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COMMISSION  
CLERK

April 10, 2006

VIA HAND DELIVERY

Ms. Blanca S. Bayó, Director  
Division of the Commission Clerk and  
Administrative Services  
Florida Public Service Commission  
Betty Easley Conference Center  
2540 Shumard Oak Boulevard, Room 110  
Tallahassee, FL 32399-0850

**Re: Docket No. 060038-EI - Petition for issuance of a storm recovery financing order by Florida Power & Light Company**

Dear Ms. Bayó:

Enclosed for filing on behalf of Florida Power & Light Company ("FPL") are an original and fifteen (15) copies of the following:

- CMP \_\_\_\_\_
- COM 5
- CTR org
- ECR ( )
- GCL 1
- OPC \_\_\_\_\_
- RCA \_\_\_\_\_
- SCR \_\_\_\_\_
- SGA \_\_\_\_\_
- SEC 1
- OTH \_\_\_\_\_

1. Rebuttal Testimony and Exhibits of FPL witnesses Richard E. Brown, K. Michael Davis, Moray P. Dewhurst, Hugh A. Gower, Leo Green, Steven P. Harris, Barbara A. Jaindl, Wayne Olson, Mark Warner, and Geisha J. Williams.

Please indicate receipt of this document by stamping the enclosed extra copy of this letter. Please contact me should you or your Staff have any questions regarding this filing.

Sincerely,

R. Wade Litchfield

Harris - 03207-06  
Jaindl - 03208-06  
Olson - 03209-06

Warner - 03200-06  
Williams - 03201-06  
Brown - 03202-06  
Davis - 03203-06  
Dewhurst - 03204-06  
Green - 03205-06  
Gower - 03206-06

**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by United States Mail this 10<sup>th</sup> day of April, 2006, to the following:

<p>Wm. Cochran Keating, IV, Esquire          Florida Public Service Commission          Division of Legal Services          Gerald L. Gunter Building          2540 Shumard Oak Blvd.          Tallahassee, FL 32399-0850</p>	<p>Harold A. McLean, Esquire          Charles J. Beck, Esquire          Joseph A. McGlothlin, Esquire          Patricia A. Christensen, Esquire          Office of Public Counsel          c/o The Florida Legislature          111 W. Madison Street, Room 812          Tallahassee, FL 32399-1400</p>
<p>John W. McWhirter, Esquire          McWhirter, Reeves, &amp; Davidson, P.A.          400 North Tampa Street, Suite 2450          Tampa, Florida 33602          Attorneys for the Florida Industrial Power          Users Group</p>	<p>Timothy J. Perry, Esquire          McWhirter, Reeves, &amp; Davidson, P.A.          117 South Gadsden Street          Tallahassee, Florida 32301          Attorneys for the Florida Industrial Power          Users Group</p>
<p>Michael B. Twomey, Esquire          P.O. Box 5256          Tallahassee, Florida 32314-5256          Attorney for AARP</p>	<p>Robert Scheffel Wright          John T. LaVia, III, Esquire          Young van Assenderp, P.A.          225 South Adams Street, Suite 200          Tallahassee, Florida 32301          Attorneys for the Florida Retail Federation</p>
<p>Lieutenant Colonel Karen White          and Captain Damund Williams          AFCESA/ULT          139 Barnes Drive          Tyndall Air Force Base, Florida 32403          Attorneys for the Federal Executive Agencies</p>	<p>Christopher M. Kise*          Solicitor General          Jack Shreve          Senior General Counsel          Office of the Attorney General          The Capitol – PL01          Tallahassee, FL 32399-1050</p>

Respectfully submitted,

R. Wade Litchfield  
 Bryan Anderson  
 Patrick Bryan  
 Natalie F. Smith  
 Attorneys for Florida Power & Light Company  
 700 Universe Boulevard  
 Juno Beach, Florida 33408-0420

By: /s/ Natalie F. Smith  
 Natalie F. Smith

\* Indicates not an official party of record as of the date of this filing.

**BEFORE THE FLORIDA  
PUBLIC SERVICE COMMISSION**

**DOCKET NO. 060038-EI  
FLORIDA POWER & LIGHT COMPANY**

**IN RE: FLORIDA POWER & LIGHT COMPANY'S PETITION FOR  
ISSUANCE OF A STORM RECOVERY FINANCING ORDER**

**APRIL 10, 2006**

**REBUTTAL TESTIMONY & EXHIBITS OF:**

**MARK WARNER**

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                   **FLORIDA POWER & LIGHT COMPANY**

3                   **REBUTTAL TESTIMONY OF MARK WARNER**

4                   **DOCKET NO. 060038-EI**

5                   **APRIL 10, 2006**

6

7   **Q.    Please state your name and business address.**

8    A.    My name is Mark Warner. My business address is 700 Universe Boulevard,  
9            Juno Beach, Florida 33408-0420.

10 **Q.    Did you previously submit direct testimony in this proceeding?**

11   A.    Yes.

12 **Q.    Are you sponsoring an exhibit in this case?**

13   A.    Yes. I am sponsoring an exhibit consisting of two documents, Document Nos.  
14            MW-2, and MW-3, which is attached to my rebuttal testimony.

15 **Q.    What is the purpose of your rebuttal testimony?**

16   A.    The purpose of my testimony is to rebut certain positions taken in this case by  
17            Donna DeRonne for the Office of Public Counsel related to the following  
18            issues she raised in her testimony:

- 19                   • The removal of \$21.5 million of 2004 storm recovery costs for damage  
20                   to the St. Lucie nuclear plant site;
- 21                   • The removal of \$2,490,800 of 2005 storm recovery costs associated  
22                   with nuclear employee base salaries; and

- 1                   • Imposing a cut-off date of December 31, 2006 for charging 2005 storm  
2                   restoration costs to the Reserve.

3                   I also respond to the Florida Public Service Commission Staff (Staff) Audit  
4                   Finding Number 6: Nuclear Storm Preparation Costs sponsored by Staff  
5                   witness Kathy Welch.

6

7

**2004 Nuclear Storm Costs**

8   **Q.   Ms. DeRonne asserts the estimated 2004 storm recovery costs for**  
9                   **“Various Nuclear Storm Damages” should be removed since it is an**  
10                  **estimate and may be offset by insurance recoveries. Do you agree?**

11   **A.   No. A \$21.5 million disallowance is inappropriate for two reasons. First, the**  
12                  **accrual for the remaining nuclear division costs from 2004 represents the**  
13                  **amount FPL expects will not be covered by insurance. Based on experience**  
14                  **and work with our insurer, Nuclear Electric Insurance Limited (NEIL) related**  
15                  **to FPL’s storm losses, it is reasonable to expect that NEIL will not cover all of**  
16                  **FPL’s loss for a number of reasons. These reasons include differences in**  
17                  **scope of work to be completed, property outside the NEIL insurance boundary**  
18                  **and policy limits. Second, a \$21.5 million disallowance is inappropriate**  
19                  **because FPL adjusted the amount of its accrual for 2004 remaining work in**  
20                  **March 2006 as a result of meetings with NEIL regarding its 2004 claim. The**  
21                  **accrual amount has been reduced to \$15.35 million.**

22

1 Q. Ms. DeRonne asserts the estimated 2004 storm recovery costs for  
2 “Various Nuclear Storm Damages” should be removed since work for the  
3 St. Lucie nuclear plant intake canal restoration “appear to be costs  
4 beyond those that were presented in the prior case after July 31, 2005.”  
5 Do you agree?

6 A. No. The estimated 2004 storm recovery costs for nuclear storm damages is a  
7 function of the amount of insurance that FPL expects to receive for the 2004  
8 storm season. It was comprehended within FPL’s filing that uninsured  
9 amounts would be charged to the Reserve.

10 Q. Could FPL have made all of the repairs to the St. Lucie nuclear plant site  
11 prior to July 31, 2005?

12 A. No. Refueling outages only occur once in approximately every 18 months,  
13 and only one of the two units at the St. Lucie plant site had a refueling outage  
14 prior to July 2005. Refueling outages are required in order to do detailed  
15 inspections of the storm damage to our power block. The repairs are then  
16 made in subsequent refueling outages.

17  
18 Second, over fifty buildings sustained some measure of hurricane damage. It  
19 was not possible to repair this magnitude of damage to all the structures prior  
20 to July 31, 2005.

21

1 Third, there was substantial damage to the intake and discharge canals. We  
2 had to ensure that FPL and NEIL agreed on the scope of damage prior to  
3 commencing work due to the significant costs involved.

4

5 **Q. Why did FPL adjust the accrual for 2004 nuclear division repairs related**  
6 **to the 2004 storm season?**

7 A. FPL met with NEIL's adjuster and NEIL's subject matter experts on March 9,  
8 2006 at which time the NEIL adjuster agreed that NEIL would cover the  
9 repair of the damaged intake and discharge canals at the St. Lucie Plant Site  
10 all the way to the bottom of the canals. Previously, the NEIL subject matter  
11 experts had indicated that they would only recommend coverage for repairs  
12 down to approximately eleven feet below the surface. This change in NEIL's  
13 position resulted in a \$5 million increase in the estimated insurance recovery  
14 and a corresponding \$5 million reduction in FPL's estimate of uninsured  
15 repairs. FPL has also made a \$1 million downward adjustment in the  
16 estimated uninsured cost for dredging the canals based upon the March 9,  
17 2006 meeting.

18 **Q. What types of repairs make up the remaining accrual of \$15.35 million at**  
19 **the St. Lucie plant site related to the 2004 storm season?**

20 A. As shown on Document MW-2, the remaining repairs are associated with  
21 repairs to the intake and discharge canals, repair of coatings in various areas  
22 of the plant, canal dredging, supervision costs over the two percent insurance  
23 cap and damage to facilities outside the NEIL insurance boundary. These

1 repairs are necessary to restore the nuclear units back to pre-storm condition  
2 and to ensure the long term reliability of plant operations. For example, if  
3 FPL does not repair the intake and discharge canals, the unit may not be able  
4 to operate due to inadequate cooling. The repair of coatings is necessary to  
5 prevent degradation of the equipment.

6  
7 The \$15.35 million is a reasonable estimate of the amounts FPL expects NEIL  
8 will not cover based on extensive internal review, as well as discussions with  
9 NEIL and third-party contractors and vendors. To the extent FPL recovers  
10 more from NEIL than it expects, we will credit the Reserve accordingly.

11

12

#### **2005 Nuclear Storm Costs**

13 **Q. Ms. DeRonne asserts that \$2,490,800 of nuclear employee base salaries**  
14 **should be removed from FPL's requested recovery amount since FPL**  
15 **expects to recover this amount from insurance. Do you agree?**

16 A. No. The \$2,490,800 is not part of the \$17.9 million of nuclear division storm  
17 costs requested for recovery in this proceeding. Therefore, this amount should  
18 not reduce FPL's storm costs since it is not a part of those costs.

19 **Q. Ms. DeRonne argues in favor of a cut-off date of December 31, 2006 for**  
20 **charging the 2005 storm restoration costs to the reserve. Is this feasible**  
21 **or appropriate for the nuclear storm repairs?**

22 A. No. FPL should be able to charge storm expenses through 2008 when it is  
23 anticipated all repairs for storm related damage will be completed. After a

1 storm strikes, FPL's priority is to return the low cost nuclear units back to  
2 service as safely and quickly as possible. The units can sometimes be brought  
3 back online without repairing all storm-related damage. However, these  
4 repairs are still critical to ensure the long term reliability of plant operations  
5 and must be made at the earliest possible opportunity. Again, due to the  
6 nature of nuclear operations, it may take several years to restore the nuclear  
7 plants to pre-storm condition. Damage assessment and repairs to certain  
8 equipment can only be performed during refueling outages which occur  
9 approximately every 18 months. For example, certain motors can only be  
10 inspected when the unit is shut down, then the work would have to be planned  
11 for and completed in the subsequent refueling outages. Furthermore, the  
12 NEIL insurance process is a long process that involves FPL and NEIL jointly  
13 working to identify the damage scope and cost, repairing the equipment,  
14 submitting the claim and the NEIL audit of the claim. It is not feasible to  
15 complete all of these tasks prior to December 31, 2006.

16 **Q. Document No. GJW-10 in Geisha J. Williams' rebuttal testimony**  
17 **addresses remaining work to be completed. Please discuss the Nuclear**  
18 **Division items included in this exhibit.**

19 A. First, FPL estimates \$3.2 million to restore the dunes that are adjacent to the  
20 St. Lucie Plant site. As addressed in my direct testimony, FPL is required to  
21 maintain the dunes as part of its plant license. This \$3.2 million amount was  
22 derived from a bid proposal from a third party. The restoration work on the  
23 dunes could not be completed until after turtle nesting season as required by

1 federal and state governments. Turtle nesting season ends October 31, 2006  
2 and FPL plans to begin work in November 2006. In addition, there are  
3 amounts included in the exhibit which may not be covered by the NEIL  
4 insurance policy for various reasons (e.g. storm damage outside the NEIL  
5 boundary line, NEIL limitations on payment for certain costs such as  
6 supervision, insurance deductible, etc.). FPL will continue with the claim  
7 process as restoration work is completed until the NEIL insurance claim is  
8 completely resolved. FPL expects to have all of the 2005 nuclear site damage  
9 repaired by 2008. Once the claim process is complete, FPL will credit the  
10 Reserve to the extent it recovers more from insurance than it expects.

11 **Q. How much of the Nuclear Division 2005 storm restoration costs charged**  
12 **to the reserve are based on actual costs or third party proposals?**

13 A. Over 80 percent of 2005 storm expenses requested for recovery are based on  
14 actual costs or third party proposals. Only \$3.1 million of the \$17.9 million  
15 requested for recovery relates to estimated amounts FPL expects the NEIL  
16 insurance policy will not cover. The rest of the \$17.9 million – related to  
17 storm preparation costs, deductibles, and the dunes – are actual or known  
18 amounts.

19  
20  
21  
22  
23

1 2005 Nuclear Storm Preparation Costs

2 Q. Ms. Welch asserts “if the Commission decides that storm preparation  
3 costs should be excluded, the nuclear storm preparation costs of  
4 \$10,052,336.46 should be excluded.” Do you believe that the nuclear  
5 storm preparation costs should be excluded?

6 A. No. Storm preparation activities are necessary to safeguard nuclear power  
7 plants and facilities. This is an extraordinary expense and is necessary in order  
8 to minimize damage resulting from the storm. For example, if FPL had not  
9 taken steps to prepare St. Lucie for the onset of the hurricane force winds,  
10 scaffolding and cranes used for the Unit 1 refueling outage could have  
11 severely damaged the power plant. This could have resulted in a substantial  
12 delay of the refueling outage and the subsequent restart of the unit back to  
13 service.

14 Q. Do you have any concerns regarding Ms. Welch’s calculation of storm  
15 preparation costs?

16 A. Yes. As shown in Document No. MW-3, the \$10,052,336.46 in nuclear storm  
17 preparation costs includes approximately \$1.7 million of regular payroll. This  
18 \$1.7 million in regular payroll is also counted in Audit Finding No. 1,  
19 addressing regular payroll. It should not be counted twice.

20 Q. Does this conclude your rebuttal testimony?

21 A. Yes.

**2004 Nuclear Estimate  
of Non-Insured Storm Damage  
(\$000s)**

Scope	Original Estimate	March 2006 Revisions	Current Estimate March 2006
Repair coatings in various areas of the plant		\$ -	
Dunes - total cost to repair value booked to reserve expected insurance recovery			
Dunes - Remaining value to storm reserve		\$ -	
Dredging of Canals		\$ (1,000)	
Repairs to intake and discharge canal embankments		\$ (5,000)	
Damaged facilities outside the insurance boundaries		\$ -	
Supervision costs over the 2% insurance cap		\$ -	
<b>Estimated Storm Reserve Value</b>	<b>\$ 21,350</b>	<b>\$ (6,000)</b>	<b>\$ 15,350</b>

**Nuclear**  
**2005 Storm Preparation Costs**  
**as of December 31, 2005**

	<b>Katrina</b>	<b>Rita</b>	<b>Wilma</b>	<b>Total</b>
<b>Payroll</b>				
Regular	\$ 6,417	\$ 2,398	\$ 1,694,782	\$ 1,703,596
Overtime	128,056	78,580	1,634,639	1,841,275
<b>Contractor</b>	193,978	105,133	5,888,574	6,187,684
<b>Vehicle &amp; Fuel</b>	2,401	190	2,167	4,757
<b>Material &amp; Supplies</b>	2,599		123,824	126,422
<b>Security</b>			92,574	92,574
<b>Lodging</b>	3,559	1,986	40,478	46,022
<b>Equipment Rentals</b>			7,435	7,435
<b>Meals</b>	2,035	2,838	35,528	40,401
<b>Other</b>			2,168	2,168
<b>TOTAL</b>	<b>\$ 339,045</b>	<b>\$ 191,123</b>	<b>\$ 9,522,167</b>	<b>\$ 10,052,336</b>