

May 1, 2013

Ann Cole, Director
Office of the Commission Clerk
PSC Recording & Filing
2540 Shumard Oak Blvd
Tallahassee, FL 32399

Re: In re: Nuclear Cost Recovery Clause
Docket No. 130009

Dear Ms. Cole:

Enclosed for filing on behalf of Duke Energy Florida, Inc. are the following:

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DN 02380-13 1. Duke Energy Florida, Inc.'s Petition for Approval of Nuclear Costs to be Recovered During the Period January-December 2014, Including Final True-Up for Prior Recovery Periods, Actual Estimated True-Up for the Period Ending December 2013, and Projections for the Period Ending December 2014 for the Levy Nuclear and CR3 Uprate Projects (original and 7 copies);

DN 02381-13 2. Redacted Direct Testimony of Christopher M. Fallon in Support of Actual Costs on behalf of Duke Energy Florida (original and 15 copies);

DN 02382-13 3. Redacted Direct Testimony of Garry Miller in Support of Actual/Estimated and Projected Costs on behalf of Duke Energy Florida, Inc. (original and 15 copies);

DN 02383-13 4. Redacted Direct Testimony of Thomas G. Foster in Support of Actual Costs on behalf of Duke Energy Florida, Inc. (original and 15 copies)

DN 02384-13 5. Duke Energy Florida's Third Notice of Intent to Request Confidential Classification Regarding Portions of the Testimonies and Exhibits Filed as Part of the Company's May 1, 2013 True-Up Filing (original and 7 copies); and

DN 02386-13 6. Duke Energy Florida, Inc.'s Notice of Adoption of Jon Franke's March 1, 2013 Direct Testimony by Garry Miller (original and 7 copies).

Sincerely,

Blaise N. Gamba



Enclosures

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear Cost Recovery
Clause

Docket No. 130009-EI
Submitted for Filing: May 1, 2013

DUKE ENERGY FLORIDA, INC.'S PETITION FOR APPROVAL
OF NUCLEAR COSTS TO BE RECOVERED DURING THE PERIOD
JANUARY-DECEMBER 2014, INCLUDING FINAL TRUE-UP FOR PRIOR RECOVERY
PERIODS, ACTUAL ESTIMATED TRUE-UP FOR THE PERIOD ENDING DECEMBER
2013, AND PROJECTIONS FOR THE PERIOD ENDING DECEMBER 2014 FOR THE
LEVY NUCLEAR AND CR3 UPRATE PROJECTS

Pursuant to Section 366.93, Florida Statutes, and Rule 25-6.0423, Florida Administrative Code ("F.A.C."), Duke Energy Florida, Inc. ("DEF" or the "Company"), respectfully petitions the Florida Public Service Commission ("FPSC" or the "Commission"), for the recovery of DEF's costs for (1) the Levy Units 1 and 2 nuclear power plants ("Levy" or "LNP"), and for (2) the Crystal River Unit 3 ("CR3") Extended Power Uprate ("EPU") Project ("CR3 Uprate") in this Nuclear Cost Recovery Clause ("NCRC") proceeding. On February 5, 2013, the Company decided to retire CR3 and, as a result of that decision, the CR3 Uprate was cancelled. As a further result of that decision and as more fully explained below and in DEF's testimony and exhibits, the Company requests cost recovery for the CR3 Uprate pursuant to Section 366.93(6), Florida Statutes, and Rule 25-6.0423(6), F.A.C.

DEF is entitled to recover \$174,648,926 through the Capacity Cost Recovery Clause ("CCRC") during the period January through December 2014 for the Levy and CR3 Uprate projects. This total amount of nuclear costs includes for the LNP (a) the true-up of prior period costs; (b) the projected pre-construction, recoverable operations and maintenance ("O&M"), and associated carrying charges for

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preconstruction; (c) the continued amortization of the deferred balance; and (d) the projected carrying charges on construction costs. For the CR3 Uprate, this total amount reflects the amortization of the true-up of prior period costs, the actual/estimated carrying charges on construction costs, recoverable O&M costs, unrecovered Construction Work in Progress ("CWIP"), and reasonable and prudent future EPU payments and EPU exit costs. DEF's request to recover this total amount of nuclear costs for the LNP and CR3 Uprate is consistent with the Stipulation and Settlement Agreement approved by the Commission in Order No. PSC-12-0104-FOF-EI in Docket No. 120022-EI (the "Settlement Agreement").

In this proceeding, DEF requests a determination that all of DEF's prior period LNP and CR3 Uprate project costs are prudent, and that all of DEF's actual/estimated 2013 and projected 2014 costs for the LNP and CR3 Uprate project are reasonable, consistent with Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C. DEF supported the prudence of its prior period LNP and CR3 Uprate costs with its petition, testimony, exhibits, and Nuclear Filing Requirements ("NFRs") filed with the Commission on March 1, 2013, which are hereby incorporated by reference. This Petition is supported by the testimony and exhibits of DEF's witnesses, Mr. Christopher M. Fallon, Mr. Garry D. Miller, and Mr. Thomas G. Foster, including the applicable NFRs, which are also incorporated by reference.

I. PRELIMINARY INFORMATION.

1. The Petitioner's name and address are:

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299 1st Ave. N.
St. Petersburg, Florida 33701

2. Any pleading, motion, notice, order, or other document required to be served upon DEF or filed by any party to this proceeding should be served upon the following individuals:

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II. PRIMARILY AFFECTED UTILITY.

3. DEF is the utility primarily affected by the proposed request for cost recovery. DEF is an investor-owned electric utility, regulated by the Commission pursuant to Chapter 366, Florida Statutes, and is a wholly owned subsidiary of Duke Energy Corporation. DEF's principal place of business is located at 299 1st Ave. N., St. Petersburg, Florida 33701.

4. DEF serves approximately 1.6 million retail customers in Florida. Its service area comprises approximately 20,000 square miles in 35 of the state's 67 counties, encompassing the densely populated areas of Pinellas and western Pasco Counties and the greater Orlando area in Orange, Osceola, and Seminole Counties. DEF supplies electricity at retail to approximately 350 communities and at wholesale to about 21 Florida municipalities, utilities, and power agencies in the State of Florida.

5. In 2006, the Florida Legislature enacted Section 366.93, Florida Statutes, to encourage utility investment in nuclear electric generation through alternative cost recovery mechanisms established by the Commission. The Legislature required the design of cost recovery mechanisms that promoted utility investment in nuclear power plants and allowed for the recovery in rates of all prudently incurred costs. Pursuant to this Legislative directive, the Commission adopted Rule 25-6.0423, F.A.C., in Order No. PSC-07-0240-FOF-EI, to establish the cost recovery mechanisms required by Section 366.93.

6. As noted above, on February 5, 2013, DEF decided to retire CR3 and, as a result of this decision, the CR3 Uprate was cancelled. Subsection (6) of Section 366.93 provides that if the utility elects not to complete or is precluded from

completing construction of the nuclear power plant project that the utility shall be allowed to recover all prudent preconstruction and construction costs incurred following the Commission's determination of need. This subsection and Rule 25-6.0423(6), F.A.C. also provides that the utility shall recover those costs through the CCRC over a period "equal to the period during which the costs were incurred or 5 years, whichever is greater." DEF requests cost recovery for the CR3 Uprate pursuant to this provision of the nuclear cost recovery statute and rule.

7. In sum, DEF seeks cost recovery pursuant to the relevant provisions of Section 366.93 and Rule 25-6.0423 for the LNP and the CR3 Uprate project.

III. DEF REQUESTS COST RECOVERY FOR THE LEVY NUCLEAR PROJECT AS PROVIDED IN SECTION 366.93, FLORIDA STATUTES, AND THE NUCLEAR COST RECOVERY RULE, RULE 25-6.0423, F.A.C.

8. On August 12, 2008, the Commission approved DEF's petition for an affirmative determination of need for the LNP and associated transmission facilities, pursuant to Section 403.519(4), Florida Statutes. See Order No. PSC-08-0518-FOF-EI. The LNP will consist of two Westinghouse AP1000 nuclear-fueled generating units and associated facilities, including associated transmission facilities, located in Levy County, Florida.

9. In the 2010 NCRC proceeding, the Commission determined that DEF's decision to amend the Engineering, Procurement, and Construction ("EPC") Agreement for the LNP to focus work on obtaining the LNP Combined Operating License ("COL") from the Nuclear Regulatory Commission ("NRC") was reasonable. In the 2012 NCRC proceeding, the Commission reviewed DEF's revised commercial operation dates for the LNP of 2024 and 2025 and determined that DEF prudently

incurred its actual 2011, and reasonably incurred its actual/estimated 2012 and projected 2013, LNP preconstruction and construction costs implementing the Company decision to focus work on the COL under this revised project schedule. The Commission further reviewed the Company's on-going qualitative and quantitative feasibility analyses demonstrating that the LNP is feasible and concluded that the LNP is feasible.

10. In 2012, DEF incurred costs for licensing application and engineering activities to support the LNP Combined Operating License Application ("COLA"), environmental permitting, and conditions of certification for the LNP. DEF also incurred costs for engineering and procurement activities under the EPC Agreement and for long lead equipment ("LLE") progress payments. The March 1, 2013 testimony and exhibits of Mr. Fallon and Mr. Foster provided further details relating to the prudence of these and other actual costs incurred for the LNP in 2012. Mr. Fallon also provides testimony regarding the prudence of DEF's 2012 LNP project management, contracting, and cost oversight controls policies and procedures. Mr. Foster provides testimony regarding the prudence of the 2012 LNP accounting and cost oversight controls.

11. In its May 1, 2013 filing, Mr. Fallon describes the Company's actual/estimated 2013 costs and projected spend for 2014 for the LNP. Costs in 2013 and 2014 are for licensing and engineering work to obtain the COL for the LNP from the NRC, continued environmental permitting work, and implementation of the conditions of certification ("CoC"). This work includes work to obtain the Section 404 Permit from the United States Corps of Engineers ("USACE"), which is expected in

2013, and work to prepare for and support the mandatory hearing before the NRC for the COL, which is expected to be held in late 2013. The Company expects to continue licensing and engineering work in 2013 and 2014 to obtain the LNP COL because the LNP COL is not anticipated until the fourth quarter of 2014.

12. LNP costs in 2013 and 2014 include costs in connection with the management of the EPC Agreement. Principally, these costs are for LNP LLE disposition and storage costs based on the continued LLE milestone payments, and Quality Assessment ("QA"), supply chain management, project controls, and other vendor oversight activities associated with the continued LLE for the LNP. Other project management and EPC agreement administration costs are expected in 2013 and 2014 for the LNP. All of this work is consistent with and necessary for the Company's implementation of the decision to proceed with the LNP on a slower pace until the LNP COL is obtained on a project schedule to place Levy Unit 1 in service in 2024 and Levy Unit 2 in service in 2025.

13. In addition, Mr. Fallon's testimony and exhibits describe the Company's annual, updated feasibility analyses for the LNP consistent with Commission rules and Orders. The Company's updated 2013 qualitative and quantitative feasibility analyses continue to demonstrate that the LNP is feasible.

14. The LNP is feasible from a regulatory perspective. All regulatory licenses and permits for the LNP can be obtained. Receipt of the LNP COL has been delayed as a result of the appellate court decision vacating the NRC Waste Confidence Decision and Rule. The NRC, however, is taking steps to address the court's concerns through the development of a generic waste confidence

environmental impact statement ("EIS") and, thereafter, a new rule and waste confidence decision. The current NRC milestone schedule estimates issuance of the generic EIS for the Waste Confidence Rule, and the final NRC Waste Confidence Decision and Rule, in August 2014. In the meantime, the NRC is proceeding with the LNP COLA review. Currently, the Final Safety Evaluation Report ("FSER") for the LNP is expected from the NRC in September 2013 and the mandatory hearing is expected later this year. These are the final steps before issuance of the LNP COL, which is expected in the fourth quarter of 2014. Additionally, the Section 404 permit for the LNP from the USACE is expected this year. As these examples illustrate, all necessary regulatory licenses and permits for the LNP can be obtained.

15. The LNP is also technically feasible. The Levy AP1000 nuclear reactors can be constructed at the Levy site. The AP1000 nuclear reactor design is a viable nuclear technology, in fact, AP1000 nuclear reactors are under construction in China and at sites in Georgia and South Carolina in the United States. The AP1000 nuclear reactors have been licensed by the NRC for these United States sites and preconstruction and construction work continues to install these reactors at these sites. The Company has also received the determination that the final EIS for installation of the AP1000 nuclear reactors at the Levy site satisfies all legal and regulatory requirements. The Levy AP1000 nuclear reactors can be successfully installed at the Levy site.

16. The Company conducted an updated qualitative analysis of the enterprise or external risks to the LNP that are beyond the control of the Company. This qualitative analysis included, among other factors described in more detail in Mr.

Fallon's testimony, Florida economic conditions, customer demand for energy and base load capacity, federal and state energy, environmental, and nuclear policy, and long term fuel prices and fuel diversity. The Company concluded from this analysis that little has changed from last year to this year. Qualitatively, there remains near term uncertainty, however, this uncertainty was partially mitigated by the revised LNP schedule for commercial operation dates for Levy Units 1 and 2 in 2024 and 2025 that was reviewed by the Commission last year. As a result, there is no reason to conclude at this time that these risks are so uncertain that the LNP is not qualitatively feasible, therefore, the updated, qualitative feasibility analysis continues to demonstrate that the LNP is feasible.

17. The LNP is also economically feasible. The updated, quantitative feasibility analysis continues to demonstrate that the LNP is cost effective. This updated analysis continues to confirm that the LNP is an economically viable future generation resource and, therefore, supports the preference at this time for the LNP as a future base load generation resource.

18. In sum, DEF requests that, pursuant to Rule 25-6.0423, F.A.C., the Commission find that DEF's 2012 LNP costs were prudently incurred, and allow recovery, through the CCRC, of the preconstruction costs inclusive of the carrying cost on the unrecovered balance, carrying costs on construction costs, and CCRC recoverable O&M expenditures, as provided in Section 366.93, Florida Statutes and Rule 25-6.0423, F.A.C. DEF also requests that the Commission find that DEF's actual/estimated and projected LNP costs for 2013 and 2014, respectively, are reasonable, and allow recovery through the CCRC of the continuing costs of work for

the LNP, as provided in Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C. The revenue requirements to be collected in 2014 associated with these costs total \$106,054,078. Detailed descriptions of these expenditures, the estimated and projected costs, the contracts executed, the carrying costs, and the other information required by Rule 25-6.0423(8) F.A.C., are provided in DEF's pre-filed testimony and exhibits of Mr. Fallon and the testimony and exhibits and NFR schedules of Mr. Foster, which are hereby incorporated by reference.

IV. DEF REQUESTS COST RECOVERY FOR THE CR3 UPRATE PROJECT AS PROVIDED IN SECTION 366.93 , FLORIDA STATUTES, AND THE NUCLEAR COST RECOVERY RULE, RULE 25-6.0423 , F.A.C.

19. On February 7, 2007, this Commission issued Order No. PSC-07-0119-FOF-EI, granting DEF's petition for determination of need for the expansion of the CR3 nuclear power plant through the CR3 Uprate project.

20. The Company has now decided to retire CR3. On February 5, 2013, the Company announced the Duke Energy Board of Directors decision to retire CR3. As a result of this decision, the Company cancelled the CR3 Uprate, demobilized the project, and established and implemented an EPU Project Close-Out Plan.

21. Prior to this decision, DEF continued to incur costs for the CR3 Uprate. In its March 1, 2013 filing, DEF supported the Company's request for cost recovery for DEF's 2012 CR3 Uprate costs. This testimony explains that the Company prudently incurred EPU costs in 2012 consistent with the Company's plan to minimize EPU costs while maintaining the ability to complete the EPU during the extended CR3 outage if the Company decided to repair CR3. DEF incurred only those costs in 2012 that were necessary for completion of the CR3 Uprate in the current, extended

CR3 outage consistent with this plan that it implemented in 2011 that was reviewed by the Commission in 2011 and 2012.

22. In the Company's May 1, 2013 testimony and exhibits, filed contemporaneously with this Petition, Mr. Miller explains that, following the decision to retire CR3, the Company cancelled the EPU project, notified the NRC of the CR3 retirement decision and EPU project cancellation, withdrew the EPU License Amendment Request ("LAR") with the NRC, and immediately suspended all EPU contract and purchase order work. The Company demobilized the EPU project team, releasing and reassigning project personnel, and developed an EPU Project Close-Out Plan. DEF is implementing the EPU Project Close-Out Plan. Pursuant to this plan, DEF is conducting an analysis to determine the beneficial disposition decision for each EPU contract and purchase order pending at the time the CR3 retirement decision was made and for each item of installed or stored EPU equipment received at that time. Only those project close-out and contractual exit costs necessary to efficiently close-out the EPU project will be incurred.

23. For these reasons, DEF requests that the Commission approve as prudent DEF's actual 2012 CR3 Uprate costs, approve as reasonable its 2013 actual/estimated and 2014 projected costs to close-out the project, and allow DEF to recover through the CCRC the amortization of the true-up of prior period costs, the actual/estimated carrying charges on construction costs, recoverable O&M costs, unrecovered CWIP, and reasonable and prudent future EPU payments and EPU exit costs, pursuant to Section 366.93(6), Florida Statutes, and Rule 25-6.0423(6), F.A.C. The revenue requirements to be collected in 2014 associated with these costs total

\$68,594,848 million. Support for this request is provided in the pre-filed testimony and exhibits of Mr. Miller and the pre-filed testimony, exhibits, and NFR schedules of Mr. Foster.

V. DISPUTED ISSUES OF MATERIAL FACT.

24. DEF is not aware at this time that there will be any disputed issues of material fact in this proceeding. Through its testimony and exhibits, incorporated herein by reference, DEF has demonstrated the prudence of its prior period actual costs and the reasonableness of its 2013 and 2014 costs associated with the LNP and the CR3 Uprate project. Accordingly, DEF has demonstrated through its testimony and exhibits why the recovery DEF requests is appropriate and warranted under Section 366.93, Florida Statutes, and Rule 25-6.0423, F.A.C.

VI. CONCLUSION.

WHEREFORE, for all the reasons provided in this Petition, as developed more fully in DEF's pre-filed testimony, exhibits, and schedules, DEF requests that the Commission find that:

(1) DEF is entitled to recover \$174,648,926 through the CCRC during the period January through December 2014, which amount reflects;

A. For the LNP, (a) the true-up of prior period costs, (b) the projected preconstruction, recoverable O&M, and associated carrying charges for the preconstruction, (c) the continued amortization of the deferred balance, and (d) the projected carrying charges on construction costs;

B. For the CR3 Uprate, (a) the amortization of the true-up of prior period

costs, (b) the actual/estimated carrying charges on construction costs, (c) recoverable O&M costs, (d) unrecovered CWIP, and (e) reasonable and prudent future EPU payments and EPU exit costs, and;

(2) DEF's prior period Levy and CR3 Uprate project costs are prudent and all of DEF's actual/estimated 2013 and projected 2014 costs for the Levy and CR3 Uprate projects are reasonable.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY a true and correct copy of the foregoing has been furnished to counsel and parties of record as indicated below via electronic and U.S. Mail this 1st day of May, 2013.



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