

Ruth Nettles

080677-EI
090130-EI

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Subject: Docket No. 080677-EI and 090130-EI
Attachments: FIPUG Errata to Testimony of Jeffry Pollock 08.26.09.pdf

In accordance with the electronic filing procedures of the Florida Public Service Commission, the following filing is made:

- a. The name, address, telephone number and email for the person responsible for the filing is:

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- b. This filing is made in Docket No. 080677-EI, In re: Petition for increase in rates by Florida Power & Light Company; and Docket No. 090130-EI, In re: 2009 depreciation and dismantlement study by Florida Power & Light Company.
- c. The document is filed on behalf of Florida Industrial Power Users Group.
- d. The total pages in the document are 8 pages.
- e. The attached document is FIPUG's Notice of Service of Errata to Testimony of Jeffry Pollock.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for increase in rates by Florida
Power & Light Company.

DOCKET NO. 080677-EI

In re: 2009 depreciation and dismantlement
Study by Florida Power & Light Company

DOCKET NO. 090130-EI

Filed: August 26, 2009

**NOTICE OF SERVICE OF
THE FLORIDA INDUSTRIAL POWER USERS GROUP'S
ERRATA TO TESTIMONY OF JEFFRY POLLOCK**

The Florida Industrial Power Users Group (FIPUG), by and through its undersigned attorneys, hereby files revised pages 14, 18, 34, 36, and Exhibit JP-4 to the testimony of Jeffry Pollock filed on July 16, 2009 by Electronic Mail and U.S. Mail on this 26th day of August, 2009.

s/ Vicki Gordon Kaufman

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CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that a true and correct copy of the foregoing Florida Industrial Power Users Group's Errata to Testimony of Jeffry Pollock was served via Electronic Mail and First Class United States Mail this 26th day of August, 2009, to the following:

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s/Vicki Gordon Kaufman
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1 Q WHAT LIFE SPANS DOES FPL PROPOSE FOR ITS COMBINED CYCLE
2 UNITS?

3 A The average life span for FPL's combined cycle (CC) units is 27 years. This
4 ranges from 25 years for Turkey Point, Martin 8, and Manatee to 43 years for
5 Putnam. The new West County Energy Center (WCEC) CC units are projected
6 to have 25-year life spans (FPL's 2009 Ten-Year Site Plan at p. 106).

7 Q HAS FPL JUSTIFIED THE LIFE SPANS OF ITS COMBINED CYCLE UNITS?

8 A No. There are no expected retirement dates for these units (FPL's 2009 Ten-
9 Year Site Plan at Schedule 1). FPL has not explained why it cannot operate
10 these units for much longer than 27 years (25 years for its newest, most efficient
11 WCEC units). The CC units represent a combined \$6.2 billion investment. Since
12 these are the most efficient units on FPL's system, it should be economic to
13 maintain them in good operating condition for much longer than 27 years.

14 Q WHAT IS THE BASIS FOR YOUR OPINION THAT COMBINED CYCLE UNITS
15 ARE CAPABLE OF OPERATING MUCH LONGER THAN 27 YEARS?

16 A My opinion is based on industry projections and practices, including the following:

- 17 ● 40 years for Rocky Mountain Power's CC units (Utah Public
18 Service Commission, Docket No. 07-035-13 and Public Utility
19 Commission of Oregon UM 1329, Order No. 08-327, June 17,
20 2008);
- 21 ● Over 60 years for Public Service Company of Oklahoma
22 (Oklahoma Corporation Commission Cause No. 200600285,
23 Order No. 545168, October 9, 2007);
- 24 ● 35 years for Nevada Power Company Silverhawk and Lenzie CC
25 units (Nevada Public Utilities Commission, Docket No. 06-11022,
26 Modified order of July 17, 2007);
- 27 ● 35 years for Georgia Power Company McIntosh CC units (Georgia
28 Public Service Commission, Docket No. 25060-U, Document
29 103566, 2007 Rate Case).

1 This treatment should continue until FPL files its next depreciation study.
2 Coupled with my recommendation to offset the \$314.2 million of capital
3 retirements and assuming FPL's next depreciation study is filed in 2012 (four
4 years from the filing date of this case), the book reserve would be reduced by an
5 additional \$875 million. This would still leave nearly \$0.4 billion in excess book
6 depreciation reserve.

7 Q IS THERE ANY PRECEDENT FOR REQUIRING FPL TO TAKE MEASURES
8 NECESSARY TO ELIMINATE THE HUGE (OVER \$1.2 BILLION) SURPLUS IN
9 ITS DEPRECIATION RESERVE?

10 A Yes. My recommendations to correct a reserve surplus are the same in concept
11 as prior Commission actions allowing FPL and FPC to correct reserve
12 deficiencies. For example:

- 13 • FPL was to book \$126 million (in accord with preliminary
14 implementation approved in Order PSC-95-0672-FOF-EI), an
15 additional \$30 million commencing in 1996, and additional
16 expense in 1996 and 1997 equal to 100% of base rate revenues
17 produced by retail sales between its "low band" and "most likely
18 sales forecast" for 1996, and at least 50% of the base rate
19 revenues produced by retail sales above FPL's most likely sales
20 forecast for 1996 to correct a \$175.3 million deficiency in the
21 nuclear depreciation reserve and to correct the reserve deficiency
22 existing in FPL's other production facilities, which was calculated
23 to be \$60.3 million as of January 1, 1994 (Docket No. 950359-EI,
24 *Order No. PSC-96-0461*); and
- 25 • FPC was ordered to amortize the gain realized from the sale of a
26 combustion turbine from Port St. Joe to be used to offset the
27 reserve deficiency at the Suwanee Peaking Plant. (Docket No.
28 *971570-EI, Order No. PSC-98-1723-FOF-EI*).

29 Since FPL now has a huge reserve surplus, similar adjustments are appropriate
30 and necessary to restore generational equity and to help mitigate the impact of

1 included in the Planning Process Guidelines FPL issued on May 21, 2008 (*Direct*
 2 *Testimony of Robert E. Barrett Jr.*, at 8). The planning process resulted in an
 3 O&M budget for 2009 as well as budgets for 2010 and 2011, a capital budget for
 4 2009, and forecasted capital expenditures for 2010 through 2013 (*Id.*). The
 5 results were reviewed in June 2008 and finally approved in late 2008 (*Id.* at 9.).
 6 The O&M budget is prepared annually for the next year and two additional years,
 7 with the next year done at a monthly level while the two "out" years are done on
 8 an annual basis. (*Id.* at 13.)

9 **Q WHAT IS SIGNIFICANT ABOUT THE USE OF NUMBERS CALCULATED IN**
 10 **MID-2008 TO SET RATES FOR 2011?**

11 **A** The use of projections calculated some two and half years prior to the date rates
 12 are to take effect by necessity will result in rates that are based on highly
 13 speculative information. The farther out in time projections are, the less likely
 14 they are to be accurate.

15 In Florida, no doubt due in part to the numerous recovery clauses, many
 16 years have often elapsed between rate cases. If the Commission were to base
 17 2011 rates on speculative data from 2008 – which will change as 2011 gets
 18 closer – these inaccurate rates may be in effect for a long time and ratepayers
 19 may be paying more than necessary.

20 If FPL can support a case for rate relief in 2011, it can file a rate case or
 21 limited proceeding in 2010 when projections and budgets will be more accurate.

1 planning and budget process, which takes place during the latter part of each
2 year. As such, the final 2010 budget and forecasts for 2011/2012 will be
3 approved in late 2009.”

4 The above response clearly indicates that both the 2010 and the 2011
5 capital forecasts are far from final and are subject to change. In each instance,
6 2010 and 2011, the final capital budget for each year will not be approved until in
7 the case of the 2010 capital budget, this year, and in the case of 2011 until 2010.

8 **Q IS THERE ANY OTHER INFORMATION THAT SUGGESTS THAT THE**
9 **CAPITAL BUDGET IS SUBJECT TO REVISION?**

10 **A** Yes. A review of the capital budget numbers provided in a series of FPL 10Q
11 filings with the Securities and Exchange Commission (SEC) for the quarters
12 ending June 30, 2008, September 30, 2008 and March 31, 2009 indicate that the
13 capital expenditures have changed over the nine month period. **Exhibit JP-4**
14 provides a summary of the projected expenditures taken from the three 10Q
15 filings. In those filings, by way of example, both the 2010 and the 2011 total
16 capital expenditures have increased by over \$300 million from September 2008
17 to March 2009. During the same period (September 2008 to March 2009), the
18 2009 capital expenditures have decreased by over \$300 million. From the
19 quarter ending June 2008 to the quarter ending March 2009, the 2009
20 expenditures have decreased by over \$1 billion. These changes highlight the
21 extent to which expenditures may change over a relatively short period of time.

FLORIDA POWER & LIGHT COMPANY
Comparison of Capital Expenditures from Form 10Q Reports
\$ in Millions

Line	Capital Type	Form 10Q Version		
		6/30/2008 (1)	9/30/2008 (2)	3/31/2009 (3)
<u>2009 Capital Expenditures</u>				
<u>Generation</u>				
1	New	\$1,190	\$1,075	\$1,110
2	Existing	\$790	\$655	\$545
3	Generation Total	\$1,980	\$1,730	\$1,655
4	Transmission and Distribution	\$1,090	\$595	\$445
5	Nuclear Fuel	\$165	\$165	\$65
6	General and Other	\$145	\$190	\$150
7	Total	\$3,380	\$2,680	\$2,315
<u>2010 Capital Expenditures</u>				
<u>Generation</u>				
8	New	\$910	\$915	\$1,190
9	Existing	\$675	\$665	\$680
10	Generation Total	\$1,585	\$1,580	\$1,870
11	Transmission and Distribution	\$1,130	\$845	\$865
12	Nuclear Fuel	\$200	\$200	\$205
13	General and Other	\$230	\$290	\$290
14	Total	\$3,145	\$2,915	\$3,230
<u>2011 Capital Expenditures</u>				
<u>Generation</u>				
15	New	\$490	\$510	\$830
16	Existing	\$575	\$645	\$610
17	Generation Total	\$1,065	\$1,155	\$1,440
18	Transmission and Distribution	\$1,180	\$925	\$925
19	Nuclear Fuel	\$175	\$175	\$215
20	General and Other	\$225	\$315	\$315
21	Total	\$2,645	\$2,570	\$2,895
<u>2012 Capital Expenditures</u>				
<u>Generation</u>				
22	New	\$760	\$755	\$340
23	Existing	\$455	\$455	\$515
24	Generation Total	\$1,215	\$1,210	\$855
25	Transmission and Distribution	\$1,150	\$1,165	\$930
26	Nuclear Fuel	\$195	\$195	\$220
27	General and Other	\$215	\$225	\$300
28	Total	\$2,775	\$2,795	\$2,305