

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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In re: Nuclear Cost Recovery  
Clause

Docket No. 160009-EI  
Submitted for Filing: March 1, 2016

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**PETITION FOR APPROVAL OF NUCLEAR POWER PLANT COST  
RECOVERY TRUE-UP FOR THE YEAR ENDING DECEMBER 2015**

Pursuant to Section 366.93(6), Florida Statutes, and Rule 25-6.0423(7), Florida Administrative Code, Duke Energy Florida, LLC (“DEF” or the “Company”) respectfully petitions the Florida Public Service Commission (the “Commission”) to approve and find prudent the actual Crystal River Unit 3 (“CR3”) Extended Power Uprate (“EPU”) project wind-down and exit costs incurred in 2015. DEF further petitions the Commission to approve and find prudent the 2015 project management, contracting, accounting, and cost oversight controls for the EPU project and Levy Nuclear Project (“LNP”). Finally, DEF petitions the Commission to approve the true-up of revenue requirements as presented in the contemporaneously filed testimony and exhibits and schedules for the EPU. Pursuant to the terms of the Stipulation approved by this Commission in Order No. PSC-15-0521-FOF-EI, DEF is not seeking a prudence determination for its 2015 LNP costs in this proceeding; rather, at this time the 2015 LNP costs are being provided for informational purposes only and will be presented for Commission review and approval in the Company’s May 1, 2017 Nuclear Cost Recovery Clause filing.

DEF’s petition is supported by the testimony and exhibits of Mr. Christopher M. Fallon, Mr. Mark R. Teague, and Mr. Thomas G. Foster filed herewith and incorporated by reference. DEF requests that the Commission find that DEF’s 2015 actual costs for the EPU have been prudently incurred, and allow recovery, through the Capacity Cost Recovery Clause (“CCRC”)

as applicable, current period wind-down and exit costs, carrying costs on the unrecovered investment balance (including prior period (over)/under balances), the amortization of the true-up of prior period costs, and the amortization associated with the remaining unrecovered investment balance, in accordance with Section 366.93(6), Fla. Stat., Rule 25-6.0423(7), F.A.C., and the 2013 Revised and Restated Stipulation and Settlement Agreement (“2013 Settlement Agreement”) approved by the Commission in Order No. PSC-13-0598-FOF-EI issued November 12, 2013.

**I. PRELIMINARY INFORMATION.**

1. The Petitioner’s name and address are:

Duke Energy Florida, LLC  
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 (“Duke Energy”). 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, the greater Orlando area in Orange, Osceola, and Seminole Counties, and 16 counties in northwest Florida. 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. for its prudent wind-down and exits costs for the EPU project.

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

6. On February 5, 2013, Duke Energy announced its decision to retire and decommission the CR3 nuclear power plant. As a result of this decision, the CR3 EPU project was cancelled. In 2015, DEF continued to disposition EPU-related assets using a step-wise approach under its investment recovery policies and procedures to obtain the maximum value for the EPU-related assets for DEF’s customers. Using this process, DEF sold or transferred several EPU-related assets. The last stage for the EPU project close-out was the final disposition of EPU-related assets and materials and implementation of a plan for the remaining EPU assets that

have not been sold or salvaged. The CR3 Investment Recovery Project (“IRP”) was closed out on April 30, 2015.

7. Mr. Teague’s direct testimony and exhibits explain and support (1) the EPU project wind-down progress; (2) the process for disposition of EPU-related assets; (3) the status of disposition of EPU-related assets, including sale, transfer and salvage proceeds; (4) the prudence of DEF’s 2015 EPU wind-down and exit costs; and (5) the prudence of DEF’s 2015 project management, contracting, oversight policies and procedures for the EPU project wind-down and investment recovery efforts. Mr. Foster’s direct testimony and exhibits present the actual costs and associated carrying costs for EPU project activities for 2015. Mr. Foster’s direct testimony also supports the prudence of DEF’s accounting and cost oversight controls. The direct testimony and exhibits of Mr. Teague and Mr. Foster support the Company’s request for cost recovery pursuant to Section 366.93(6), Fla. Stat. and Rule 25-6.0423(7), F.A.C. for the prudent wind-down and exit costs incurred in 2015 for the EPU project.

8. DEF also incurred costs associated with the EPU project related to accounting, corporate planning, and legal expenses in 2015. These costs are explained in greater detail in Mr. Foster’s testimony and exhibits.

9. Pursuant to Rule 25-6.0423, F.A.C., DEF is entitled to recover through the CCRC the revenue requirements associated with these prudently incurred costs. For the time period January 2015 through December 2015, DEF is requesting a total of \$61,037,774 in revenue requirements as presented in Mr. Foster’s Exhibit No. \_\_\_ (TGF-2) “2015 Summary” on Line 5, adjusted for the contributions made by the joint owners of CR3. These costs are made up of \$17,356,767 in carrying costs on the remaining unrecovered CWIP balance and prior period (over/under) balances, including wind-down/exit costs net of sales, transfer, and salvage proceeds, shown on Lines 1a through 1d, and \$43,681,007 of amortization associated with the

remaining unrecovered investment balance and prior period (over/under) balances reflected on Line 4. This results in DEF's final 2015 true-up amount of (\$2,535,876) reflected on Line 3. These amounts were calculated in accordance with Rule 25-6.0423(7), F.A.C., and they are set forth in greater detail in the testimony and exhibits of Mr. Teague and Mr. Foster.

**IV. DEF REQUESTS THE COMMISSION FIND THAT DEF'S 2015 PROJECT MANAGEMENT, CONTRACTING, ACCOUNTING AND COST OVERSIGHT CONTROLS WERE REASONABLE AND PRUDENT FOR THE LEVY UNITS 1 & 2 PROJECT.**

10. Mr. Fallon's and Mr. Foster's direct testimony support DEF's prudent management of the LNP, consistent with policies and procedures that implement Duke Energy best practices. DEF is seeking a prudence determination for DEF's 2015 LNP project management, contracting, and cost oversight controls pursuant to Rule 25-6.0423(7), F.A.C., the Commission's Order No. PSC-13-0598-FOF-EI approving the 2013 Settlement Agreement, and the terms of the stipulation approved by the Commission in last year's NCRC docket.

**V. DEF IS NOT REQUESTING COST RECOVERY FOR THE LEVY NUCLEAR PROJECT IN THIS DOCKET PER THE TERMS OF THE STIPULATION APPROVED BY THE COMMISSION IN THE 2015 NCRC DOCKET.**

11. The Company elected not to complete construction of the LNP pursuant to the nuclear cost recovery statute and rule, Section 366.93(6), Fla. Stat., and Rule 25-6.0423(7), F.A.C., as amended, with its execution of the 2013 Settlement Agreement. Once the Commission approved the 2013 Settlement Agreement, DEF implemented a process to wind down the LNP. Then, in January 2014, because DEF was unable to obtain the LNP Combined Operating License ("COL") from the Nuclear Regulatory Commission ("NRC") by January 1, 2014, DEF terminated the Engineering, Procurement and Construction ("EPC") Agreement with

Westinghouse Electric Company LLC (“WEC”) and Stone & Webster, Inc. (“S&W”) (together the “Consortium”).

12. The LNP wind-down process involves the disposition of the LNP Long Lead Equipment (“LLE”) and the resolution of remaining costs under the EPC Agreement with the Consortium. As explained in more detail in the testimony of Mr. Fallon, DEF developed and implemented a LLE Disposition Plan and, pursuant to that Plan, DEF has been able to disposition or will soon disposition the majority of the LNP LLE.

13. DEF also incurred costs associated with the LNP related to accounting, corporate planning, legal, and nuclear generation in 2015. Pursuant to the stipulation approved by the Commission in Order No. PSC-15-0521-FOF-EI, DEF has agreed to include all known LNP costs and credits in the May 1, 2017 true-up filing for consideration and review in the 2017 NCRC docket. Therefore, DEF is not seeking a prudence determination of any LNP costs at this time.

14. For informational purposes, these costs are explained in greater detail in the testimony and exhibits of Mr. Fallon and Mr. Foster filed in support of the Company’s 2015 LNP wind-down and exit costs. The only remaining LNP work is to obtain the LNP COL from the NRC. As explained by Mr. Fallon, in 2015 DEF continued with the work necessary to obtain the LNP COL including environmental permitting work necessary to obtain the Section 404 permit from the United States Army Corps of Engineers (“USACE”), which was received December 28, 2015. DEF, however, is not seeking cost recovery in this proceeding for costs incurred in 2015 to obtain the LNP COL. As part of the 2013 Settlement, DEF agreed to account for the 2015 COL-related costs as construction work in progress and agreed to remove them from recovery in the NCRC proceeding. DEF has segregated its 2015 COL-related costs from the 2015 LNP wind-down costs and the 2015 COL-related costs are not presented in this docket.

**VI. DISPUTED ISSUES OF MATERIAL FACT.**

15. 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, DEF demonstrates the prudence of the costs it incurred in 2015 for the EPU project, and to show why recovery of the capacity costs through the CCRC, as provided in Section 366.93(6), Fla. Stat., and Rule 25-6.0423(7), F.A.C., is appropriate and warranted. DEF also demonstrates the prudence of its 2015 project management, contracting, accounting, and cost oversight controls for the EPU project and LNP.

**VII. CONCLUSION.**

16. Approval of DEF's petition for cost recovery as provided for in the statute and rule is warranted for the EPU project. Further, the Commission should find DEF's 2015 project management, contracting, accounting, and cost oversight controls for the EPU project and LNP were reasonable and prudent.

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

- (1) determine that the wind-down and exit costs DEF incurred during 2015 for the EPU project were reasonable and prudent;
- (2) determine that DEF's 2015 EPU project management, contracting, and oversight controls and project accounting and cost oversight controls were reasonable and prudent;
- (3) approve DEF's final true-up of the actual expenditures and revenue requirements for the EPU project for 2015, and allow recovery, through the CCRC, of the costs inclusive of carrying costs balance, and carrying costs on and amortization associated with the remaining unrecovered balance; and

(4) determine that DEF's 2015 LNP project management, contracting, and oversight controls and project accounting and cost oversight controls were reasonable and prudent.

Respectfully submitted,

/s/ Matthew R. Bernier

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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 March, 2016.

/s/ Matthew R. Bernier  
Attorney

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