

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear Cost Recovery
Clause.

DOCKET NO.: 150009-EI

FILED: July 8, 2015

PREHEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL

The Citizens of the State of Florida, through the Office of Public Counsel, pursuant to the Order Establishing Procedure in this docket, Order No. PSC-15-0082-PCO-EI, issued January 30, 2015, hereby submit this Prehearing Statement.

APPEARANCES:

Charles J. Rehwinkel
Deputy Public Counsel
Patricia A. Christensen
Erik L. Saylor
Associate Public Counsels
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida

1. **WITNESSES:**

William R. Jacobs, Jr. PhD.

Issue 1-7 (FPL issues)

2. **EXHIBITS:**

Through William R. Jacobs, Jr., Ph.D., the Citizens intend to introduce the following exhibit:

FPL

WRJ-1

Resume of William R. Jacobs, Jr.

3. STATEMENT OF BASIC POSITION

FPL

FPL is in the process of obtaining the combined license (COL) from the Nuclear Regulatory Commission (NRC) for Turkey Point Units 6 and 7. The current NRC schedule for the issuance of the COL is March 2017.

Per Rule 25-6.0423, Florida Administrative Code, FPL has filed its 2015 long-term feasibility study to support its continuing with Turkey Point Units 6 and 7 project. The primary cost drivers in FPL's feasibility analyses are capital costs of the generation options, projected fuel costs and projected environmental impact costs. However, these three components of the feasibility analysis must accurately reflect the proposed project costs for the analysis to provide meaningful results which they do not. FPL's feasibility analysis of the Turkey Point Units 6 and 7 project is flawed because the analysis utilizes unreasonably low costs for Turkey Point Units 6 and 7. Although FPL claims that the Vogtle and Summer project costs informed its Turkey Point Units 6 and 7 feasibility study, FPL's feasibility study failed to consider the significant costs increases in the Vogtle and Summer nuclear projects for both the owners and contractor. While the Office of Public Counsel (OPC) is not recommending any adjustments for COL-related costs, FPL should be required to correct its flawed 2015 feasibility analysis during this cycle of the NRC proceeding for the Commission's consideration as appropriate.

FPL has also proposed to incur, defer, and later recovery Initial Assessment costs. FPL asserts that the Initial Assessment costs are needed to develop its feasibility analysis for the

Florida Public Service Commission to move from the COL phase to the pre-construction phase. FPL has asked to incur costs for Initial Assessments that are not related to obtaining or maintaining the COL. In light of the amendments to Section 366.93, F.S., costs not associated with obtaining or maintaining the COL cannot be incurred and deferred for later recovery prior to the NRC issuing the COL.

Prior to FPL proceeding from the licensing phase to the initiation of pre-construction work after receipt of the COL, FPL needs to correct its long-term feasibility study to reflect the actual costs of building Turkey Point Units 6 and 7. The corrected Turkey Point Units 6 and 7 project cost estimates that will be relied upon in the feasibility analysis should be based on actual, binding bids from qualified EPC or EP/C contractors with an appropriate amount of contingency added to the bids. In lieu of binding bids from qualified contractors, the feasibility analysis should reflect the higher costs experienced in the Vogtle and Summer projects and at a minimum include the owners' costs and an estimate of the contractor's cost related to the Vogtle and Summer projects; and FPL should submit this updated analysis as a not-to-exceed cost or cap above which FPL would not seek cost recovery from ratepayers for the Turkey Point Units 6 and 7 project.

DEF

In Order No. PSC-15-0176-TRF-EI (consummated in Order No. PSC-15-0230-CO-EI), the Commission determined that DEF has recovered all known costs related to the Levy Nuclear Plant (LNP) Project. It is premature to determine if costs related to the Westinghouse Electric Company (WEC) litigation will ever become the subject of a future cost recovery petition by DEF under the NCRC. Until and if that time ever comes, there should be no provision for

carrying costs associated with speculative WEC litigation costs including the putative carrying costs associated with the \$54 million in phantom equipment costs for which DEF has sued WEC in federal court. For this reason, there are no material costs remaining to be recovered in 2016 related to the LNP Project.

4. STATEMENT OF FACTUAL ISSUES AND POSITIONS

FPL

ISSUE 1: Should the Commission approve as reasonable what FPL has submitted as its 2015 annual detailed analysis of the long-term feasibility of completing the Turkey Point Units 6 & 7 project, as provided for in Rule 25-6.0423, F.A.C?

OPC: No. FPL's 2015 feasibility analysis is flawed because the analysis utilizes unreasonably low costs for Turkey Point Units 6 and 7. The capital costs of the generation options, projected fuel costs and projected environmental impact cost components of the feasibility analysis must accurately reflect the proposed project costs for the analysis to provide meaningful results which they do not. FPL's feasibility study failed to consider the significant costs increases in the Vogtle and Summer nuclear projects for both the owners and contractor.

ISSUE 1A: What is the current total estimated all-inclusive cost (including AFUDC and sunk costs) of the proposed Turkey Point Units 6 & 7 nuclear project?

OPC: The current total estimated all-inclusive costs of Turkey Point Units 6 and 7 are based on non-binding estimates which are significantly understated.

ISSUE 1B: What is the current estimated planned commercial operation date of the planned Turkey Point Units 6 & 7 nuclear facility?

OPC: No position.

ISSUE 2: Should the Commission find that FPL's 2014 project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Turkey Point Units 6 & 7 project?

OPC: No position.

ISSUE 3A: (Legal): Pursuant to Section 366.93, Florida Statutes, can costs, which are not related to, or necessary for, obtaining or maintaining a combined license from the Nuclear Regulatory Commission for a nuclear power plant be incurred prior to the issuance of the COL and deferred for later recovery?

OPC: No. The plain language of Section 366.93, Florida Statutes, requires that only costs related to, or necessary for, obtaining or maintaining a combined license for the NCR prior to the issuance of the COL can be incurred. Further, the statute requires that before non-COL related preconstruction costs can be incurred, the utility must seek Commission approval and prove up the continued feasibility of the project and the reasonableness of the costs. Thus, no non-COL related costs can be incurred and deferred for later recovery prior to the NRC's issuance of the COL.

ISSUE 3B: Are the Initial Assessment costs incurred as set forth in FPL's Petition and Testimony for which FPL is seeking deferred recovery, costs that are related to or necessary for obtaining or maintaining a combined license?

OPC: No. As acknowledged by FPL the Initial Assessment costs are not related to, or necessary for, obtaining or maintaining a combined license for the NCR prior to the issuance of the COL. The Initial Assessment costs are non-COL related preconstruction costs.

ISSUE 3C: Should the Commission approve FPL's proposal to incur and defer for later recovery its Initial Assessment costs, as set forth in FPL's petition and supporting testimony?

OPC: No. Based on the plain language of the statute, the Commission has no discretion to approve FPL's incurring non-COL related preconstruction costs for deferral and later recovery prior to the issuance of the COL.

ISSUE 4: What jurisdictional amounts should the Commission approve as FPL's actual 2014 prudently incurred costs and final true-up amounts for the Turkey Point Units 6 & 7 project?

OPC: No position.

ISSUE 5: What jurisdictional amounts should the Commission approve as reasonably estimated 2015 costs and estimated true-up amounts for FPL's Turkey Point Units 6 & 7 project?

OPC: The Commission should exclude any costs related to Initial Assessment Costs or any other non-COL related preconstruction cost, or cost not necessary to obtain or maintain the COL.

ISSUE 6: What jurisdictional amounts should the Commission approve as reasonably projected 2016 costs for FPL's Turkey Point Units 6 & 7 project?

OPC: The Commission should exclude any costs related to Initial Assessment Costs or any other non-COL related preconstruction cost, or cost not necessary to obtain or maintain the COL.

ISSUE 7: What is the total jurisdictional amount to be included in establishing FPL's 2016 Capacity Cost Recovery Clause factor?

OPC: The Commission should exclude any costs related to Initial Assessment Costs or any other non-COL related preconstruction cost, or cost not necessary to obtain or maintain the COL.

DEF

ISSUE 8: Should the Commission find that during 2014, DEF's project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Levy Units 1 & 2 project?

OPC: No position at this time.

ISSUE 9: What jurisdictional amounts should the Commission approve as DEF's actual 2014 prudently incurred costs for the Levy Units 1 & 2 project?

OPC: No position at this time.

ISSUE 10: What jurisdictional amounts should the Commission approve as reasonably estimated 2015 exit and wind down costs and carrying costs for the Levy Units 1 & 2 project?

OPC: No position at this time.

ISSUE 11: What jurisdictional amounts should the Commission approve as reasonably projected 2016 exit and wind down costs and carrying costs for the Levy Units 1 & 2 project?

OPC: \$0.

ISSUE 12: Should the Commission find that during 2014, DEF's project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Crystal River Unit 3 Uprate project?

OPC: No position at this time.

ISSUE 13: What jurisdictional amounts should the Commission approve as DEF's actual 2014 prudently incurred costs for the Crystal River Unit 3 Uprate project?

OPC: No position at this time.

ISSUE 14: What jurisdictional amounts should the Commission approve as reasonably estimated 2015 exit and wind down costs and carrying costs for the Crystal River Unit 3 Uprate Project?

OPC: No position at this time.

ISSUE 15: What jurisdictional amounts should the Commission approve as reasonably projected 2016 exit and wind down costs and carrying costs for the Crystal River Unit 3 Uprate Project?

OPC: No position at this time.

ISSUE 16: What is the total jurisdictional amount to be included in establishing DEF's 2016 Capacity Cost Recovery Clause Factor?

OPC: The Commission should not allow the recovery of any costs related to Levy for 2016. The OPC takes no position at this time on costs that should be recovered for the Crystal River Uprate Project.

5. STIPULATED ISSUES:

None at this time.

6. PENDING MOTIONS:

None.

7. STATEMENT OF PARTY'S PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY:

None.

8. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:

None at this time.

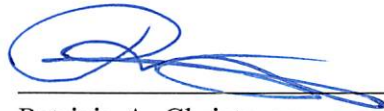
9. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

There are no requirements of the Order Establishing Procedure with which the Office of Public Counsel cannot comply.

Dated this 8th day of July, 2015

Respectfully submitted,

J.R. Kelly
Public Counsel



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CERTIFICATE OF SERVICE
Docket No. 150009-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished
by electronic mail on this 8th day of July, 2015, to the following:

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