

23 **CHAIRMAN BRISÉ:** Okay. Thank you. I think
24 sort of at a, from a high level perspective, I think
25 that that is my general understanding of, of what the

1 settlement agreement covered.

2 Sort of as a followup to the notion of the
3 settlement, which part of it was to protect the
4 consumers, Mr. Rogers, you have publicly stated that
5 North Carolina customers will not pay for Mr. Johnson's
6 severance package, and I'm trying to see if that same
7 type of, of commitment would be made to Florida
8 customers as well.

9 **MR. ROGERS:** Yes, sir. I do make that
10 commitment.

11 **CHAIRMAN BRISÉ:** Okay. Thank you very much.
12 Commissioner Brown.

13 **COMMISSIONER BROWN:** Thank you. And thank
14 you, Mr. Glenn, for your response to Chairman Brisé's
15 question regarding making a decision to repair, retire
16 CR3 and, and what other triggers in the settlement
17 agreement that protect the customers.

18 And, Mr. Rogers, I just want to know, do you
19 have -- do you at this point have a set date of when you
20 intend to make a decision under the settlement
21 agreement?

22 **MR. ROGERS:** A decision is, in my judgment, a
23 pretty straightforward calculus. One is we have to
24 complete the engineering studies to see what level of
25 confidence that we can gain in terms of if we carry, if

1 we follow through on the engineering guidelines, it will
2 actually lead to a safe repair and safe operation of the
3 unit. We have to look at risk assessment associated
4 with that.

5 Another part of the calculus is really, well,
6 what will we get from NEIL? Will we get, you know, a
7 low number or will we get a higher number? You know, we
8 are in a process with NEIL now where we're in mediation.
9 That will start in the fourth quarter. We're exchanging
10 information with them. They're taking what is
11 equivalent to depositions of some of our people. So
12 we're working our way through that part of the calculus.

13 And the last area really that's important to
14 have a keen appreciation of in this calculus is will the
15 NRC allow for an extension of a license? So I think we
16 have to have a clear understanding of all those factors
17 in order to make an informed decision as to whether to
18 retire or repair.

19 But let me assure you, in every event,
20 whatever decision that we make, we will make it in the
21 best interest of the customers in Florida. And we will
22 share that Commission -- that, that, that decision with
23 the consumers as well as the appropriate people from the
24 Commission because it's very important that when we make
25 such an important decision, that we lay out why we made

1 the decision, what we considered, and we will do that
2 going forward.

3 **COMMISSIONER BROWN:** Well, I appreciate that.
4 And I agree that prudent discovery is necessary in due
5 diligence to making that decision. But, you know, time
6 is definitely money, and the longer the time -- I know
7 you acknowledge that -- but the greater the cost to the
8 customer. So I just wanted to point that out.

9 During the settlement -- Mr. Chairman, if
10 you'd allow another question.

11 **CHAIRMAN BRISÉ:** Sure. Go right ahead.

12 **COMMISSIONER BROWN:** During the settlement I
13 expressed some concern about the CR3 repair or retiring
14 process, the informal quarterly meeting process. And I
15 know that's for a later time today with the status
16 conference, and I don't want to get into the details of
17 that at this point. But does Duke intend to continue
18 these meetings or develop a more formal process?
19 Because my understanding during the settlement was that
20 it was somewhat amorphous, very informal, and I just
21 wanted to get an understanding where y'all are.

22 **MR. ROGERS:** If -- we're going to keep doing
23 what we've been doing because we're not going to change
24 that. And I think these meetings have been rather
25 informal, as I understand it, in terms of the exchange

1 of information. I think that's sometimes the best way
2 to share what's going on and to be candid about where we
3 are at any given time.

4 **COMMISSIONER BROWN:** So another, a more formal
5 process though has not been considered at this point
6 with the intervening parties per the settlement
7 agreement?

8 **MR. GLENN:** If I might, because I've been
9 involved in all of these discussions, and I think there
10 will be more information probably provided by Mr.
11 Burnett and possibly Mr. Rehwinkel at the Prehearing
12 Conference, but we met monthly. We met every single
13 month, we've had site tours. Although we have not
14 established a formal schedule, we have met and talked
15 frequently. And I fully expect that to continue going
16 forward, particularly as we get the final technical
17 analysis in, and we've been working with OPC and their
18 expert witnesses as well on that.

19 So while we have not defined we're going to
20 meet on this date and this date and this date for the
21 next three months, it has worked out that we have met
22 much more frequently than quarterly, and we will
23 continue to do that. And I fully expect to do that over
24 the next, the next year or the next six months until the
25 end of the year.

1 But as we move forward though, it may be, if
2 we decide to repair the plant, that at some point it
3 makes sense to meet quarterly and not monthly with, with
4 the intervening parties. So I fully expect that going
5 forward.

6 **COMMISSIONER BROWN:** Great. Thanks.

7 **CHAIRMAN BRISÉ:** Commissioner Edgar.

8 **COMMISSIONER EDGAR:** Thank you. Oh, my
9 goodness. That opens up so many questions I barely know
10 where to start.

11 I'm pleased to hear you reaffirm on the record
12 your commitment personally and the commitment of the
13 organization to the settlement agreement. I certainly,
14 when that came before us, recognized it to be very
15 comprehensive, very technical, but to, to be in the
16 public interest for a number of reasons, partially
17 because it does give some certainty as to timelines and
18 does, as you've pointed out, build in rate stability,
19 which I believe is very important for our consumers,
20 residential, business, industrial, et cetera.

21 And while I have the opportunity, I want to go
22 ahead and applaud again all the parties for coming
23 together and being able to make that happen, certainly
24 our Office of Public Counsel working with your counsel
25 and all of the customer groups here in Florida.

1 You've mentioned a couple of points of it, so
2 one question, you mentioned as to -- a question is
3 whether the NRC will issue the licensing or permit
4 requirements necessary for Crystal River 3 to extend the
5 life of the plant, should that be the ultimate
6 go-forward decision. I have read much in the press in
7 the last week or so about NRC reaction to a recent court
8 opinion.

9 Can you speak, or your team speak to if that
10 recent NRC action has an impact on Crystal River 3 in
11 particular, and, if so, how that might or might not
12 enter into the analysis that you are doing for the
13 future of that facility?

14 **MR. ROGERS:** Last week the NRC acted on the
15 waste confidence issue and, and raised the question as
16 to whether it would have any impact on existing
17 construction and operating licenses that were pending
18 before it and whether it would have any impact on the
19 extension of the licenses that were pending before the
20 NRC. There's been speculation that it could delay,
21 particularly in the COL area of new licenses, but there
22 has not been that same level of speculation that it
23 would lead to an extension of the request to extend the
24 license.

25 So I think we are -- again, this decision is

1 just a week old, and so we don't yet know what the
2 implications will be. But we'll know more, I think,
3 over the coming months.

4 **COMMISSIONER EDGAR:** I think that's fair. And
5 I appreciate that it's a recent decision that we are all
6 probably evaluating.

7 You also mentioned, I believe, in your
8 response to Commissioner Brown about the NEIL mediation
9 discussions and activities that are going forward. How
10 does the timeline for those mediation activities and
11 ultimately, hopefully, a decision from NEIL or with
12 NEIL, how does that timeline of that process enter into
13 the CR3 decisions that are required under the settlement
14 agreement? How, how do those timelines interact?

15 **MR. ROGERS:** That's a very good question, and
16 it also really addresses a tough issue that's in front
17 of us. The -- I've spent an hour and a half talking to
18 the CEO of NEIL to get a deeper understanding of where,
19 through their eyes, not through our eyes, where they
20 think they've been, where they think they're going. And
21 we're in a process, as I mentioned, of heading into
22 mediation. So my hope is, is that in the mediation
23 process we can reach some agreement in terms of what
24 they would pay with respect to any repair.

25 The reason I say that is the normal process in

1 litigating a claim with NEIL is you go through mediation
2 and if you -- and it's nonbinding. If you can't get a
3 good answer to your satisfaction or resettlement, you go
4 into arbitration.

5 The reason I share that with you is, and that
6 happens in most cases, you don't reach agreement in
7 mediation, that really -- that decision-making process
8 really runs up against year-end. So, you know, my hope
9 is that we can get the right agreement in mediation. If
10 not, it leads into arbitration, and we would want a
11 really expedited arbitration process at that point.

12 But, again, the important point, as I said
13 earlier, I can't predict when we're going to make the
14 decision. It's clear in the settlement there's some
15 incentives and penalties around making the decision by
16 year-end, so we're focused on that. But the important,
17 the most important point is we're not going to make a
18 decision until we have a good understanding of all the
19 different components, all the way from the NRC to what
20 the amount that NEIL will give us as a consequence of
21 our claim.

22 **COMMISSIONER EDGAR:** That's helpful to me
23 because I will say I have not had experience and I don't
24 think the Commission as an agency has had much
25 experience with NEIL or the NEIL process. Thankfully we

1 have not had to seek claims on behalf of Florida's
2 ratepayers, et cetera. And so for you to lay out some
3 of the steps in that, that process is helpful.

4 It goes without saying, but sometimes it's
5 important to state the obvious, that for Florida's
6 ratepayers, the, the merits of the claims before NEIL
7 are of great importance, and to know that that is
8 something that is front and center to all of the
9 activities that the utility and all of the issues that
10 you're dealing with is important for us to hear. And so
11 I'm going to look to you to have you reiterate that.

12 **MR. ROGERS:** No. That's, that's very
13 important that you ask me to do that.

14 Our goal line is to get the right answer for
15 the customers of Florida. And the right answer is the
16 one that leads to the, the lowest cost impact on
17 consumers on a risk adjusted basis.

18 And so we are, we're doing the work on the
19 engineering, we're doing the work on the risk
20 assessment. We're full speed ahead and working with
21 NEIL to get an outcome there. We're -- in fact, our
22 Chief Nuclear Officer, as I mentioned, was up in -- or
23 may not have mentioned, was in -- on the day they
24 announced the waste confidence issue, he was there
25 meeting with the different Commissioners as well as the

1 staff. So we're really tuned in to the rhythm of what's
2 coming so that we can really make an informed decision
3 for the consumers. This is the highest priority for our
4 company today, and so we're focused on it.

5 **COMMISSIONER EDGAR:** When you say your Chief
6 Nuclear Officer, is that Mr. Lyash?

7 **MR. ROGERS:** No. That's Dhiaa Jamil.

8 **COMMISSIONER EDGAR:** All right. Thank you.

9 **CHAIRMAN BRISÉ:** All right. Any further
10 questions on this section?

11 All right. Moving forward to -- I have a few
12 questions on the due diligence report. I want to get a
13 sense of where we are with that and how soon our
14 Commission staff will have access to that.

15 And finally, with that issue from me, after we
16 have access to that, if there is information in there
17 that, that we feel is appropriate for us to maybe have
18 another similar type conversation, that you all would be
19 willing to participate in something like that.

20 **MR. ROGERS:** Yes, sir. The, the independent
21 report that we're doing on Crystal River 3 should be
22 completed in the next coming months. And when it is
23 completed, we will share it with you. Because, again,
24 it gets back to the question that was asked earlier
25 about being open and transparent. And there is no

1 reason for us not to share this with you in terms so you
2 can understand what we understand so we're making a
3 decision that you, you see our reasoning. You might
4 disagree with it, but at the end of the day you'll
5 understand the basis of our decision going forward.

6 **CHAIRMAN BRISÉ:** All right. Any other
7 questions on the due diligence report?

8 All right. Seeing none, going forward to --
9 we've talked about NEIL a little bit, so I think we're
10 going to continue down that path, if anybody else has
11 questions dealing with NEIL.

12 Commissioner Graham.

13 **COMMISSIONER GRAHAM:** Mr. Rogers, you talked,
14 excuse me, you talked about how focused the company was
15 dealing with NEIL and it being a top priority. Do you
16 have a, a time frame when you expect a final
17 determination from NEIL?

18 **MR. ROGERS:** I'm a lawyer by training, as you
19 know, and I don't really -- I'm not very good at
20 predicting outcomes of mediation. But if you look at
21 this claim through the eyes of NEIL, this is the largest
22 claim they have ever had, and it is so large that they
23 have stepped out of their normal process to really set
24 up a committee of three to review the claim. And they
25 are members of the board with three very different

1 backgrounds; one with an insurance background, one with
2 a utility background, and the other with an engineering
3 background. So we are -- so they are -- this is a high
4 priority for them.

5 And to put it in a broader context, NEIL is
6 now dealing with four other claims that they have from
7 utilities around the country. So, again, I wanted to
8 share those facts with you so that you can have an
9 appreciation of how they are thinking about this, top
10 priority for them because of the size, but it also
11 implies that the mediation is going to be tough and
12 difficult. But we will -- you know, it's like dealing
13 with any insurance company when you're trying to get
14 recovery. We'll do our best and we're going to put our
15 best team on it. And at the end of the day my hope is,
16 is that we get the right outcome for the consumers of
17 this state.

18 **COMMISSIONER GRAHAM:** Well, I appreciate you
19 said earlier that the negotiations with NEIL is a top
20 priority for Duke, and, as you can imagine, it's a top
21 priority for us because of the dollars that you're
22 talking about. And I can't speak for the rest of our
23 Commissioners, but one of the, one of the key things
24 into the settlement agreement was so you can move
25 forward. And, you know, nobody is sitting back here

1 pointing fingers at who did what, but you can push
2 forward and aggressively chase after NEIL for what we
3 think is due to the, the ratepayers here in Florida.

4 And so that being said, if there's anything
5 that we can do that can help you guys move forward. I
6 mean, I don't know what the dialogue is going back and
7 forth with the staff, but if there's something that we
8 should be doing or need to be doing to make sure that
9 that moves forward, please let us know.

10 **MR. ROGERS:** Thank you very much for that. I
11 will consult with our team. And if there is something
12 you can do, I guarantee you we'll bring it to you.

13 **COMMISSIONER GRAHAM:** Thank you, Mr. Chair.

14 **CHAIRMAN BRISÉ:** No problem.

15 Commissioner Brown.

16 **COMMISSIONER BROWN:** Thank you. And I don't
17 recall what the company intends to do if NEIL does go --
18 deny the claim. Can you explain a little bit about
19 that?

20 **MR. ROGERS:** Sitting here today it's hard for
21 me to imagine that they would deny the claim, but it's
22 always possible. But I think the issue really is more
23 how much they will actually pay. So the issue is not
24 whether they will in my mind, it is how much they will
25 pay. And that really again, as I said earlier, fits

1 into the calculus of if they give us a million -- a
2 billion dollars, well, that puts us on the one course.
3 If they only say we're going to allow you to recover
4 300 million, that may well put us on a different course.
5 And so I can't predict whether they will or they won't.
6 I, I believe that they will. I'm more worried about how
7 much they will pay. That to me is really the issue.

8 **COMMISSIONER BROWN:** I appreciate that. And
9 I'm not asking you to predict. More in the lines of if
10 NEIL says zero dollars, what does that translate to the
11 ratepayers?

12 **MR. ROGERS:** Again, I would say this. If it's
13 into -- if it's zero dollars, I think the likelihood --
14 and, again, I'm going to let my experts here correct
15 me -- from my perspective, if it's zero dollars and the
16 costs, which I, on our last earning call, talked about
17 because it was costs that were set last year between
18 900 and 1.3 billion are trending up, so if the costs
19 trend up and they give us zero dollars, I think the
20 likelihood of retirement is increased.

21 **COMMISSIONER BROWN:** Thank you.

22 **MR. GLENN:** Yeah. I might add, I might add a
23 couple of points to that. First is if the nonbinding
24 mediation is not successful, then we go to arbitration
25 because we feel like we have strong claims and we're

1 going to pursue those claims. Okay? So that's kind of
2 number one.

3 Number two is I think NEIL is obviously an
4 important fact here. The most important fact, however,
5 is is it -- can we repair the plant? What are the risks
6 associated with that? What are the costs associated
7 with that? What's the schedule associated with that?
8 What's the likelihood that we think that we can repair
9 that plant and get it back into, into service? And I
10 think those are the factors that are the critical
11 factors for our customers, and that's why I don't think
12 we can directly answer your question about what does it
13 cost the customers because we don't know that yet. But
14 we will, and that will be part of the ultimate
15 decision-making that we make. NEIL is an important fact
16 to know about that, but I think the drivers for those
17 decisions are going to be our technical analysis, the
18 costs to repair the plant, how confident we are in those
19 costs to repair the plant, and what is the schedule that
20 that's going to go under?

21 So I think those are things that we will be
22 back with this Commission to talk about, and definitely
23 with the Office of Public Counsel and the intervening,
24 and the intervening parties. Excuse me. So that's kind
25 of, I think, the calculus that Jim was talking about.

1 **COMMISSIONER BROWN:** That's good. Thank you.
2 That's good.

3 **CHAIRMAN BRISÉ:** Commissioner Balbis.

4 **COMMISSIONER BALBIS:** Thank you. And, and I
5 just want to make a few comments. And I think this is a
6 good sign from, from Duke in that you're willing to
7 discuss something, you know, that's dealing with a
8 pending mediation, a pending arbitration of something of
9 this magnitude. You know, being able to discuss that
10 openly, I appreciate. And I personally am cautious to
11 continue those discussions just because of the situation
12 that we have before us.

13 But I just wanted to, you know, make this
14 comment about where we are with the settlement and where
15 we are with CR3 and kind of how we got there as far as,
16 you know, for the public.

17 The CR3 delamination docket was separated into
18 three phases. And Phase 1 was all the decisions by
19 Progress Energy leading up to the first delamination in
20 November of 2009. And then there was a second phase
21 established, which was the decision to repair or retire
22 CR3. And then the third phase would be from the first
23 delamination until it gets back into service.

24 And the settlement agreement really addressed
25 those issues and it allowed Progress to file a motion to

1 dismiss Phase 1, and the intervenors agreed to let's put
2 that behind us and move forward, and put the other two
3 phases in abeyance so that, again, when Progress/Duke
4 now works with the intervening parties which is having
5 the monthly meetings, involved with the discussions, et
6 cetera, and the other phases are ripe for a full
7 evidentiary hearing and full involvement with this
8 Commission and with the intervening parties so that, you
9 know, the decision of that magnitude, the factors into
10 that decision are adequately reviewed, addressed, and
11 then we move forward, you know, as a Commission and as,
12 as, as intervenors or as the company.

13 So that's, that's where we are with, with CR3,
14 and, and I think that the settlement agreement did
15 handle that effectively. And the quarterly status
16 meetings that are held are really to take a look at
17 where we are for the other two phases and when do we
18 start the evidentiary hearing process so that we can get
19 to a resolution.

20 **CHAIRMAN BRISÉ:** Thank you, Commissioner
21 Balbis.

22 Any further questions on, regarding NEIL?

23 Okay. Sort of going to move back to broaden
24 it back to sort of the impact of the merger on Florida
25 ratepayers more broadly.

1 And I'm going to start with talking about Levy
2 a little bit. And considering the, the conversation
3 regarding the NRC and so forth, how does that in any
4 form change the roadmap for Levy or, or have any impact
5 on Levy at all moving forward?

6 **MR. ROGERS:** It's my judgment that the
7 consideration of the waste confidence issue will not
8 impact the need for Levy in the future. What it really
9 impacts, may impact is the timing of when we get the
10 construction operating license.

11 **CHAIRMAN BRISÉ:** Okay. There are obviously
12 synergies that occur when, when a merger happens. What
13 type of synergies are coming to Florida as a result --
14 what kind of synergies will result as a result, as a
15 result of the merger, and will there be any impacts in
16 terms of jobs here in Florida as a result of the merger?

17 **MR. ROGERS:** It's, it's my judgment, and I
18 will have my team verify this, but the, the impact on
19 jobs will be de minimis here, if at all, first with
20 jobs.

21 Second, the benefits will accrue over time and
22 there will be two streams of benefits. It'll be the
23 stream of benefits that really come in terms of sharing
24 best practices and becoming more efficient in operation.
25 There will be another stream of benefits that will come

1 particularly with corporate center costs if we can
2 operate in a lower cost fashion those corporate center
3 functions such as finance and HR, IT, et cetera.

4 So, again, it's the, it's, it will happen over
5 time and it will be two primary streams of benefits that
6 will inure to the benefit of customers here in the
7 state.

8 **CHAIRMAN BRISÉ:** Recently Duke's credit rating
9 has taken a hit, it's been downgraded some. Are there
10 any impacts or implications regarding the downgrade to
11 Progress and specifically Progress Florida?

12 **MR. ROGERS:** When S&P downgraded us, they
13 downgraded us one notch. It puts us at the same level
14 as our ratings with Moody's and Fitch. It will have no
15 impact on the credit ratings of Florida Progress and
16 first mortgage bonds there. So that downgrade, which
17 was higher than what Progress was before the
18 combination, will not have an adverse impact on our cost
19 of capital for Florida.

20 **CHAIRMAN BRISÉ:** Okay. Thank you.

21 Commissioners? Commissioner Brown.

22 **COMMISSIONER BROWN:** Thank you. And on to
23 Levy, what is your, if you have one, one-year,
24 five-year, and ten-year forecast plan for Levy?

25 **MR. ROGERS:** I'm not sure I have clear one,

1 five, and ten. But let me just share with you how, how
2 I think about it, and then I would turn to my team to
3 really kind of answer in a more direct way your
4 question.

5 I think in one year we're still trapped in the
6 NRC construction operating license process. So my
7 judgment would be not much. I think in five years there
8 is sort of a bubble question at that point in terms of
9 whether you go forward during that period or whether it
10 will be delayed to a further period. So I think there's
11 a lot of things that we have to see going forward. We
12 have to get the construction -- when will we get the
13 construction operating license? That would be first.

14 Second would be what will the price of natural
15 gas be? You know, what is the value of having
16 diversity, given our significant reliance on natural
17 gas, over 50% today here? It will be -- what -- will
18 there be a price on carbon, because that will impact the
19 economics of this.

20 And then lastly, a very important variable
21 that we have to look at is will the growth return, and
22 that will drive us even further.

23 So I think it's that mix of things. And the
24 only other thing I would add is on, on the demand side
25 management, which, I mean, that's one of the things that

1 Florida Progress does extremely well, and things that
2 our other companies could learn from in terms of how
3 it's done here. But the shape of the load is different
4 here than in our other companies, and y'all have done a
5 very good, or Florida Progress has done a great job of
6 really taking advantage of the demand-side management.
7 So there might be advances even in that coming forward
8 that would have implications for the timing of the
9 decision.

10 So those -- that would be the set of factors
11 that I'd be looking to in terms of it would drive me to
12 the date of going forward, assuming I got the COL.

13 **COMMISSIONER BROWN:** I appreciate your
14 frankness. Thank you for being so forthcoming.

15 As a result of the merger, will there be an
16 increase in costs to the customers on their, their
17 bills?

18 **MR. ROGERS:** It would be my judgment that it
19 should not increase prices to consumers. If anything,
20 it should, over the longer term, reduce costs.

21 **COMMISSIONER BROWN:** Because of the economies
22 of scale efficiencies or --

23 **MR. ROGERS:** Yes, ma'am.

24 **COMMISSIONER BROWN:** Okay.

25 **MR. DOLAN:** Commissioner Brown, if I could

1 help with that a little bit. So we have an adjustment
2 in January and then rates are frozen for the remaining
3 part of the settlement agreement, so I think we have
4 certainty on the base rate component. And I think -- I
5 don't want to stick my neck out too far, but I think
6 with gas prices the way they've been, we're hopeful that
7 as we go through the fall cycle that we'll see some
8 lower fuel prices coming in January. So that certainly,
9 we may see some of that benefit in the near term.

10 You know, and as it relates to Levy, just to
11 add to what Jim said, and I, I support exactly what he
12 said, and this is really ingrained in the philosophy of
13 the settlement. I think in the back and forth with the
14 consumer groups there was desire to preserve that option
15 for the longer term, and yet to have the spending be
16 pretty much de minimis but for completing the license
17 application in the near term. And we certainly support
18 that direction.

19 I think we, as a company, believe in nuclear
20 for the long term. You know, this is a project that
21 started when we were suffering from very high gas prices
22 back in the middle part of the last decade. And, as Jim
23 said, we can't -- we don't have the crystal ball what
24 will happen with gas in the future. So to have that as
25 a potential option for the longer term we think makes a

1 lot of sense for the consumers in Florida, and, you
2 know, time will tell as far as that goes.

3 **COMMISSIONER BROWN:** Thank you, Mr. Dolan.

4 **MR. GLENN:** The last thing I would add also is
5 starting next year, I mean, we're going to be refunding
6 \$129 million under the terms of the settlement that the
7 Commission approved, and then another \$129 million in
8 2014. So no one has a crystal ball, but I would guess
9 that they're going down, not up.

10 **COMMISSIONER BROWN:** All good points. Thank
11 you for sharing them with us.

12 **MR. GLENN:** Sure.

13 **CHAIRMAN BRISÉ:** Commissioner Edgar.

14 **COMMISSIONER EDGAR:** Thank you. But perhaps
15 what may be characterized as a more specific question
16 regarding the proposed Levy County facility, and if I
17 have this wrong, please feel free to correct me -- no,
18 just feel free, do correct me -- but my understanding is
19 that the company has, through an MOU or some other
20 arrangement with our state Department of Environmental
21 Protection, an agreement that CR1 and 2 will be retired
22 when Levy County goes online, and that that is built
23 into the five-year stip that we have with DEP, EPA.

24 Realizing that the Levy County facility, that
25 its timeline for potential operation has been moved back

1 and could potentially be moved back even further, what
2 impact, what decisions either have been made or when
3 will they be made regarding CR1 and 2?

4 **MR. ROGERS:** The answer to that question
5 really rests in the analysis that we're doing now. With
6 the new EPA regulations, we're taking a look at both
7 Crystal River 1 and 2 with respect to what impact it may
8 have on the operation of those plants, and whether or
9 not it makes economic sense to retrofit those plants
10 given the age of the plants. So that, that is an issue
11 that is a work in progress and more to come on that.

12 **COMMISSIONER EDGAR:** Could you maybe, or your
13 team, elaborate on the timeline? And if you can't, I
14 understand that we are, we are looking forward.

15 **MR. GLENN:** Yes. Yes. I don't have a
16 specific timeline, but we're pretty far along in our
17 analysis on looking at the economics, the Mass Rule
18 compliance and what that, what kind of impact that has
19 not only on CR1 and 2 but all of our generation fleet in
20 Florida. So we're going to be looking at that, and it's
21 probably months, not years, you know, when we make that
22 decision. But that's something that will be back
23 probably before this Commission and staff and informing
24 everybody of what we're going to be doing with those
25 units.

1 But really the two options are scrub, put
2 additional emissions controls on those units, and run
3 them for another extended period of time, or likely
4 shutting down, if that's the choice. It depends on the
5 economics really and what's, kind of what's the lowest
6 cost for the customer.

7 **COMMISSIONER EDGAR:** Thank you.

8 **CHAIRMAN BRISÉ:** Thank you, Commissioners. I
9 think we've covered quite a lot of ground this
10 afternoon. The next area of inquiry is in essence sort
11 of open and broad, so whatever Commissioners may have on
12 their mind they may pose at this time.

13 I just want to begin by asking sort of a --
14 and I think Commissioner Graham alluded to some of this
15 in his question, but I want to have a sense of what
16 Duke's corporate vision is with respect with renewable
17 energy, considering that that is a topic of great
18 interest at this point in Florida.

19 **MR. ROGERS:** First, I would say that, a couple
20 of things that I think are important for you to, to keep
21 in mind when you think about how we think about
22 renewable energy.

23 Four to five years ago we started a renewable,
24 a commercial renewable business. By the end of this
25 year we'll have almost 1,800 megawatts of wind and

1 solar. But this is a business that we've developed in
2 regions of the country where the wind blows strongly,
3 and primarily in Texas and Wyoming and Kansas and some
4 in Pennsylvania. But we have built a commercial basis
5 where we sell under 20-year contract the output from our
6 wind farms that we have built. We also have solar
7 projects. And actually prior to his current assignment,
8 Keith Trent ran all of our commercial business and
9 really was the one responsible for developing the wind
10 and solar portfolio that we have today. And I would say
11 today we're probably the fifth largest producer of
12 electricity from wind in the country because of Keith's
13 effort over the last three to four years.

14 And in terms of what we have done in some of
15 our other jurisdictions, we in North Carolina asked
16 permission to build solar on the rooftop for our
17 customers. And basically it was kind of an
18 old-fashioned idea, very similar to how we basically
19 provided universal access in the United States to all
20 consumers and businesses. We basically asked for
21 permission to build 50 -- to build 10 megawatts, and
22 basically asked our customers to raise their hands and
23 we would pay them, we would put the solar panels on the
24 rooftop. And then the cost of that we would roll in and
25 it would be subsidized by our low cost coal and nuclear,

1 because in the Carolinas about 96% of our electricity
2 comes from coal and nuclear.

3 And so as a consequence of that, we, as part
4 of our regulatory business, provided solar power on the
5 roof of our customers, and we operated as if it was a
6 coal plant or a nuclear plant or a gas plant. So that's
7 how we have thought about renewables. We've also
8 invested a lot in energy efficiency because we think
9 that is very important. And as I mentioned earlier, I
10 mean, I think Florida Progress leads all our companies
11 with respect to their demand-side management programs.

12 **MR. TRENT:** If I might elaborate on that just
13 a moment. With respect to the states in which we
14 operate, one of the things that we're very careful about
15 is working with the state and with the parties in the
16 state to understand the state's desires. And we believe
17 that there is no sort of cookie cutter fit, if you will,
18 for any state with respect to renewables. Different
19 states have different resources. And we have, for
20 example, worked with the state of North Carolina and
21 with the state of Ohio in supporting a renewables
22 standard that was agreed upon by various parties. So
23 that's the way we like to operate is to get everyone
24 together and understand what makes sense for the state.

25 One other thing that we think is very

1 important is in dealing with customers, we recognize
2 that there are times when renewable energy is more
3 expensive to customers and you need to take that into
4 consideration. One of the things we did in North
5 Carolina on that front was we created an economic safety
6 valve, if you will, that if the price to the customer
7 reached a certain level as a result of building out
8 renewables, then the standard stopped because we did not
9 want to have a significant impact on customers. And so
10 that, that gives you a little bit of the sense of how we
11 look at renewables.

12 **COMMISSIONER GRAHAM:** Thank you very much.

13 Commissioner Balbis with a question or
14 comment.

15 **COMMISSIONER BALBIS:** Yes, Mr. Chairman. I
16 have a question for Mr. Rogers.

17 You had mentioned Florida's experience,
18 Progress Energy Florida's experience and success with
19 DSM programs. And this Commission, in 2009, established
20 high goals for utilities to meet demand reduction,
21 energy reduction, and we decided that, recently that the
22 DSM plan that Progress Energy provided to us resulted in
23 an undue rate impact to meet those high goals this
24 Commission established.

25 And coming up in the next year or so we're

1 going to start that goal setting process again. And can
2 you commit that Duke Energy will use all of its
3 resources through the other state to develop a plan that
4 are cost-effective to customers so that they can achieve
5 those demand savings in a very cost-effective measure?
6 So I, you know, I don't want you just to rely on
7 Florida's experience, but use all the experience of Duke
8 and Progress's combined experience with that.

9 **MR. ROGERS:** Yes, sir. We'll do that. I
10 mean, the notion of cost-effective is important. It's
11 important in the context of demand-side management, and,
12 as Keith said, it is very important in the context of
13 renewables.

14 And I would just make the observation, every
15 state, as Keith said, is very different in how they
16 think about these issues and what their resources are.
17 But in every event we will do whatever is cost-effective
18 in either one of those two areas going forward.

19 **COMMISSIONER BALBIS:** Thank you. That's all I
20 have.

21 **CHAIRMAN BRISÉ:** Thank you. Any other
22 questions? Commissioner Edgar.

23 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.
24 Since first reading about some of the other issues and
25 discussions after the merger was completed, there's one

1 question that immediately came to mind and has stuck in
2 my -- many questions have, but one that came in first
3 and has stuck there ever since but I've had a hard time
4 trying to figure out how to articulate it, so bear with
5 me.

6 Following as closely as, as we can from down
7 here in the southeast and with some of the limitations
8 we have as also being an evidentiary body with dockets
9 open before us, as I have read some of the accounts in
10 the media and also tried to follow along with the forum
11 that the North Carolina Commission opened and presented,
12 I have read and heard a lot of discussion about the
13 commitment and activities in North Carolina and South
14 Carolina, Kentucky, and Ohio. And then maybe in like
15 the fifth, sixth, eighth paragraph down there would be
16 something that would say something like, oh, and
17 Florida. So for you to be here today and to express
18 your commitment to Florida, to our ratepayers, of
19 course, but to the state and to the public interest here
20 is very important and I'm very appreciative.

21 You have made this point, but I would like to
22 hear you say it again, and realizing in particular that
23 my understanding is that with the merged companies, that
24 Florida has, I believe, the second largest number of
25 accounts of all the states in your combined territory.

1 Can you reassure us in some way that Florida is not an
2 afterthought?

3 **MR. ROGERS:** It's my belief that our focus on
4 the customers in Florida will not change. Florida will
5 not be an afterthought. The customers will not be an
6 afterthought.

7 As I said in my opening statement, I started
8 my career, after clerking for the supreme court in my
9 state, as an Assistant Attorney General Consumer
10 Advocate, and I really understand the importance of
11 getting the balance right between the customers and the
12 investors. And we will do our very best to achieve that
13 here and make the type of recommendations to you that
14 make sense. And at the end of the day I believe with
15 our team, I mean with Vinny and Alex and the other
16 members of our team, we will continue to do as well as
17 we've ever done, and hopefully there will be cost
18 savings that will come. And over time there might be
19 better ideas in terms of operating, distribution, or
20 doing storm restoration, et cetera. But we will do our
21 best, and our Florida customers will be in the forefront
22 of what we do.

23 **COMMISSIONER EDGAR:** Thank you. To kind of
24 follow along that line, you made the comment, I believe,
25 earlier in this ongoing dialogue about decisions, all

1 decisions, but in particular regarding CR3 and Levy
2 County and related issues, that the cost impact to the
3 ratepayer would be one of the tantamount considerations.
4 But as we all know, financial impact to ratepayers takes
5 many facets. Affordable you have mentioned, and it is
6 certainly something that this Commission spends a great
7 deal of time trying to do what we can to guarantee
8 affordable, reliable rates, and the livability of our
9 communities.

10 I have read in the paper that the company has
11 made a commitment to Raleigh, or Raleigh -- to Raleigh
12 on going to Charlotte. I read, I think, over the
13 weekend a commitment to a building in St. Petersburg.
14 Any decisions in particular about CR3 and Levy County
15 will have a great ripple effect to some of the small
16 communities in your service territory here in Florida.
17 How does that factor into decisions? And I'll round
18 that out by saying you began your comments with a,
19 stating that economic development is an emphasis of your
20 company. I don't know if those are two separate issues
21 or if they are related, but if you could speak to that,
22 please.

23 **MR. ROGERS:** Well, the best thing we can do
24 from an economic development perspective is to try to
25 keep our rates as affordable as possible. That's first.

1 But secondly is to invest and work side by side with
2 economic development leaders at the city and county and
3 state levels. We do that.

4 And actually I've already talked with one of
5 the leaders in economic development in Citrus County,
6 and he made it pretty clear to me exactly what their
7 issues were and their concerns were, and I appreciated
8 that he reached out to me and talked to me about this.

9 And so we're sensitive. I mean, we've had
10 situations, I should say, in the midwest where we've
11 shut plants down in some counties, and in those states,
12 from a property tax standpoint, that has significant
13 implications. So we factor that in in our thinking.

14 So all I can say is, is that we see economic
15 development. As I said, we're very aggressive in
16 working side by side with the state leaders on this. We
17 will continue to be that way. We also appreciate, and
18 Citrus County is clear in my mind, with respect to the
19 economic development implication, the property tax
20 implication of the operation of that plant in that
21 county.

22 **COMMISSIONER EDGAR:** And I hope you will, and
23 expect that you will also, as decisions are going
24 forward, take a good, close look at the cost-effect,
25 cost-effectiveness of hiring Florida businesses for

1 subcontracting type opportunities. And thank you.

2 **MR. ROGERS:** Thank you.

3 **CHAIRMAN BRISÉ:** Commissioner Graham.

4 **COMMISSIONER GRAHAM:** Thank you, Mr. Chair.

5 I've been sitting here going through the list
6 of questions that I, I came up with before the start of
7 this meeting, and I think all of them have been asked
8 and answered except for one. And I believe Commissioner
9 Brown asked a question earlier. I'm not sure if I heard
10 the answer or if I got lost in the dialogue, but the
11 question was about NEIL. If NEIL decides not to pay
12 anything, then who pays?

13 **MR. ROGERS:** If NEIL makes what I believe is
14 an unlikely decision to pay nothing, my judgment is --
15 and we make the decision to repair and the repair is
16 successful, then it would be my belief that the cost of
17 the repair would be borne by the customers.

18 But, again, the important point is we'll have
19 to make a decision that we will share with you as to
20 what is the most cost-effective thing to do if they pay
21 zero, which I think is a low probability. So I think
22 that is a decision that we'll make, that's a decision
23 that we'll share on a regular basis as we work our way
24 through this. So that's -- I hope that gives clarity to
25 the answer and the answer wasn't lost in the dialogue.

1 **MR. GLENN:** Yeah. I think that's one of the
2 questions, if I might add to what Jim said, is left open
3 in the settlement agreement. The parties, when we were
4 negotiating, couldn't come to a resolution on that issue
5 of what happens with uninsured costs; correct? So I
6 think under the terms of the settlement what we'd be
7 doing is sitting back down with J. R. Kelly, Office of
8 Public Counsel, Florida Retail Federation, FIPUG, PCS
9 Phosphate, the parties in that agreement, and trying to
10 figure out a creative solution like we've been able to
11 do in the past. And if we can't, we're going to be
12 coming back to you to have to prove a case to you to
13 determine if we're entitled to those costs. I think
14 that's, and I think that's where we're at right now.

15 **COMMISSIONER GRAHAM:** Well, I think the
16 stipulation was a creative solution at the time. And as
17 everybody said here so far, you all know the impact of
18 what would happen if something were -- if CR3 were not
19 going back online, the impact that would happen in that
20 section of our state, that county for sure, and all
21 those lost jobs. So hopefully NEIL decides to pay the
22 entire bill and we get to move forward and not put any
23 more burdens on our ratepayers. But I do appreciate
24 your answers.

25 **MR. DOLAN:** Commissioner, Commissioner Graham,

1 if I might. The, yeah, I think it's important to point
2 out, you know, we've talked a lot about Crystal River,
3 and I think we're spilling over into the Prehearing
4 Officer's more detailed conversation that'll happen
5 later today, and that's really appropriate where we'll
6 get into a lot of the details.

7 But I will tell you that it's been our
8 consistent position that this is a legitimate claim with
9 NEIL and nothing -- you know, we were speculating about
10 the future, which is always sort of interesting to do,
11 but our intention is to go to mediation and, and that's
12 the next step. And we feel like there's money due for
13 this claim and we intend to pursue it as a company. And
14 that's a factor.

15 As Mr. Glenn said, this is not, this is a very
16 complicated puzzle at Crystal River. I think we all
17 acknowledge that. And we're going to work through it,
18 and we're going to work through it and evaluate all
19 viable options and ultimately make the right decision.
20 And we have some deadlines at the end of this year that
21 are contemplated in the settlement. But if we're not at
22 the point by the end of this year where we're ready to
23 make the correct decision, then we will take the
24 additional time that's necessary to make the informed
25 decision.

1 So clearly this is a top priority for us as a
2 company, and I think as the new company it's a top
3 priority. And we're, and we're going to exhaust every
4 avenue until we get to the right answer and the
5 Commission will be informed. You know, we talked a
6 little bit about the nature of the information flow to
7 this point. I think that pace will accelerate because
8 we'll know more information. We really haven't known a
9 lot of conclusive information about the engineering
10 design, the study, those types of things. So I think as
11 we step through this in the coming months there will be
12 more information to share in the proper forum and
13 that'll sort of lead us down the path until we reach
14 whatever is the right decision there. So that's really
15 the way we're approaching it and will continue to
16 approach it until we get to that, to that stage.

17 **CHAIRMAN BRISÉ:** Thank you. At this time,
18 Mr. Rogers, providing that there are no other questions
19 from Commissioners, I want to give you the opportunity
20 to make a closing statement before we get into making
21 our closing statements from up here.

22 **MR. ROGERS:** Well, first, Mr. Chairman, I want
23 to thank you for this opportunity to be here today. I
24 really appreciate the good questions, some hard
25 questions that you've asked me. I've done my best to

1 answer them to the best of my ability. And we really
2 look forward to working together and in being open, to
3 being transparent, and have the kind of relationship
4 that allows us to provide electricity in the most
5 affordable, reliable, and cleanest way possible to the
6 people that deserve it, and that's the people of
7 Florida. Thank you very much.

8 **CHAIRMAN BRISÉ:** Thank you very much,
9 Mr. Rogers.

10 Commissioner Balbis, you'll go first.

11 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.

12 And I want to thank you, Mr. Rogers, and the
13 entire Duke/Progress team for, for coming here today and
14 being very open and I believe frank in your discussions
15 on these important issues.

16 You know, I am optimistic that with
17 Mr. Rogers' experience with I believe your third merger,
18 similar merger, that the transition difficulties that I
19 discussed will be minimized. I'm optimistic with that.
20 And with Mr. Glenn taking over for, again, the big shoes
21 of Mr. Dolan, that the Florida customers are going to
22 still see the same faces and receive the same service
23 until these improvements come on board.

24 And I'm certainly confident that this
25 Commission will continue to closely monitor the

1 important issues that the company is facing along with
2 the customers are facing.

3 Someone once told me once, and I'm sure it
4 wasn't Benjamin Franklin, but it's a pretty good saying
5 that I think is appropriate, and that is trust, but
6 verify. So we're going -- I look forward to working
7 with the team and continuing to look out for the best
8 interests of the company and the customers as we move
9 forward.

10 **CHAIRMAN BRISÉ:** Commissioner Brown.

11 **COMMISSIONER BROWN:** Thank you, Mr. Chairman.

12 Just a quick thank you for your willingness to
13 come and meet with us, and especially your candor and
14 insight into the issues that are affecting Florida
15 customers. I think it's been helpful to us as
16 Commissioners, but also to the customers that are paying
17 attention, and I think it's been very -- provided a lot
18 of clarity to some of those newspaper articles out
19 there. So thank you again.

20 **CHAIRMAN BRISÉ:** Okay. Any further comments?

21 All right. With that, I want to, before I get
22 into that, I want to recognize Senator Dean. Thank you
23 for being here this afternoon.

24 I want to express my appreciation to the
25 management team at Duke and Progress Florida. You know,

1 my belief is that when there are difficult challenges,
2 the more heads that we put around it and work to find a
3 solution, the better the solution. And I think that
4 when we've dealt with the issues that are, were at hand
5 and continue to be at hand through the settlement and we
6 continue to deal with those issues moving forward, I
7 think that if we continue to maintain the, the lines of
8 communication open, not only with the Commission but
9 with all the intervening parties and so forth, we will
10 move towards a resolution that makes sense for our
11 common constituents, which are our consumers. And I
12 think that today is a sign of a productive beginning,
13 and we look forward to, to a strong and maintained
14 relationship of open dialogue which we have here.

15 I want to also express appreciation to
16 Mr. Dolan for, for his hard work over the years, and
17 thank you for establishing a type of culture that exists
18 so that we can have the type of dialogue necessary for
19 open communication and discussion as we deal with
20 difficult challenges.

21 So with that, I want to say that I appreciate
22 everyone's interest in this issue. And for the
23 consumers who are paying attention, you know, these are
24 challenging issues. But rest assured that we, as your
25 Commissioners, and all those who are involved, the

1 Office of Public Counsel and all those who represent
2 your interests, we are going to work hard and be
3 diligent about ensuring that what we do in terms of our
4 decision-making is within the public interest, and at
5 the end of the day that is our greatest responsibility.

6 After this we will, 30 minutes after this
7 we'll begin the status conference. Commissioner Balbis
8 will be chairing that. And so with that in mind, we
9 will adjourn. You can probably go to the lobby as we
10 set up in here for that meeting. Thank you very much
11 and have a great afternoon.

12 (Proceeding concluded at approximately 2:47
13 p.m.)

1 STATE OF FLORIDA)
2 : CERTIFICATE OF REPORTER
3 COUNTY OF LEON)

4 I, LINDA BOLES, RPR, CRR, Official Commission
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
7 stated.

8 IT IS FURTHER CERTIFIED that I
9 stenographically reported the said proceedings; that the
10 same has been transcribed under my direct supervision;
11 and that this transcript constitutes a true
12 transcription of my notes of said proceedings.

13 I FURTHER CERTIFY that I am not a relative,
14 employee, attorney or counsel of any of the parties, nor
15 am I a relative or employee of any of the parties'
16 attorneys or counsel connected with the action, nor am I
17 financially interested in the action.

18 DATED THIS 6th day of September,
19 2012.

20 Linda Boles
21 LINDA BOLES, RPR, CRR
22 FPSC Official Commission Reporter
23 (850) 413-6734
24
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