

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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In re: Nuclear Cost Recovery  
Clause

Docket No. 140009-EI  
Submitted for Filing: May 1, 2014

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**DUKE ENERGY FLORIDA, INC.'S PETITION FOR APPROVAL  
OF NUCLEAR COSTS TO BE RECOVERED DURING THE PERIOD  
JANUARY-DECEMBER 2015 FOR THE LEVY NUCLEAR AND CR3 EPU PROJECTS**

Pursuant to Section 366.93(6), Florida Statutes, and Rule 25-6.0423(7), 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 exit and wind-down 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 in this Nuclear Cost Recovery Clause (“NCRC”) proceeding.

DEF is entitled to recover \$63,249,670 for the EPU through the Capacity Cost Recovery Clause (“CCRC”) during the period January through December 2015. Additionally, DEF can recover an amount for Levy consistent with the rates approved in the Revised and Restated Stipulation and Settlement Agreement approved by the Commission on November 12, 2013 in Order No. PSC-13-0598-FOF-EI in Docket No. 130208-EI (the “2013 Settlement Agreement”) when presented in the CCRC filing later this year. This total amount includes for Levy (1) exit and wind-down costs, (2) the amortization of the true-up of prior period costs, (3) associated carrying costs on the unrecovered balance, and (4) the continued amortization of the deferred balance. For the EPU, this total amount reflects (1) exit and wind-down costs, (2) the amortization of the true-up of prior period costs, (3) associated carrying costs on the unrecovered balance, and (4) the continued amortization of the deferred balance. DEF’s request to recover

this total amount of nuclear costs for the LNP and CR3 EPU is consistent with the 2013 Settlement Agreement.

In this proceeding, DEF requests a determination that all of DEF's prior period Levy and EPU project costs are prudent, and that DEF's actual/estimated 2014 and projected 2015 costs for the EPU 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 Levy and CR3 EPU costs with its petition, testimony, exhibits, and financial schedules filed with the Commission on March 3, 2014, which are hereby incorporated by reference. This Petition regarding DEF's actual/estimated 2014 and projected 2015 costs is supported by the testimony and exhibits of DEF's witnesses, Mr. Christopher M. Fallon, Mr. Michael R. Delowery, and Mr. Thomas G. Foster, including their exhibits and financial schedules, which are incorporated by reference.

#### **I. PRELIMINARY INFORMATION.**

1. The Petitioner's name and address are:

Duke Energy Florida, Inc.  
299 1st Avenue North  
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. The Company's principal place of business is located at 299 1st Ave. N., St. Petersburg, Florida 33701.

4. DEF serves approximately 1.7 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 Florida municipalities, utilities, and power agencies in the State of Florida.

5. DEF seeks cost recovery pursuant to Section 366.93(6), Fla. Stat. and Rule 25-6.0423(7), F.A.C. of its reasonable and prudent wind-down and exit costs for the Levy and EPU projects.

**III. DEF REQUESTS COST RECOVERY FOR THE LEVY NUCLEAR PROJECT AS PROVIDED IN SECTION 366.93(6), FLA. STAT., RULE 25-6.0423(7), F.A.C., AND THE 2013 SETTLEMENT AGREEMENT.**

6. With the execution of the 2013 Settlement Agreement and approval by the Commission in 2013, DEF elected not to complete construction of Levy Nuclear Units 1 and 2. DEF is implementing a wind-down plan for in-progress Levy Long Lead Equipment (“LLE”) and has dispositioned all LLE that was in active fabrication. DEF is soliciting internal and external interest in the acquisition of the remaining LLE. To this end, DEF is conducting a bid event for the remaining Levy LLE. DEF anticipates making final disposition decisions for the remaining Levy LLE by the end of 2014.

7. DEF also terminated the Engineering, Procurement, and Construction (“EPC”) Agreement with Westinghouse Electric Company LLC (“WEC”) and Stone & Webster, Inc. (“S&W”) (collectively, the “Consortium”) in January, 2014, pursuant to the terms of the EPC Agreement. DEF continues to work with WEC in an attempt to close-out the contract, but to date negotiations are stalled, and both DEF and WEC have initiated litigation against the other for claims under the EPC Agreement. DEF has, however, successfully negotiated a close-out of work with the other Consortium member – S&W.

8. DEF plans to continue its Combined Operating License Application (“COLA”) work in order to obtain the Levy Combined Operating License (“COL”) from the Nuclear Regulatory Commission (“NRC”), as long as it is reasonable to do so, and DEF currently anticipates COL receipt in August of 2015 based on the current NRC schedule.

9. As presented in its financial schedules, DEF projects to incur costs in the categories of (1) project wind-down and (2) LLE disposition. DEF does not include in this filing potential, future wind-down or LLE disposition costs or credits that DEF cannot reasonably quantify at this time. Pursuant to the 2013 Settlement Agreement, DEF is also not including costs related to the Company's pursuit of the Levy COLA, environmental permitting, wetlands mitigation, conditions of certification, and other costs related to the COL that DEF incurs in 2014 and beyond, in its request for cost recovery. DEF will continue to incur COL costs for Levy in 2014 and 2015, but under the 2013 Settlement Agreement, DEF will not seek to recover these costs from customers through the NCRC.

10. DEF expects to conclude its LLE disposition efforts in 2014 and, consequently, DEF is only projecting minimal wind-down costs beyond 2014. This projection does not take into account any costs that DEF simply is not able to reasonably quantify at this time. For example, DEF does not include in this filing any estimated costs or credits related to LLE salvage or scrap value because DEF cannot reasonably estimate these costs or credits at this time. Any proceeds from the sale or salvage of Levy assets, however, will be credited against the remaining unrecovered balance.

11. Mr. Fallon and Mr. Foster's testimony and exhibits and schedules support DEF's request for cost recovery.

12. Pursuant to Rule 25-6.0423(7), F.A.C. and the 2013 Settlement Agreement, DEF requests that the Commission approve for recovery during the period January through December 2015 the amount consistent with the rates approved in the 2013 Settlement Agreement. This amount will be presented in the CCRC filings later this year.

**IV. DEF REQUESTS COST RECOVERY FOR THE EPU PROJECT AS PROVIDED IN SECTION 366.93(6), FLA. STAT., AND RULE 25-6.0423(7), F.A.C.**

13. As a result of the decision to retire CR3, the EPU project was not needed and was accordingly cancelled. In 2014, DEF has been working to disposition EPU assets and materials in accordance with CR3 Administrative Procedure, AI-9010, *Conduct of CR3 Investment Recovery*, and the Investment Recovery Project, Project Execution Plan. The Investment Recovery Project (“IRP”) team is prudently marketing EPU-related assets internally and externally and making disposition decisions in accordance with its policies and procedures.

14. The IRP will conduct bid events for all appropriate EPU-related assets in 2014 and DEF currently anticipates that all EPU-related assets will be dispositioned by the end of 2014, with minimal wind-down activities extending beyond 2014. Value received from sales or salvage of EPU-related equipment will be credited against the remaining unrecovered investment.

15. As Mr. Delowery describes in his direct testimony, EPU project wind-down costs were incurred in 2014 and will continue to be incurred in 2015. DEF does not include in this filing any estimated costs or credits related to salvage or scrap value because DEF cannot reasonably estimate these costs or credits at this time. Any proceeds from the sale or salvage of EPU-related assets, however, will be applied to reduce the remaining unrecovered investment.

16. Mr. Delowery and Mr. Foster’s testimony and exhibits and financial schedules support DEF’s request for cost recovery. DEF requests that the Commission determine that its 2014 actual/estimated and 2015 projected costs are reasonable and that DEF is entitled to recover CR3 EPU project wind-down and exit costs pursuant to the NCRC statute and rule.

17. Pursuant to Rule 25-6.0423(7), F.A.C., DEF requests that the Commission approve for recovery the amount of \$63,249,670 through the CCRC during the period January through December 2015 for the EPU project.

**V. DISPUTED ISSUES OF MATERIAL FACT.**

18. 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 2014 and 2015 costs associated with the Levy and EPU projects. Accordingly, DEF has demonstrated through its testimony and exhibits why the recovery DEF requests is appropriate and warranted under Section 366.93(6), Florida Statutes, and Rule 25-6.0423(7), F.A.C.

**VI. CONCLUSION.**

WHEREFORE, for all of 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 \$63,249,670 for the EPU through the CCRC during the period January through December 2015. Additionally, that DEF can recover an amount for Levy consistent with the rates approved in the 2013 Settlement Agreement when presented in the CCRC filing later this year. These amounts are made up of:

A. For the LNP, (a) exit and wind-down costs, (b) the amortization of the true-up of prior period costs, (c) associated carrying costs on the unrecovered balance, and (d) the continued amortization of the deferred balance.

B. For the EPU project, (a) exit and wind-down costs, (b) the amortization of the true-up of prior period costs, (c) associated carrying costs on the unrecovered balance, and (d) the continued amortization of the deferred balance.

(2) DEF's prior period Levy and EPU project costs are prudent and DEF's actual/estimated 2014 and projected 2015 costs for the EPU project are reasonable.

Respectfully submitted this 1<sup>st</sup> day of May, 2014.

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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 mail this 1st day of May, 2014.

*/s/ Blaise N. Gamba*

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