

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 070650 -EI
FLORIDA POWER & LIGHT COMPANY**

**IN RE: FLORIDA POWER & LIGHT COMPANY'S
PETITION TO DETERMINE NEED FOR
TURKEY POINT NUCLEAR UNITS 6 AND 7
ELECTRICAL POWER PLANT**

DIRECT TESTIMONY OF:

KIM OUSDAHL

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DIRECT TESTIMONY OF KIM OUSDAHL
DOCKET NO. 07____-EI
OCTOBER 16, 2007

Q. Please state your name and business address.

A. My name is Kim Ousdahl. My business address is 700 Universe Boulevard, Juno Beach, Florida 33408.

Q. By whom are you employed and what is your position?

A. I am employed by Florida Power & Light Company (FPL or the Company) as Controller.

Q. Please describe your duties and responsibilities in that position.

A. I am responsible for financial accounting and internal reporting for FPL, including property accounting and management of the regulatory accounting function. In this role I have responsibility for managing the accounting and financial and regulatory reporting of the nuclear capital project costs.

Q. Please describe your educational background and professional experience.

A. I graduated from Kansas State University in 1979 with a Bachelor of Science Degree in Business Administration, majoring in Accounting. That same year, I was employed by Houston Lighting & Power Company in Houston, Texas. During my tenure there, I held various accounting and regulatory management

1 positions. Most recently, prior to joining FPL in June 2004, I was the Vice
2 President and Controller of Reliant Energy.

3
4 I am a certified public accountant (CPA) licensed in the State of Texas and a
5 member of the American Institute of CPAs, the Texas Society of CPAs and
6 the Florida Institute of CPAs.

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is to explain how FPL will comply with Florida
9 Administrative Code Rule 25-6.0423, Nuclear Power Plant Cost Recovery
10 (the Rule) during the time prior to Turkey Point Nuclear Units 6 and 7
11 (Turkey Point 6 & 7) being sited, through the construction period until the
12 plant goes into service. I will also address the time frame for filing the
13 Nuclear Filing Requirements (NFRs) which will be used to facilitate
14 implementation of the Rule.

15 **Q. Are you sponsoring any sections in the Need Study?**

16 A. I am co-sponsoring Appendix H of the Need Study along with FPL witnesses
17 Scroggs and Sim.

18 **Q. Please describe the purpose of the Rule and the development of the NFRs
19 implementing the rule.**

20 A. On March 20, 2007, in Order No. PSC-07-0240-FOF-EI, this Commission
21 adopted the Rule to implement Section 366.93, Florida Statutes (the Statute),
22 which was enacted by the Florida Legislature in 2006. The stated purpose of
23 the Statute is to promote utility investment in nuclear power plants, and it

1 directed the Commission to establish alternative cost recovery mechanisms for
2 costs incurred to build nuclear power plants. The Rule implements such a
3 mechanism. It allows FPL to recover prudently incurred costs in the siting,
4 design, licensing and construction phases of nuclear power plants after an
5 annual prudence review. The Rule also provides definitions to be used to
6 segregate costs into various cost categories, and defines the cost recovery
7 mechanism for each category of costs.

8
9 Section 5(c) and Section 8 of the Rule outline the annual filing requirements
10 necessary to obtain a determination of prudence. FPL is working with
11 Commission Staff, the Office of Public Counsel, Progress Energy Florida and
12 others to develop a comprehensive set of NFRs, which will provide an
13 overview of a nuclear plant project and a roadmap to the detailed project
14 costs. The parties are currently working together toward consensus on the
15 specific format of the schedules. Once finalized, the NFRs will form a
16 framework for the Commission to review the costs projected to be incurred
17 and the actual costs incurred during each year for the nuclear power plants
18 being constructed in Florida. The Rule then provides for the annual recovery
19 of these costs through the Capacity Cost Recovery Clause (CCRC).

- 20 **Q. Briefly describe the various cost categories which are defined in the Rule.**
- 21 A. Section 2 of the Rule identifies and defines three categories of costs: Site
22 Selection Costs; Pre-Construction Costs; and Construction Costs. The Rule
23 provides the following definitions:

1 ‘Site Selection Costs’ are costs that are expended prior to the selection
2 of a site. A site will be deemed to be selected upon the filing of a
3 petition for a determination of need for a nuclear power plant pursuant
4 to Section 403.519, Florida Statutes.

5
6 ‘Pre-Construction Costs’ are costs that are expended after a site has
7 been selected in preparation for the construction of a nuclear power
8 plant, incurred up to and including the date the utility completes the
9 site clearing work.

10
11 ‘Construction Costs’ are costs that are expended to construct the
12 nuclear power plant including, but not limited to, the cost of
13 constructing nuclear power plant buildings and all associated
14 permanent structures, equipment and systems.

15 **Q. What are the major costs incurred in each category?**

16 A. Site Selection Costs will include the cost incurred in the development of the
17 detailed site alternative analysis, review of technology options, preparation
18 and filing of the zoning applications, and environmental impact studies
19 performed during this time frame.

20
21 Pre-Construction Costs will consist primarily of costs incurred in development
22 of the license application, detailed engineering, design, long-lead
23 procurement, permitting, clearing and temporary construction facilities costs.

1 Construction Costs include project management, payroll, training, as well as
2 the costs for constructing nuclear power plant buildings and all associated
3 permanent structures, equipment and systems.

4
5 All of these costs will ultimately be recorded in account 107, Construction
6 Work in Progress and will be transferred to account 101, Plant in Service, net
7 of the amounts recovered under the Rule, when the plants go into service.

8 **Q. What cost recovery treatment will be applicable for long-lead
9 procurement items?**

10 A. FPL believes that payments made for long-lead procurement items during the
11 preconstruction phase are properly categorized as preconstruction costs.
12 Therefore, consistent with Section 5 of the Rule these costs will be recovered
13 over a one-year period through the CCRC along with the related carrying
14 costs, if applicable.

15 **Q. Is FPL requesting Commission assurance in connection with the
16 determination of need that the costs of long-lead procurement items are
17 properly categorized as Pre-Construction Costs pursuant to Section 5 of
18 the Rule?**

19 A. Yes. As FPL witness Scroggs indicates, the Company will incur these costs to
20 facilitate the earliest practical deployment schedule. The Company requests
21 that the Commission acknowledge specifically in its need determination order
22 that long-lead procurement costs will be categorized as pre-construction costs

1 and to the extent prudently incurred, will be afforded recovery as such through
2 the CCRC.

3 **Q. What will be the timing of FPL's initial filing of the NFRs?**

4 A. Assuming this Commission grants an affirmative determination of need for
5 Turkey Point 6 & 7 by the first quarter of 2008, FPL will make an initial filing
6 in May 2008 of projected and prior Pre-Construction Costs and Site Selection
7 Costs. These Pre-Construction Costs, if approved by the Commission, will be
8 included for recovery through the CCRC.

9 **Q. Will the May 2008 filing include a request for recovery of Site Selection
10 Costs?**

11 A. FPL has not yet determined how it will propose that its Site Selection costs be
12 recovered, but will do so by filing a petition pursuant to Section 4 of the Rule.
13 To the extent FPL proposes to recover such costs through the CCRC, the
14 Company would submit NFRs supporting the costs along with the petition.

15 **Q. How would the Commission's Rule for recovery of Pre-Construction
16 Costs and Carrying Costs on the Construction Cost Balance prior to the
17 in-service date of the new unit be applied in practice?**

18 A. Appendix H to FPL's Need Study provides a quantitative example of how
19 capital costs for a new nuclear unit would be recovered. Because FPL does not
20 have a definitive capital cost for a new nuclear unit as discussed in FPL
21 witness Scroggs' testimony, this example uses a \$1/kw nuclear capital cost.

22
23 The projected and actual Site Selection and Pre-Construction Costs for 2007
24 through 2009 of \$31 thousand, including estimated carrying costs of \$2

1 thousand, would be included in the May 2008 filing. After approval of these
2 costs by the Commission, the amounts would be included in setting the CCRC
3 for 2009. This would take place in the November 2008 clause proceedings.
4 The amounts collected during 2009 through the CCRC would be trued up
5 including any applicable carrying charges and would then be collected or
6 refunded in future periods through the CCRC.

7
8 As shown on Appendix H, the estimated Carrying Costs on the Construction
9 Cost Balance during the construction period 2012 through 2018 of \$563
10 thousand for Turkey Point 6 and \$358 thousand for Turkey Point 7 during the
11 construction period 2013 through 2020 would be treated in a similar manner:
12 projected in May, approved in the fall, included in November clause
13 proceedings and collected in the subsequent year through the CCRC. All
14 amounts would be subject to true up with any difference, including applicable
15 carrying charges, collected or refunded in future periods through the CCRC.

16
17 When the plants are placed in service in 2018 and 2020, only actual
18 construction costs would be reflected in rate base, as all Site Selection Costs,
19 Pre-Construction Costs and Carrying Costs on the Construction Cost Balance
20 during the construction period will have been fully recovered. This assumes
21 the CCRC fully recovers all other prudent costs and that the fixed AFUDC
22 rate allowed to be recovered during construction as prescribed by the rule,

1 does not fall below the Company's otherwise authorized AFUDC rate, such
2 that the full carrying costs are not recovered during the construction period.

3 **Q. Does this conclude your testimony?**

4 A. Yes.