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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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COMMISSION  
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Nuclear Cost Recovery  
Clause

Docket No. 130009-EI  
Submitted for Filing: June 18, 2013

**DUKE ENERGY FLORIDA, INC.'S SIXTH REQUEST FOR CONFIDENTIAL CLASSIFICATION REGARDING PORTIONS OF THE REVIEW OF DUKE ENERGY FLORIDA, INC.'S PROJECT MANAGEMENT INTERNAL CONTROLS FOR NUCLEAR PLANT UPRATE AND CONSTRUCTION PROJECTS**  
**AUDIT REPORT NO. PA-13-01-001**

Duke Energy Florida, Inc. ("DEF" or the "Company"), pursuant to Section 366.093, Florida Statutes, and Rule 25-22.006(3), Florida Administrative Code, requests confidential classification of portions of the final audit report of the Florida Public Service Commission Staff ("Staff") Auditors, the Review of Duke Energy Florida, Inc.'s Project Management Internal Controls for Nuclear Plant Uprate and Construction Project Audit Report No. PA-13-01-001 (the "Audit Report"). The Audit Report contains confidential contractual information, the disclosure of which would impair DEF's competitive business interests and violate DEF's confidentiality agreements with third parties, information gleaned from internal audit controls and reports, and other financial and competitively sensitive information the disclosure of which would impair the Company's competitive business interests. Accordingly these portions of the Audit Report meet the definition of proprietary confidential business information per section 366.093(3), Florida Statutes. An unredacted copy of the Audit Report is being filed under seal with the Commission on a confidential basis to keep the competitive business information in those documents

confidential.

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## **BASIS FOR CONFIDENTIAL CLASSIFICATION**

Section 366.093(1), Florida Statutes, provides that “any records received by the Commission which are shown and found by the Commission to be proprietary confidential business information shall be kept confidential and shall be exempt from [the Public Records Act].” Proprietary confidential business information means information that is (i) intended to be and is treated as private confidential information by the Company, (ii) because disclosure of the information would cause harm, (iii) either to the Company’s ratepayers or the Company’s business operation, and (iv) the information has not been voluntarily disclosed to the public. § 366.093(3), Fla. Stat. Specifically, “information concerning bids or other contractual data, the disclosure of which would impair the efforts of the public utility or its affiliates to contract for goods or services on favorable terms” is defined as proprietary confidential business information. § 366.093(3)(d), Fla. Stat. Additionally, that statute defines “[i]nternal auditing controls and reports of internal auditors,” and “information relating to competitive interests, the disclosure of which would impair the competitive business of the provider of the information,” as proprietary confidential business information. §§ 366.093(3)(b) & (e), Fla. Stat.

Portions of the Audit Report should be afforded confidential classification for the reasons set forth in the Affidavits of Mr. Christopher Fallon and Mr. Garry Miller filed in support of DEF’s Request, and for the following reasons.

### **Levy Nuclear Project**

Specifically, related to the sections of the Audit Report covering the Levy Nuclear Project (“LNP”), portions of the Audit Report contain confidential contractual data, including pricing agreements and other confidential contractual financial terms, the release of which would

impair DEF's competitive business interests, and would further be a violation of the DEF's confidentiality agreements. See Fallon Affidavit, ¶¶ 4-6.

The Audit Report contains financial information related to work authorizations, contractual amendments, and other contractual data that is subject to confidentiality agreements between DEF and the other contracting parties. DEF negotiates each of its contracts to obtain the most competitive terms available to benefit DEF and its ratepayers. In order to successfully obtain such contracts, however, DEF must be able to assure the other parties to the contracts that the sensitive business information contained therein, such as quantity and pricing terms, will remain confidential. The public disclosure of this information would allow other parties to discover how the Company analyzes risk options, scheduling, and cost, and would impair DEF's ability to contract for such goods and services on competitive and favorable terms. See Fallon Affidavit, ¶¶ 4-6.

Portions of the Audit Report reflect the Company's internal strategies for evaluating its projects. If such information was disclosed to DEF's competitors and/or other potential suppliers and vendors, DEF's efforts to obtain competitive nuclear equipment and service options that provide economic value to both the Company and its customers could be compromised by the Company's competitors and/or suppliers changing their offers or negotiating strategies. DEF has kept confidential and has not publicly disclosed the proprietary terms and provisions at issue here. Absent such measures, DEF would run the risk that sensitive business information regarding what it is willing to pay for certain goods and services, as well as what the Company is willing to accept as payment for certain goods and/or services, would be made to available to the public and, as a result, other potential suppliers, vendors, and/or purchasers of such services could change their position in future negotiations with DEF. Without DEF's measures to

maintain the confidentiality of sensitive terms in these contracts, the Company's efforts to obtain competitive contracts would be undermined. In addition, by the terms of these contracts, all parties, including DEF, have agreed to protect the proprietary and confidential information, defined to include pricing arrangements, from public disclosure. See Fallon Affidavit, ¶¶ 4-6.

The Audit Report also includes information gleaned from the Company's internal audit process, the release of which would harm DEF's ability to conduct internal audits. Public disclosure of the information in question would compromise DEF's ability to effectively audit the Company's major projects or vendors. If the Company were to know that its internal auditing controls and process were subject to public disclosure, it would compromise the level of cooperation needed with auditors to efficiently conduct audits. See Fallon Affidavit, ¶ 7. In addition, such information is specifically defined by Sections 366.093(3)(b) as confidential information that is entitled to confidential status.

### **Crystal River Unit 3 Uprate Project**

With respect to the Crystal River Unit 3 ("CR3") Extended Power Uprate ("EPU") project ("CR3 Uprate") sections of the Audit Report, specifically, it contains confidential contractual information and numbers, the disclosure of which would impair DEF's competitive business interests and violate DEF's confidentiality agreements with third parties and vendors; information gleaned from internal audit controls and reports; contract and contractual amendment financial information; and other financial information the disclosure of which would impair the Company's competitive business interests. See Miller Affidavit, ¶¶ 3-4.

The Company is requesting confidential classification of this information because the Audit Report contains proprietary and confidential information that would impair DEF's competitive business interests if publicly disclosed, as well as information concerning

contractual data, the disclosure of which would impair the Company's ability to contract on favorable terms and, in many cases, the information constitutes trade secrets of the Company and its contract partners. See Miller Affidavit, ¶¶ 3-4. In many instances, the disclosure of this information would violate contractual confidentiality provisions or is the result of recent negotiations with DEF vendors or ongoing contracts with vendors. Portions of these documents reflect the Company's internal strategies for evaluating projects. The information contains sensitive information concerning the CR3 Uprate project. Information regarding the CR3 Uprate includes confidential and proprietary competitive business information and numbers, the release of which would place DEF's competitors at a relative competitive advantage, thereby harming the Company's and its customer's interests. See Miller Affidavit, ¶¶ 3-4; 6.

Furthermore, portions of the information in the Audit Report were taken from internal audit reports. If the Company were to know that its internal auditing controls and process and were subject to public disclosure, it would likely compromise the level of cooperation needed to efficiently conduct audits. See Miller Affidavit, ¶ 5. In addition, such information is specifically defined by Sections 366.093(3)(b) as confidential information that is entitled to confidential status.

### **CONCLUSION**

DEF considers this information to be confidential and proprietary and continues to take steps to protect against its public disclosure, including limiting the personnel who have access to this information. If such information was disclosed to DEF's competitors and/or other potential suppliers, DEF's efforts to obtain competitive nuclear equipment and service options that provide economic value to both the Company and its customers could be compromised by the Company's competitors and/or suppliers changing their offers, consumption, or purchasing

behavior within the relevant markets. If other third parties were made aware of confidential contractual terms that DEF has with other parties, they may offer less competitive contractual terms in future contractual negotiations. Without the Company's measures to maintain the confidentiality of sensitive terms in contracts with these nuclear contractors, the Company's efforts to obtain competitive contracts could be undermined to the detriment of DEF and its ratepayers. Miller Affidavit ¶¶ 4; 6; Fallon Affidavit, ¶¶ 6; 8.

Upon receipt of this confidential information, strict procedures are established and followed to maintain the confidentiality of the information provided, including restricting access to those persons who need the information to assist the Company. At no time since receiving the information in question has the Company publicly disclosed that information. The Company has treated and continues to treat the information at issue as confidential. See Miller Affidavit, ¶ 7; Fallon Affidavit, ¶ 8.

The competitive, confidential information at issue in this Request fits the statutory definition of proprietary confidential business information under Section 366.093, Florida Statutes, and Rule 25-22.006, Florida Administrative Code, and that information should be afforded confidential classification. In support of this Request, DEF has enclosed the following:

- (1) A separate, sealed envelope containing one copy of the confidential Appendix A to DEF's Request for Confidential Classification for which DEF has requested confidential classification with the appropriate section, pages, or lines containing the confidential information highlighted. **This information should be accorded confidential treatment pending a decision on DEF's Request by the Florida Public Service Commission;**

(2) Two copies of the document with the information for which DEF has requested confidential classification redacted by section, page or lines, where appropriate, as Appendix B; and,

(3) A justification matrix supporting DEF's Request for Confidential Classification of the highlighted information contained in confidential Appendix A, as Appendix C.

WHEREFORE, DEF respectfully requests that the redacted portions of the Audit Report No. PA-13-01-001 be classified as confidential for the reasons set forth above.

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 18<sup>th</sup> day of June, 2013.

  
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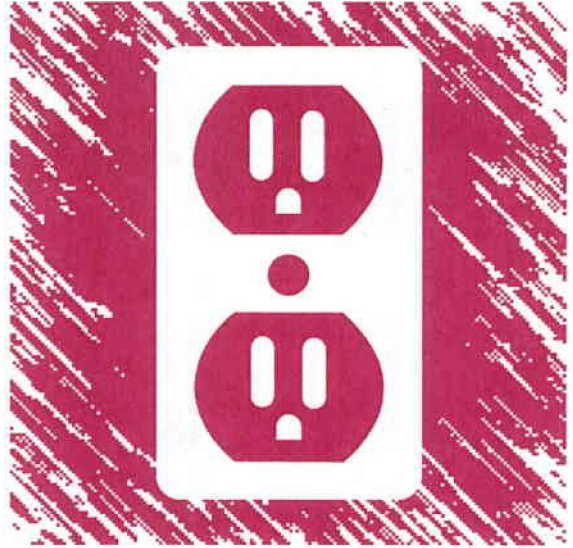


**DUKE ENERGY FLORIDA**  
**In re: Nuclear Cost Recovery Clause**  
**Docket 130009-EI**  
**Sixth Request for Confidential Classification**

Exhibit B

**REDACTED**

COM \_\_\_\_\_  
AFD \_\_\_\_\_  
APA \_\_\_\_\_  
ECO \_\_\_\_\_  
ENG \_\_\_\_\_  
GCL \_\_\_\_\_  
IDM \_\_\_\_\_  
TEL \_\_\_\_\_  
CLK \_\_\_\_\_



Review of  
**Duke Energy Florida's**  
**Project Management Internal Controls**  
**For**  
**Nuclear Plant Upstate and Construction**  
**Projects**

June 2013

BY AUTHORITY OF  
The Florida Public Service Commission  
Office of Auditing and Performance Analysis

**Review of  
Duke Energy Florida's  
Project Management  
Internal Controls  
for  
Nuclear Plant Uprate and  
Construction Projects**

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Public Utility Analyst IV  
Project Manager

**Jerry Hallenstein**  
Senior Analyst

**June 2013**

**By Authority of  
The State of Florida  
Public Service Commission  
Office of Auditing and Performance Analysis**

**PA-13-01-001**

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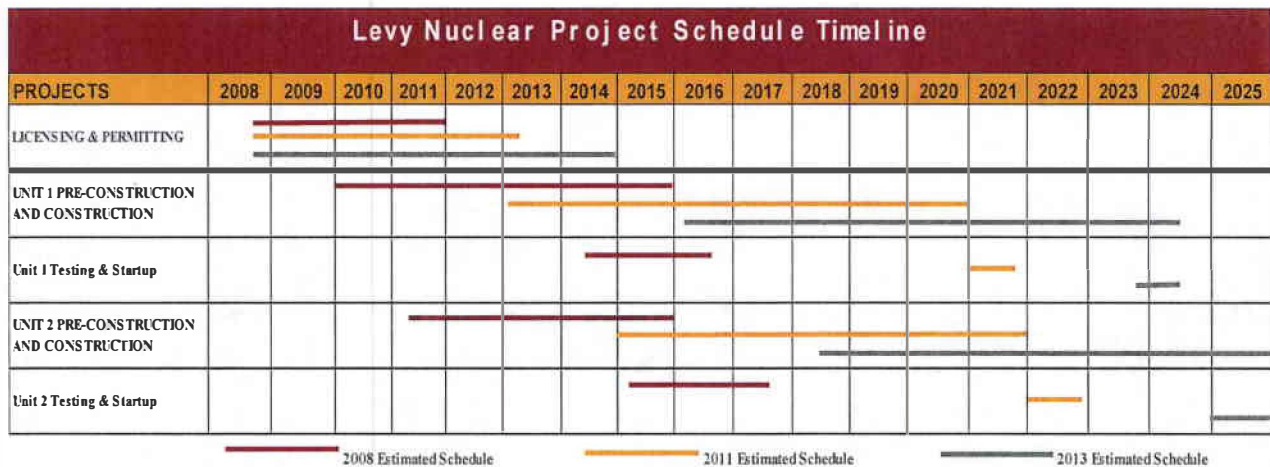
As of December 31, 2012, DEF has spent approximately \$962 million on the Levy project including AFUDC. DEF has issued internal approval of [REDACTED] in LNP funding from May 1, 2013 through December 31, 2015.

## LNP Schedule

There also has been no change in the LNP expected in-service dates for Units 1 and 2 since April 2012, when the LNP management team announced a shift in the in-service dates. Units 1 and 2 are currently scheduled to be in-service in 2024 and 2025, respectively.

While the in-service dates have not changed, DEF has experienced a delay in the expected receipt of the LNP Combined Operating License (COL). In April 2012, DEF anticipated receipt of the COL during the second quarter of 2013. However, in August 2012, the U.S. Court of Appeals struck down the NRC's Waste Confidence Rule which codifies the NRC's generic determination of the environmental impacts associated with the storage of spent fuel after the end of a reactor's licensed life of operation. As a result of the Court's actions, the NRC will not issue licenses for all pending COLs; however, licensing review activities will continue. DEF believes the NRC could issue the LNP COL in the fourth quarter of 2014 assuming the NRC promulgates a new Waste Confidence Rule by September, 2014 (target date directed by the NRC). According to DEF, a late 2014 COL issuance date will not require a revision to the estimated start of the LNP pre-construction, construction and in-service dates.

**EXHIBIT 2** compares the current LNP Project Timeline to the 2008 and 2012 estimated timelines. The only change from the 2012 Timeline is to the Licensing and Permitting phase that is directly impacted by the NRC's current reassessment of the Waste Confidence Rule.



**EXHIBIT 2** Source: Integrated Project Plans and DEF Response to Staff Data Request LNP DR 2.1

To mitigate the increased near-term uncertainty and enterprise risks, DEF's project management continues to maintain the partial suspension of the Engineering, Procurement, and Construction (EPC) Agreement for the LNP. According to DEF, the decision to suspend construction also provides additional time for economic conditions in Florida to improve and is in the best interests of both the company and consumers. DEF must begin negotiations with Westinghouse and Shaw, Stone & Webster (the Consortium) on the *Full Notice to Proceed*

[REDACTED]

### **LNP Organizational Changes and reporting**

Progress Energy's merger with Duke Energy resulted in organizational changes. In 2012, Duke created a new Nuclear Development organization headed by the company's President and CEO. The organization supports the COL application process for all nuclear projects within Duke Energy. According to DEF, the new organization strengthens the quality assurance programs and ensures accountability for regulatory compliance.

Prior to Progress Energy's merger with Duke Energy, the primary tool used by Progress Energy's executive management for planning, assessing feasibility, and approving additional expenditures for the LNP was an annual Integrated Project Plan (IPP). The IPP had provided a fairly comprehensive window into Progress Energy's LNP project management and planning processes. Following the merger in July 2012, Duke Energy replaced the IPP with an abbreviated White Paper referred to as a Report to the Transaction and Risk Committee. The Transaction and Risk Committee approves funding for any transaction [REDACTED]. The first LNP Report to the Transaction Review Committee was presented on April 8, 2013

Commission audit staff notes that White Paper to the Transaction and Risk Committee does not specifically contain and endorse the current total projected LNP cost estimate. There are other documents that include detail surrounding the project, including cost and feasibility. However, this approach represents a change in how the company has previously documented and memorialized its decision process.

### **Work to be performed in 2013**

In 2013, DEF continued to focus its efforts in obtaining the COL from the NRC. There are three major milestones left in obtaining the COL: (1) the NRC's review and issuance of the Final Safety Evaluation Report; (2) the mandatory hearing process with the NRC, and; (3) the NRC's promulgation of the Waste Confidence Rule.

Issuance of the Final Safety Evaluation Report (FSER) is expected in September 2013, 13 months later than DEF had anticipated in 2012. DEF attributes the slippage to the NRC's Requests for Additional Information to address concerns regarding the events at the Fukushima plants in Japan as a result of the March 2011 tsunami. Additionally, DEF supplemented the COL application with an amended emergency preparedness plan in response to a revised Emergency Plan Rule issued by the NRC. Upon issuance of the FSER in September 2013, DEF anticipates the mandatory hearing process with the NRC to begin sometime in the fourth quarter of 2013. While DEF cannot actively mitigate the risk of delay to the Waste Confidence rulemaking schedule, DEF anticipates the NRC revised Waste Confidence Rule will be issued by the target date of September 2014.

In addition to performing work to obtain the COL, DEF continues to obtain the necessary environmental permits (e.g., wetland mitigation plan and aquifer performance test), perform transmission study-related activities, and participate in industry groups to evaluate the disposition of the AP1000 design and operation in China and with the Vogtle and V.C. Summer AP1000 projects.

## 2.0 Levy Nuclear Project

### 2.1 Key Project Developments

During 2012 through April 2013, the work accomplished at DEF's Levy Nuclear Project (LNP) primarily covered activities in the areas of licensing, environmental approvals, and engineering. The LNP cost estimate and in-service date projections have not changed since DEF notified the Commission in its April 30, 2012 filing that the in-service date for the first LNP unit was shifted to 2024, with the second unit following 18 months later.

The overall cost is still estimated at \$18.8 billion [\$24.1 billion including allowance for funds used during construction (AFUDC)]. As of December 31, 2012, DEF has spent approximately \$962 million on the Levy project including AFUDC.

DEF had received internal approval of \$[REDACTED] in LNP funding from May 1, 2013 through December 31, 2015. The funding will be used to complete NRC licensing activities through receipt of the LNP Combined Operating License (COL), to manage the long-lead equipment and other costs associated with the LNP Engineering, Procurement, and Construction (EPC) Agreement, and to support other project-related activities.

#### 2.1.1 NRC Licensing DELAYS

As recently as April 2012, it appeared the NRC might issue the LNP COL during the second quarter of 2013. However, in August 2012, the U.S. Court of Appeals struck down the NRC's Waste Confidence Rule which codifies the NRC's generic determination of the environmental impacts associated with the storage of spent fuel after the end of a reactor's licensed life for operation. As a result of the Court's actions, the NRC will not issue licenses for all pending COLs; however, licensing review activities will continue.

The NRC set a target date of September 2014 for finalizing the revised Waste Confidence Rule and has also indicated to DEF that it will conduct the LNP COLA mandatory hearings prior to issuance of the final Waste Confidence Rule. According to DEF, if the mandatory hearings are conducted in 2013 and the NRC promulgates a new Rule in September 2014, the LNP COL could be issued as early as the fourth quarter of 2014. According to DEF, a late 2014 COL date would not require a revision to the estimated 2024 LNP Unit 1 in-service date. DEF believes the cost of the approximate two year Waste Confidence delay will be less than \$10 million.<sup>1</sup>

The NRC safety and environmental review schedule for the LNP Combined Operating License Application (COLA) is shown in **EXHIBIT 3**. All phases have been completed with the exception of the issuance of the Final Safety Evaluation Report (FSER). The FSER, which represents the completion of the NRC's safety review process, must be complete before the NRC can move forward with the mandatory hearing process. DEF anticipates that the Final Safety Evaluation Report will be issued in September 2013, 13 months later than DEF had anticipated during 2012. DEF attributes the slippage to the NRC's Requests for Additional Information (RAI) regarding risks associated with the events at the Fukushima nuclear plant in Japan. Since no new COLs will be issued until after the Waste Confidence Rule is resolved in

<sup>1</sup> DEF's Response to Citizens Second Set of Interrogatories, Docket No. 130009-EI, May 6, 2013.

**Levy Nuclear Project  
Federal Environmental Permits and Authorizations**

Permit/Authorization	Status
	• No activity to date.

**EXHIBIT 4**

*Source: DEF Response to Staff Data Request LNP DR 1.2*

Additional environmental work performed in 2012 included finalizing the cultural resources review of the accessory parcels at the LNP site and blow down pipeline. DEF also finalized the approach on cultural resource surveys on the transmission line routes to the expressed concerns of the Seminole Tribe of Florida. The review and survey assess the impacts on potentially undiscovered archaeological resources at the LNP construction site and supporting transmission line routes. Both the review and survey have been approved by the Florida Department of State's Division of Historical Resources. DEF also continued planning for environmental compliance for construction mobilization, completed preliminary documents and surveys on the State of Florida Cross Florida Greenway easement, and negotiated purchase agreements on 16 parcels in the LNP Common Transmission Corridor.

**2.1.3 Engineering Design Finalization**

During 2012, the engineering activities primarily conducted were in support of the LNP COLA. Further engineering accomplishments in 2012 included:

- Inspections for oversight of the fabrication of long-lead equipment
- Inspections of LNP Unit 1 [REDACTED]
- Participation in AP1000 design reviews with other utilities
- Review for the conceptual design of a contingency desalination plant
- Evaluations and update of the seismic hazard at the LNP site

In 2012, DEF conducted engineering-related "Witness Points" and "Hold Points" for process inspection of fabrication of long-lead equipment and [REDACTED]. Witness and Hold Point inspections were conducted during the manufacturing of several items of long-lead equipment to make sure components were being manufactured in conformance with contracts. Additionally, Witness Point inspections were conducted on the [REDACTED]

DEF also continued participation in AP1000 reactor design reviews with the industry group of utilities including lessons learned from Southern Company's Vogtle Unit 3 nuclear power plant site and SCANA's V.C. Summer units. Additionally, in response to an NRC Request for Additional Information (RAI), DEF performed a feasibility analysis for the conceptual design of a contingency desalination plant that uses nuclear energy for seawater desalination applications.

Following the March 2011 accident at the Fukushima Nuclear Power Plant in Japan, the NRC has required all 104 nuclear power plants in the United States to re-evaluate seismic hazards using an updated Central Eastern US seismic model. DEF's LNP engineering team conducted a probabilistic seismic hazard analysis to estimate and evaluate the likelihood that

## 2.3 Report To The Transaction And Risk Committee

Prior to Progress Energy's merger with Duke Energy, the primary tool used by Progress Energy for planning the LNP, assessing the LNP's continued feasibility, and approving additional expenditures was an annual Integrated Project Plan (IPP). The latest revision occurred in April 2012. The IPP provided a comprehensive discussion on the status of the LNP including key milestones, project costs, post implementation incremental costs, industry experience and benchmarking, risk assessment, economic evaluation, contract and procurement strategy, and market analysis. The IPP had provided a fairly comprehensive window into Progress Energy's project management and planning processes.

Following the merger in July 2012, DEF replaced the IPP with an abbreviated White Paper referred to as a Report to the Transaction and Risk Committee. The Transaction and Risk Committee approves funding for any transaction [REDACTED]. Funding [REDACTED] must be approved by Duke Energy's Board of Directors. The Transaction and Risk Committee is comprised of the following members:

- Chief Financial Officer
- Chief Legal Officer
- Vice President and Chief Risk Officer
- Vice President and Treasurer
- Vice President, Internal Audit, Ethics & Compliance
- Three other members from the Senior Management Committee

The first LNP Report to the Transaction and Risk Committee was presented on April 8, 2013. The Report includes the status of state regulatory and cost recovery issues, the current LNP schedule, the status of the Engineering, Procurement, and Construction Agreement (EPC), the current scope and costs, risks and mitigation, and the current LNP timeline. As discussed in section 2.3.3 below, the Report requested additional funding authorization of \$ [REDACTED] for the LNP over the three-year period 2013 through 2015. In contrast to the IPP, which was prepared annually and required signatures to approve funding, the Transaction and Risk Committee approved funding for a three-year period by majority vote. According to DEF, any additional funding during the three-year period would have to be brought back to the Committee for approval.

Commission audit staff notes that White Paper to the Transaction and Risk Committee does not specifically contain and endorse the current total projected LNP cost estimate. There are other documents that include detail surrounding the project, including cost and feasibility. However, this approach represents a change in how the company has previously documented and memorialized its decision process.

### 2.3.1 State Regulatory and Cost Recovery

With regards to state regulatory and cost recovery issues, the Report to the Transaction and Risk Committee notes that DEF's feasibility analysis filed with the Commission continues to indicate that completing LNP is more favorable than not doing so (see section 2.4). One aspect of the feasibility assessment of the LNP is a quantitative economic analysis of the cumulative life-cycle net present value of revenue requirements, or CPVRR. The current CPVRR modeling of the long-term financial prospects of LNP has not changed appreciably since the 2012



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analysis. The following key considerations guided the company in its decision to move forward with the LNP.

- Capital expenditures for the LNP and alternative projects are one of the key inputs to the feasibility assessment. The estimates have been updated based on consideration of proposed revised in-service dates of June 2024 and December 2025. The updates for the 2013 analysis are very minor and do not represent a material change from the 2012 estimate.
- The long-term forecasts for fuels have changed somewhat since the 2012 study was performed. While the short-term forecast price of natural gas continues near historic lows, the longer-term price forecast is now higher than the 2012 forecast. Since the effect of the longer-term price forecast plays a significant role in this analysis, there is an overall increase in the expected benefits of LNP project completion.
- The long-range expectations for cost of capital and operating costs, long-range forecasts of customer growth, and expectations surrounding future environmental legislation are also among the key inputs. In general, these inputs have not changed significantly from the forecasts used in the 2012 study. The carbon emission costs forecasts used are also at similar levels as those used in the 2012 study.

### 2.3.2 Engineering, Procurement, and Construction Agreement

The December 2008 EPC Agreement was suspended on April 30, 2009 due to a determination by the NRC that a Limited Work Authorization could not be issued in advance of the COL for the LNP. Current work is limited to activities required to obtain the COL, major environmental permits, and long-lead equipment procurement activities associated with the 2009 suspension. Some long-lead equipment work orders were suspended or cancelled, while other equipment orders were completed or partially completed and stored.

Additionally, DEF continues to work with the Vogtle and V.C. Summer AP1000 projects to monitor design and construction issues. Often, collaboration results in revised strategies to address problems encountered during design change review, procedure development, training material development and issue resolution.

DEF has the right to terminate the EPC Agreement at any time.



See EXHIBIT 7 in Section 2.3.5 for a detailed timeline of the LNP.

### 2.3.3 Current Scope and costs

Discussion on the current scope and costs in the Report to the Transaction and Risk Committee is related to the NRC COL licensing process and management of the EPC Agreement. According to DEF, these are considered to be the most important activities until receipt of the COL.

DEF's activities surrounding the licensing process include providing the necessary documentation that will allow the NRC to finalize its safety review, including a final COLA

# REDACTED

revision that is currently targeted to be submitted in June 2013. DEF continues to work on the following items for the NRC's review and closure:

- Changes to the LNP Emergency Plan to address recent Emergency Preparedness rulemaking.
- Revision to the Quality Assurance Program Description for LNP to reflect a Quality Assurance Program that is applicable to all new nuclear plant licenses.
- Revisions to proposed license conditions that address Fukushima-related actions.
- Changes to resolve issues related to the Radwaste Building classification for storage of radioactive waste.
- A Westinghouse design change to the reactor containment to meet post-accident cooldown requirements, and a request for exemption from certified design requirements.

**EXHIBIT 6** below depicts \$ [REDACTED] in projected additional LNP EPC costs and DEF's costs through 2015. The funding would be used to complete NRC licensing activities through receipt of the LNP COL, manage the long-lead equipment and other costs associated with the LNP EPC Agreement, and support other project activities. Additionally, DEF anticipates that at a minimum, the pricing and dates of the EPC Agreement will be renegotiated and some site-specific design work will be re-started in late 2014 and 2015. Costs associated with these activities are included in the approved funding.

Levy Nuclear Project Projected Costs (\$ millions)				
	May-Dec 2013	2014	2015	Total
EPC Agreement	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
DEF's Costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

**EXHIBIT 6**

Source: DEF Response to Staff Data Request LNP DR 2.1

### 2.3.4 Risk and Mitigation

DEF's LNP project management holds monthly risk review meetings for COLA and near-term non-COLA projects. Project management identifies, reviews, and monitors project risks and mitigation strategies. Following these meetings, LNP project risk registers are updated and used as a quantification tool to monitor the probability of a risk occurring and the overall impact on the LNP. The former Integrated Project Plan provided detailed risk matrices to identify the major risks for both LNP COLA and non-COLA activities. The Report to the Transaction and Risk Committee does include risk matrices, but listed only the following three near-term risks:

- Potential Legislative Changes
- Licensing Delays
- Current State of Nuclear Development Economics.

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The potential legislative changes refer to proposed bills that could have repealed the nuclear cost recovery statute enacted in 2006. However, no repeal occurred and the legislature instead revised the law. In terms of mitigation, DEF's current position is to continue monitoring legislative developments as a qualitative external risk in its feasibility analysis of LNP.

The risks of licensing delays are concentrated on the possible impacts to the receipt of the COL. According to DEF, licensing delays can be mitigated by active engagement with the NRC regarding emergent issues and timely submittal of all information requested through the Request for Additional Information (RAI) process. While DEF cannot actively mitigate the risk of a delay to the Waste Confidence rulemaking schedule, it intends to closely follow the NRC staff's progress and participate in public meetings in order to anticipate potential delays. DEF lists the following potential future risks to the COL receipt timing:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The risks associated with the current state of nuclear development economics include: energy and environmental policy (incentives or restrictions such as price of carbon), projected demand for electricity and plant retirements, resource diversity in the generation portfolio, and the expected capital and operating costs of new nuclear versus alternative generation resources such as natural gas. DEF acknowledges that there is little mitigation possible for these types of macroeconomics, as these factors are outside of DEF's control. DEF's position is to continue monitoring these external factors to ensure the project remains in the best interest of the company and its customers.

### 2.3.5 LNP Timeline

The Report to the Transaction and Risk Committee also provided a detailed timeline of the LNP. **EXHIBIT 7** is a condensed overview of the key events leading to the expected in-service dates of LNP Units 1 and 2.

**2.5.2 Internal Audits And Quality Assurance Reviews**

No internal audits of the Levy project were conducted during 2012 by DEF’s Internal Audit Services Department. In addition, the Audit Services Department’s 2013 audit plan does not currently include any audits of the LNP. Each year DEF’s Audit Services Department employs a planning process to identify those areas to be audited in the upcoming year based on relative risk. The risk-based process identified the need for an audit of the LNP EPC contract. However, the revised LNP schedule, along with results of prior audits, drove revision of Audit Services’ assessment of relative priority. The proposed audit was removed from the 2012 plan and deferred for future consideration.

The Audit Services Department also determined that an audit in 2012 on the Cost Recovery Clause was not warranted based on relative risks. A key factor was that financial audits of the Cost Recovery Clause conducted in each year 2008 through 2011 found that process and controls to be effective overall. DEF notes that the Cost Recovery Clause will continue to be reassessed as a potential audit candidate during each year’s annual audit planning process.

In 2012, DEF performed and participated in one Nuclear Procurement Issues Committee (NUPIC) audit and three Quality Assurance assessment reviews as shown in **EXHIBIT 8**. The NUPIC audit is a collaboration between DEF and other nuclear power generating companies that use the same nuclear supply vendors. The Quality Assurance assessment reviews were jointly performed by DEF’s quality assurance auditors and DEF’s Nuclear Oversight (NOS) Department. The Quality Assurance audit group is familiar with the specific contract related requirements outlined in a vendor’s contract, while the NOS group specializes in nuclear safety and monitoring standards.

Levy Nuclear Project Quality Assurance Assessments and Audits Completed 2012	
Description	Completed Dates
NUPIC Limited Scope Audit of Westinghouse NPP (AP1000)	August 20-23, 2012
Internal NOS Assessment of Harris Units 2 and 3 and Levy Units 1 and 2 Nuclear Plant Development Activities	September 10-14, 2012
NOS QA Surveillance Report Associated with Witness Point for Operation No. 41 for Quality Plan TSN-6102. Revision 1	October 9-12, 2012
NOS QA Surveillance Report Associated with Owner Witness Points for Operation No. 49 and 41 for Quality Plan TSN-6102 Revision 1	October 30- November 1, 2012

**EXHIBIT 8**

Source: DEF Response to Staff Data Request LNP 1.32

The purpose of the NUPIC audit was to assess the Westinghouse Electric Company, LLC programmatic controls and their implementation in the areas of Design, Procurement, Internal Audits and Corrective Action. There were no significant issues identified; however, seven findings were identified that required corrective action by DEF. The findings ranged from procedures not being adequately followed, to corrective actions not being addressed or properly identified, and supporting documentation missing or not correctly recorded. All findings were satisfactorily resolved.

Two of the three Quality Assurance reviews were to review documentation and procedures [REDACTED] All

# REDACTED

- Real estate surveying and mapping activities for the 40-mile Cheifland to Dunnellon Bike Trail.
- Detailed engineering design, permitting, and construction services for a 3.2 mile, 12 foot wide, multi-use paved trail on the Marjorie Harris Cross Florida Greenway.

DEF also provided work authorizations, change orders, and impact evaluations on all contracts previously examined in each of the Commission's audit reviews since 2008. There were two change orders executed for the Levy EPC contract in 2012, and 26 Joint Venture Team Impact Evaluations (assessment) written against the work authorizations (approval to proceed.) All but five of these Impact Evaluations have been incorporated into executed amendments to the contract work authorization.

A list of DEF contracts over \$50,000 through December 31, 2012 is found in **EXHIBIT 10**. The list includes the original contract and amended amounts, and actual dollars spent.

Levy Nuclear Project Contracts Greater Than \$50,000				
Vendor	Contract	Specific Scope	Amount	Actual Spent
AMEC Environ.	2720-280	Chieffland to Dunnellon Bike Trail Survey	████████	████████
Environ Services	14760-31	Response to the USACE 404 Position Letter	████████	████████
Golder Associates	453352-03	Provide U.S. Army Corps of Engineers Section 404 Permit, Fukushima Response, ASLB Contention 4, Support	████████	████████
Joint Venture Team	255934-09	COLA revisions, validation package for the revisions, Participation in Progress Energy Page Turn review of COLA R2, Integrated roadmap for COLA changes,	████████	████████
Joint Venture Team	255934-09 Amend 7	Preps for the ASLB Hearing on Contention #4, Environmental Impacts of Dewatering and Salt Drift, Prep Responses 4 Open Items from ACRS Subcommittee Meeting, Prep for Full ACR Committee Meeting, & Complete Response to NRC Letter.	████████	████
Joint Venture Team	255934-09 Amend 8	Calculation Revisions for QA Record Compliance Phase 1, USACE Recover Branch Recommendations & Ecological Monitoring Plan, Aquifer Performance Test Plan, US SSC Phase 1 Evaluation and Fukushima Flooding and other Natural Hazards RAI Response, 404r Permit revisions.	████████	████
Joint Venture Team	255934-09 Amend 9	CEUS SSC Phase II, NRC Meeting, and RAI Response, Aquifer Performance Test Plan and Environmental Monitoring Plan, Support for NRC Commissioners' Mandatory Hearing Safety Panel #2, , ASLB Contention 4 Supplementary Support, Desalination Plant Water Supply and Waste Water System Design.	████████	████
Joint Venture Team	255934-09 Amend 10	Cross Florida Greenway Property Delineation and USE, NRC Public Telecons, RG 1.60 FIRS Evaluations and Liquefaction Revisions, 404 Permitting to Show Plant Components-Vicinity of Cross Florida Barge Canal and NRC August 30, 2012 CEUS SSC Telecon Action Items.	████████	████
O'Steen Brothers, Inc.	571467	Engineering Services, Permitting, & Construction in Support of a Recreational Trail on the Marjorie Harris Car Cross Florida Greenway.	████████	████
O'Steen Brothers, Inc	571467 Amend 1	Construction of Alternate Trail Section 4B Portion of the Recreational Trail.	████████	████

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Levy Nuclear Project  
Contracts Greater Than \$50,000

Vendor	Contract	Specific Scope	Amount	Actual Spent
Brothers, Inc	Amend 1	Recreational Trail.		
Shaw Environ.	460258-12	Phase I Environ Assess. for Identified parcels.	██████	██████

EXHIBIT 10

Source: DEF Response to Staff Data Request LNP 1.25-supplimental

**Risk Evaluation Performed**

The company’s risk evaluation process remained unchanged throughout 2012. Because the project was still in Phase III preparation during 2012, the risk evaluations did not fluctuate extensively during the year. The project team states it continued to identify risks associated with the project activities and adjusted risk mitigation strategies as necessary.

The two moderate risks identified by the team for the majority of 2012 were the potential impact of unknown design issues, and the containment repair decision and construction timeline. Both of these risks, if triggered, would impact the overall cost of the project. As the project team continued to refine its design engineering scope, the overall risk impact was reduced with conformation of design requirements.

Commission audit staff reviewed the company’s risk matrices and risk records for the period. The project team maintained a focus on the risk assessment for the period and audit staff verified that the risk assessments were monitored and updated by project management, as prescribed under project management guidelines. Additionally, because the project was in suspension with the pending retire/repair decision, there were fewer ongoing risk opportunities during the review period,

**3.3.2 Internal Audits and Quality Assessments Performed in 2012**

The company performed no EPU-related internal or Nuclear Oversight audits during the review period. Project management notes that with the delay in the EPU Phase III schedule, the workload did not warrant any specialized review for the project.

**3.3 EPU Contract Oversight and Management**

**3.4.1 Changes and additions Made to Contracts and Contract Management**

During 2012, the company issued four new contracts for Phase III of the EPU project. These were primarily to prepare for the delivery and storage of the new turbines and the finalization of the engineering design. The EPU project team states the contracts were necessary to ensure the project could continue within a reasonable timeframe once the impact to the project schedule was known. **EXHIBIT 11** lists the contracts initiated in 2012 for the final EPU construction phase, the total contract amount, and the dollars spent.

EPU Project Contracts Over \$50,000 Initiated in 2012				
Vendor	Initiation Date	Work Scope	Contract Price	Total Spent
Badcock and Wilcox Canada 407670-3 Am 8	4/2012-	ROTSG Operating Range Level Indicator	██████	██████
Sarens 616229	4/2012	Heavy Haul Work	██████	██████
SMG 613444	3/2012	Yard Laydown Modification	██████	██████
Presray 589988 & Am 1	11/2011	Watertight Door modification	██████	██████

**EXHIBIT 11**

Source: DEF Response to Staff Data Request 1.19 supplemental

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Commission audit staff reviewed each contract issuance process against DEF's policies and procedures. In each case, it appears the company followed appropriate processes. Audit staff verified that each item was included in the required Phase III scope of work.

In addition to the new contracts executed in 2012, the company amended certain existing contracts. **EXHIBIT 12** lists the 2012 amendment and change orders over \$50,000 that the company initiated on existing contracts. As in 2011, all the amendments and change orders were initiated with AREVA and the engineering work involving the Phase III scope.

EPU Project Work Authorization and Amendments Initiated during 2012 (Over \$50,000)	
Amendment	Amendment Price
AREVA 101659-84 Am 13	██████████
AREVA 101659-84 Am 14	██████████
AREVA 101659-84 Am 15	██████████
AREVA 101659-84 Am 16	██████████
AREVA Change Order #76	██████████
AREVA 101659-93 AM 15	██████████
AREVA 101659-93 AM 16	██████████
AREVA 101659-93 AM 17	██████████
Moretrench 153771-95 Am 4	██████████
Siemens 145569-50 Am 10	██████████
Townsend 147496-167 Am3-6	██████████
Sulzer Pumps 506636 Am 1	██████████
Sulzer Pumps 506636 Am 2	██████████
WorleyParsons 109486 Am 80	██████████
WorleyParsons 109486 Am 81	██████████
WorleyParsons 109486 Am 83	██████████
WorleyParsons 109486 Am 85	██████████
WorleyParsons 109486 Am 91	██████████

**EXHIBIT 12**

Source: PEF Response to Staff Data Request 1.22

For each amendment, audit staff reviewed the impact evaluation and Integrated Change Form to confirm the company was in compliance with its project management and procurement procedures. The company requires that management authorize any scope or schedule change identified within the Integrated Change Forms. In each case, audit staff determined that the authorized approval was obtained for each change and that the company initiated these contracts in accordance with its current process and procedures.



**DUKE ENERGY FLORIDA DOCKET 130009-EI**  
**Sixth Request for Confidential Classification**  
**Confidentiality Justification Matrix**  
**ATTACHMENT C**

DOCUMENT	PAGE/LINE/ COLUMN	JUSTIFICATION
<p>Review of Duke Energy Florida's Project Management Internal Controls for Nuclear Plant Uprate and Construction Projects, PA-13-01-001, June 2013</p>	<p>Page 4, 2<sup>nd</sup> line, fifth word from end, last 2 lines on page in entirety; Page 5, 2<sup>nd</sup> paragraph, 7<sup>th</sup> line, second through fifth words from the end; Page 9, 3<sup>rd</sup> paragraph, 1<sup>st</sup> line, seventh and eighth words; Page 11, 2<sup>nd</sup> paragraph, 2<sup>nd</sup> bullet point, last three words, 3<sup>rd</sup> paragraph, 2<sup>nd</sup> line, last four words, 3<sup>rd</sup> line, first word, last 2 lines in entirety; Page 15, 2<sup>nd</sup> paragraph, 3<sup>rd</sup> line, seventh through tenth words and last three words, 3<sup>rd</sup> paragraph, 5<sup>th</sup> line, third and fourth words from end; Page 16, 7<sup>th</sup> paragraph, 1<sup>st</sup> line, last five words, 2<sup>nd</sup> through 5<sup>th</sup> in entirety, 6<sup>th</sup> line, first eight words; Page 17, 7<sup>th</sup> paragraph, 1<sup>st</sup> line, fifth and sixth words, Projected Costs Table on page, all dollar amounts; Page 18, 2<sup>nd</sup> paragraph, all bullet points; Page 22, last line on page, all words except first and last words; Page 25, all dollar amounts shown in table; Page 26, all dollar amounts shown in table; Page 32, last table on page, all dollar amounts in table; Page 33, all dollar amounts in table</p>	<p>§366.093(3)(d), Fla. Stat.  The document in question contains confidential contractual information, the disclosure of which would impair PEF's efforts to contract for goods or services on favorable terms.</p> <p>§366.093(3)(e), Fla. Stat.  The document portions in question contain confidential information relating to competitive business interests, the disclosure of which would impair the competitive business of the provider/owner of the information.</p>