

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 100009-EI
FLORIDA POWER & LIGHT COMPANY

MARCH 1, 2010

IN RE: NUCLEAR POWER PLANT COST RECOVERY
FOR THE YEAR ENDING
DECEMBER 2009

TESTIMONY & EXHIBITS OF:

WINNIE POWERS

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **DIRECT TESTIMONY OF WINNIE POWERS**

4 **DOCKET NO. 100009-EI**

5 **MARCH 1, 2010**

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

7 A. My name is Winnie Powers. My business address is 9250 West Flagler
8 Street, Miami, FL 33174.

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

10 A. I am employed by Florida Power & Light Company (FPL or the Company) as
11 the New Nuclear Accounting Project Manager.

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

13 A. I am responsible for the accounting related to the new nuclear projects, which
14 includes Turkey Point 6 & 7 and the Uprate Projects at Turkey Point and St.
15 Lucie. I ensure that the costs expended and projected for these projects are
16 accurately reflected in the Nuclear Cost Recovery filing requirements (NFR)
17 schedules. In addition, I am responsible for ensuring that the Company's
18 assets associated with these projects are appropriately recorded and reflected
19 in FPL's financial statements.

20 **Q. Please describe your educational background and professional**
21 **experience.**

22 A. I graduated from the University of Florida in 1976 with a Bachelor of Science
23 Degree in Business Administration, majoring in Accounting. After college, I

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FPSC-COMMISSION CLEARING

1 was employed as an accountant by RCA Corporation in New York. In 1983 I
2 was hired by Southeastern Public Service Company in Miami and attained the
3 position of manager of corporate accounting. In 1985 I joined FPL and have
4 held a variety of positions in the regulatory and accounting areas during my
5 25 years with the Company. I obtained my Masters of Accounting from
6 Florida International University in 1994. I am a Certified Public Accountant
7 (CPA) licensed in the State of Florida, and I am a member of the American
8 Institute of CPAs.

9 **Q. Are you sponsoring any exhibits in this case?**

10 **A.** Yes, I am sponsoring or co-sponsoring the following exhibits:

- 11 ● Exhibit WP-1 details the components of the 2009 revenue requirements
12 reflected in the True-Up Schedules by project, by year and by category of
13 costs being recovered (e.g. Site Selection costs, Preconstruction costs,
14 carrying costs on unrecovered balances and on the deferred tax asset, and
15 for Uprates, carrying costs on construction costs, on the deferred tax asset
16 and base rate revenue requirements for the year plant is placed into
17 service).
- 18 ● Exhibit WP-2 details the 2009 total company costs and jurisdictional costs
19 for which FPL is seeking a prudence determination by project, by year and
20 by cost categories. These total company costs, variances from the
21 actual/estimated costs and the necessity for them are further described in
22 the testimonies of FPL Witness Jones and FPL Witness Scroggs.

- 1 ● Exhibit WP-3 details the true-up of the in-service date, the resulting
2 amount of plant placed into service in 2009, and the revenue requirement
3 of the modifications to St. Lucie Unit 2 Turbine Gantry Crane placed into
4 service on December 22, 2009. FPL Witness Jones describes the
5 modifications to the St. Lucie Unit 2 Turbine Gantry Crane, as well as the
6 necessity and timing of completing the modifications.
- 7 ● Exhibit WP-4 flowcharts the process used by the business unit accounting
8 teams to determine incremental payroll costs chargeable to the projects.
- 9 ● Exhibit TOJ-1, sponsored by FPL Witness Jones, consists of Appendix I
10 containing 2009 Uprate Schedules T-1 through T-7. Page 2 of Appendix I
11 contains a table of contents which lists the T Schedules sponsored and co-
12 sponsored by FPL Witness Jones and by me, respectively.
- 13 ● Exhibit SDS-1, sponsored by FPL Witness Scroggs, consists of Appendix
14 II containing 2009 Turkey Point 6 & 7 Preconstruction Schedules T-1
15 through T-7. Page 2 of Appendix II contains a table of contents which
16 lists the T Schedules sponsored and co-sponsored by FPL Witness Scroggs
17 and by me, respectively.
- 18 ● Exhibit SDS-2, sponsored by FPL Witness Scroggs, consists of Appendix
19 III containing 2009 Turkey Point 6 & 7 Site Selection Schedules T-1
20 through T-7. Page 2 of Appendix III contains a table of contents which
21 lists the T Schedules sponsored and co-sponsored by FPL Witness Scroggs
22 and by me, respectively.

23

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

2 A. The purpose of my testimony is to present the calculation of the revenue
3 requirements in the:

4 (1) NFR True-Up Schedules for Turkey Point 6 & 7 Site Selection carrying
5 costs for 2009;

6 (2) NFR True-Up Schedules for Turkey Point 6 & 7 Preconstruction costs and
7 carrying costs for 2009;

8 (3) NFR True-Up Schedules for Uprate costs and carrying costs for 2009; and

9 (4) True-up of the 2009 base rate revenue requirements included in FPL's
10 May 1, 2009 actual/estimated filing related to the St. Lucie Unit 2 Turbine
11 Gantry Crane modifications placed into plant in-service on December 22,
12 2009 as shown on Exhibit WP-2. FPL filed its annualized base rate increase
13 for the Turbine Gantry Crane modifications at St. Lucie Unit 2 on December
14 4, 2009.

15

16 I also describe how these schedules comply with the Florida Public Service
17 Commission's (FPSC or Commission) Rule No. 25-6.0423, Nuclear or
18 Integrated Gasification Combined Cycle Power Plant Cost Recovery (Nuclear
19 Cost Recovery Rule). I explain how carrying costs are provided for under this
20 Nuclear Cost Recovery Rule, describe the base rate revenue requirements
21 included for recovery in the schedules, and discuss the Accounting controls
22 FPL relies upon to ensure costs are appropriately charged to the projects.

23

1 **Q. Please summarize your testimony.**

2 **A.** My testimony addresses the Nuclear Cost Recovery Statute passed by the
3 Florida Legislature in 2006 to promote utility investment in nuclear power
4 plants. In addition, my testimony refers to Exhibits and True-up Schedules
5 detailing the Uprate expenditures incurred in 2009, the Turkey Point 6 & 7
6 Site Selection carrying costs incurred in 2009, and the Turkey Point 6 & 7
7 Preconstruction expenditures incurred in 2009 for which FPL is requesting a
8 determination of prudence. FPL is also requesting a prudence determination
9 for recoverable operation & maintenance expense (O&M) for its Uprate
10 Project detailed on Schedule T-4 and a prudence determination for the St.
11 Lucie Unit 2 Turbine Gantry Crane modifications placed into service on
12 December 22, 2009 and associated base rate revenue requirements. Lastly,
13 my testimony describes the comprehensive corporate and overlapping
14 business unit controls for incurring costs and recording transactions associated
15 with FPL's capital projects, including the Uprates and Turkey Point 6 & 7
16 Projects. My testimony describes these controls and outlines the
17 documentation, assessment, and auditing processes for these overlapping
18 control activities.

19

1 for the prior year. The T Schedules filed along with my testimony present the
2 final true-up of revenue requirements by comparing actual costs to
3 actual/estimated costs approved by this Commission in Docket No. 090009-
4 EI, Order No. 09-0783-FOF-EI. The comparison of actual costs to the
5 actual/estimated costs results in a total overrecovery of (\$14,623,840). This
6 consists of (\$3,974,736) for Uprates and (\$10,649,103) for Turkey Point 6 &
7 7, meaning FPL spent less than it anticipated it would spend at the time of its
8 actual/estimated filing. These amounts, along with related carrying charges,
9 will be reflected in FPL's 2010 AE Schedules to be filed on May 1, 2010, and
10 will offset (i.e., reduce) costs to be recovered in FPL's 2011 revenue
11 requirements request.

12 **Q. Has the Commission's Nuclear Cost Recovery Rule achieved the stated**
13 **purpose of the Statute which is to promote investment in Nuclear power**
14 **plants?**

15 A. Yes. FPL is performing uprates of its existing nuclear power plants and
16 pursuing the option to develop new nuclear generation. The Nuclear Cost
17 Recovery Rule allows collection of costs (Site Selection, Preconstruction, and
18 recoverable O&M costs) and collection of carrying costs on construction costs
19 and on unrecovered costs as nuclear projects are being built and the costs are
20 being incurred. The recovery of Site Selection and Preconstruction costs as
21 they are incurred reduces the amount the Company needs to finance during the
22 initial phase of building new power plants. The recovery of carrying costs
23 during the construction phase of the projects provides a cash recovery in lieu

1 of AFUDC, eliminating the compounding effect of interest on interest as the
2 projects are built and thereby reducing the total cost of the facility and the
3 amount that must be recovered from FPL's customers when the projects are
4 placed into service. This recovery of initial costs and carrying costs during
5 construction is beneficial as it lowers the Company's financing needs and
6 results in lower future costs to customers. In addition, it achieves the
7 legislature's stated intent of promoting investment in nuclear generation by
8 mitigating some of the risks of investing in nuclear units.

9
10 The Nuclear Cost Recovery Rule has also been interpreted by this
11 Commission to include Uprates and FPL is currently uprating its existing
12 nuclear power plants to achieve more generation. In compliance with the
13 Nuclear Cost Recovery Rule, FPL is recovering carrying costs, recoverable
14 O&M, and base rate revenue requirements (for the year plant is placed into
15 service) for the uprate projects at its St. Lucie and Turkey Point nuclear power
16 plants through the CCRC. Base rate recovery of the annualized revenue
17 requirements subsequent to the year the plant is placed into service is to be
18 requested in a separate petition outside of the Nuclear Cost Recovery Clause
19 (NCRC) as contemplated by the Rule.

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UPRATES

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Q. Please describe the NFR Schedules included in this filing for the recovery of 2009 nuclear Uprate costs and carrying costs.

A. FPL has included the Final True-up (T Schedules) in Appendix I of this filing as Exhibit TOJ-1. These T Schedules show that the actual 2009 revenue requirements are \$16,950,581 (carrying costs, recoverable O&M, and base rate revenue requirements), compared to the actual/estimated revenue requirements of \$20,925,317 filed on May 1, 2009 in Docket No. 090009-EI and approved in Order No. PSC-09-0783-FOF-EI. The difference resulting from the final true-up of 2009 actual costs compared to the actual/estimated costs including carrying charges is an overrecovery of (\$3,974,736). This amount will reduce the CCRC charge paid by customers when the CCRC is re-set in 2011. The details of these revenue requirements and the resulting true-up can be seen in Exhibit WP-1.

Q. What are FPL's Uprate expenditures for the period January 2009 through December 2009 for which FPL is requesting a determination of prudence?

A. FPL's actual uprate expenditures for which it is requesting a prudence determination for the period January 2009 through December 2009 on a total company basis are \$237,677,629 as shown in my Exhibit WP-2. As shown on Schedule T-6 in Appendix I, the portion for which the St. Lucie Unit 2 participants are responsible is deducted from the total company amount and

1 then the retail jurisdictional separation factor is applied. After these
2 adjustments, the net 2009 uprate expenditures for which retail customers are
3 responsible are \$227,680,202. FPL is also requesting a prudence
4 determination for \$498,077 (\$478,450 jurisdictional, net of participants) of
5 recoverable O&M expenses shown on Schedule T-4. Comparing this to
6 FPL's 2009 actual/estimated O&M expenses of \$544,467 on a jurisdictional,
7 net of participants basis results in an overrecovery of (\$66,017). The detail of
8 the 2009 actual total company costs are discussed in FPL Witness Jones's
9 testimony and are shown in Appendix I of Exhibit TOJ-1, Schedule T-6,
10 Schedule T-4 and Exhibit WP-2. FPL respectfully requests the Commission
11 review and approve these capital and O&M expenditures together with related
12 carrying charges of \$16,459,329 as shown on the T Schedules and
13 summarized on my Exhibit WP-1, as prudently incurred and recoverable
14 consistent with the Nuclear Cost Recovery Rule. Additionally, FPL is
15 requesting a prudence determination on the true-up of the base rate revenue
16 requirements for 2009 included in Exhibit WP-3 of \$12,802 related to the
17 modifications on the St. Lucie Unit 2 Turbine Gantry Crane placed into
18 service on December 22, 2009. FPL initially estimated a base rate revenue
19 requirement of \$83,460. The (\$70,658) overrecovery and applicable carrying
20 charges are included in the final true-up of revenue requirements for 2009.

21 **Q. What accounting and regulatory treatment is provided for costs that**
22 **would have been incurred regardless of the Uprate Projects during an**
23 **outage?**

1 A. Costs that would have been incurred regardless of the Uprate Project are not
2 included in FPL's NCRC calculations. Such expenditures that are not
3 "separate and apart" from the nuclear Uprate Project will be accounted for
4 under the normal process for O&M and capital expenditures. Capital
5 expenditures will accrue AFUDC while in Construction Work in Process
6 (CWIP) until the system or component is placed into service. Only costs
7 incurred for activities necessary for the Uprate Projects are charged to the
8 Uprate work orders and included as recoverable O&M or as construction costs
9 included in the calculation of carrying charges in the NFR Schedules. This
10 method ensures that FPL only receives recovery of the appropriate
11 recoverable O&M or carrying charge return currently under the Nuclear Cost
12 Recovery Rule and expenses or accrues the appropriate O&M or AFUDC
13 return on costs that are not "separate and apart" that will be recovered through
14 rate base when the project is placed into service. FPL employs a rigorous,
15 engineering-based process to segregate costs that are "separate and apart"
16 from those that would have normally been incurred, so that only the
17 appropriate costs are reflected in the NCRC request. This process is discussed
18 in more detail in FPL Witness Jones's testimony.

19 **Q. Please explain the 2009 base rate revenue requirements approved by this**
20 **Commission in Docket No. 090009-EI that FPL is recovering effective**
21 **January 1, 2010.**

22 A. FPL is recovering \$83,460 of 2009 base rate revenue requirements through the
23 CCRC in 2010 for the modifications related to its St. Lucie Unit 2 Turbine

1 Gantry Crane. This amount relates to the revenue requirements for the first
2 year this plant is placed into service and is based on the estimated
3 jurisdictional costs (net of participants) and the estimated in-service date of
4 October 15, 2009 at the time of our May 1, 2009 filing. This amount was
5 reflected in the 2009 AE Schedules as filed in Docket No. 090009-EI and
6 approved as reasonable and eligible for recovery in Order No. PSC-09-0783-
7 FOF-EI.

8
9 According to Order No. PSC-08-0749-FOF-EI in Docket No. 080009-EI, FPL
10 “shall be allowed to recover through the NCRC associated revenue
11 requirements for a phase or portion of a system placed into commercial
12 service during a projected recovery period. The revenue requirement shall be
13 removed from the NCRC at the end of the period. Any difference in
14 recoverable costs due to timing (projected versus actual placement in service)
15 shall be reconciled through the true-up provision”. The St. Lucie Unit 2
16 Turbine Gantry Crane modifications were actually placed into commercial
17 service on December 22, 2009.

18
19 In accordance with Nuclear Cost Recovery Rule No. 25-6.0423 (7) (a), on
20 December 4, 2009, FPL filed a request to recover in base rates subsequent to
21 2009, the annualized base rate revenue requirements related to the
22 modifications to the St. Lucie Unit 2 Turbine Gantry Crane separate from its
23 cost recovery clause petition.

1 **Q. What are the differences between last year's base rate revenue**
2 **requirements for the modifications to St. Lucie Unit 2 Turbine Gantry**
3 **Crane as approved for recovery in Docket No. 090009-EI and that**
4 **currently filed in the T-Schedules for 2009?**

5 A. The differences are due to: actual as opposed to projected in-service date,
6 actual as opposed to projected in-service amount, actual as opposed to
7 projected jurisdictional separation factors, an updated property tax rate, and
8 the actual rate of return as filed in FPL's most recent surveillance report (i.e.,
9 in the September 2009 report).

10 **Q. Please describe these differences.**

11 A. As filed in the 2009 AE Schedules on May 1, 2009 in Docket No. 090009-EI,
12 FPL anticipated an in-service date of October 15, 2009; however, the actual
13 in-service date for the St. Lucie Unit 2 Turbine Gantry Crane was December
14 22, 2009. For the 2009 AE filing, FPL estimated an in-service amount of
15 \$2,443,835 (total company, net of participants), \$2,433,330 (jurisdictional, net
16 of participants), refer to Hearing Exhibit No. 2-8 in Docket No. 090009-EI.
17 The actual amount included in our T-Schedules reflects an in-service amount
18 of \$2,856,822 (total company), \$2,433,443 (total company net of participants)
19 and \$2,424,899 (jurisdictional, net of participants), refer to Exhibit TOJ-1
20 Appendix I-A. FPL's base rate revenue requirements of \$83,651 requested in
21 Docket No. 090009-EI were adjusted by the Commission in Order No. PSC-
22 09-0783-FOF-EI to remove incremental AFUDC. The Commission adjusted

1 revenue requirements of \$83,460 compared to actual revenue requirements of
2 \$12,802, results in an overrecovery of (\$70,658).

3
4 FPL used a projected jurisdictional separation factor from the rate case
5 (Docket No. 080677-EI) for the May 2009 filing. For the current final True-
6 up filing, FPL adjusted the projected jurisdictional separation factor to the
7 jurisdictional separation factor as reflected in FPL's 2009 monthly
8 Surveillance Reports to the FPSC.

9
10 The property tax rate used in the May 2009 AE filing was the 2009 projected
11 property tax rate. The current filing of the True-up schedules uses the actual
12 property tax rate at the time of the Base Rate filing on December 4, 2009.

13
14 Lastly, at the time of the May 2009 AE filing, FPL used its then most current
15 rate of return which was based on the March 2009 Surveillance Report. The
16 rate of return in our True-up Schedules is the most current rate of return at the
17 time of the FPL Base Rate Filing on December 4, 2009 which was based on
18 the September 2009 Surveillance Report. This is in accordance with the
19 requirements of the Nuclear Cost Recovery Rule No. 25-6.0423 Section 7 (d).

20 **Q. What is FPL requesting from this Commission related to its base rate**
21 **revenue requirement true-up reflected in the March 1, 2010 filing?**

22 A. FPL is requesting a prudence determination of the total in-service amount of
23 the modifications to its St. Lucie Unit 2 Turbine Gantry of \$2,856,822 (total

1 company), \$2,433,443 (total company net of participants) and \$2,424,899
2 (jurisdictional, net of participants), refer to Exhibit TOJ-1 Appendix I-A. The
3 base rate revenue requirement calculated using the actual in service date, cost,
4 jurisdictional separation factor, property tax rate, and rate of return for the
5 modifications to the St. Lucie Unit 2 Gantry Crane for which FPL is
6 requesting approval for recovery through the CCRC is \$12,802. The
7 difference between the base rate revenue requirements FPL is recovering,
8 which is \$83,460, and the true-up of the base rate revenue requirements of
9 \$12,802, results in an overrecovery of (\$70,658), which will reduce the CCRC
10 charge paid by customers when the CCRC is re-set in 2011.

11 12 **TURKEY POINT 6 & 7**

13
14 **Q. Please describe the NFR Schedules included in this filing for the recovery**
15 **of 2009 Turkey Point 6 & 7 costs.**

16 A. FPL has included the Final True-up (T Schedules) in Appendix II of this filing
17 as Exhibit SDS-1 for Preconstruction and Appendix III of this filing as Exhibit
18 SDS-2 for Site Selection.

19
20 For Preconstruction, these T Schedules show that the actual 2009 revenue
21 requirements are \$38,456,256, compared to the actual/estimated revenue
22 requirements of \$49,005,239 filed on May 1, 2009 in Docket No. 090009-EI
23 and approved in Order No. PSC-09-0783-FOF-EI. The difference resulting

1 from the final true-up of 2009 actual costs compared to the actual/estimated
2 costs including the resulting carrying charges is an overrecovery of
3 (\$10,548,983). This amount will reduce the CCRC charge paid by customers
4 when the CCRC is re-set in 2011. The details of these revenue requirements
5 and the resulting true-up can be seen in Exhibit WP-1.

6
7 For Site Selection, the T Schedules in Appendix III in this filing, specifically
8 T-3A, show that the actual 2009 carrying charges are \$372,818, compared to
9 the actual/estimated carrying charges of \$472,938 filed on May 1, 2009 in
10 Docket No. 090009-EI and approved in Order No. PSC-09-0783-FOF-EI.
11 The overrecovery of (\$100,120) will reduce the CCRC charge paid by
12 customers when the CCRC is re-set in 2011. The details of these revenue
13 requirements and the resulting true-up can be seen in the schedules in
14 Appendix III and in Exhibit WP-1.

15 **Q. What are FPL's Turkey Point 6 & 7 Site Selection expenditures and**
16 **resulting carrying charges related to the over/under recovery for the**
17 **period January 1, 2009 through December 31, 2009?**

18 A. FPL's Turkey Point 6 & 7 Site Selection expenditures ceased with the filing
19 of our need petition on October 16, 2007. All Site Selection expenditures
20 have been determined prudent by this Commission as of Order No. PSC-09-
21 0783-FOF-EI and all recoveries of costs with resulting true-ups have been
22 reflected in nuclear cost recovery filings. There continues to be carrying
23 charges as shown in Exhibit WP-1 of \$372,818 for 2009. FPL respectfully

1 requests the Commission review and approve these Turkey Point 6 & 7 Site
2 Selection carrying costs as recoverable consistent with the NCRC.

3 **Q. What are FPL's Turkey Point 6 & 7 Preconstruction expenditures and**
4 **related carrying charges for the period January 1, 2009 through**
5 **December 31, 2009 for which FPL is seeking a prudence determination?**

6 A. FPL's actual 2009 Turkey Point 6 & 7 Preconstruction expenditures on a total
7 Company basis are \$37,731,525 (\$37,599,045, jurisdictional), as shown on the
8 T-Schedules in Appendix II, SDS-1 Schedule T6 in this filing. Comparing
9 these costs to the actual/estimated amount of \$45,640,661 on a total company
10 basis (\$45,444,468, jurisdictional) filed on May 1, 2009 in Docket No.
11 090009-EI results in the overrecovery of jurisdictional Preconstruction costs
12 of (\$7,845,423) (Exhibit WP-1). The final true-up of actual 2009 carrying
13 charges as shown on Exhibit WP-1 of \$857,211 compared to the
14 actual/estimated carrying charges of \$3,560,771 reflected in the 2009 AE
15 Schedules as shown on Exhibit WP-1 results in an overrecovery of
16 (\$2,703,560). The total overrecovery amount of (\$10,548,983) will reduce the
17 CCRC charge paid by customers when the CCRC is re-set in 2011.

18
19 These total company expenditures are discussed in FPL Witness Scroggs'
20 testimony and are shown on Exhibit SDS-1, Appendix II, Schedule T-6 for
21 2009, Exhibit WP-1 and Exhibit WP-2. For the reasons stated in FPL Witness
22 Scroggs' testimony, FPL respectfully requests the Commission review and
23 approve these Turkey Point 6 & 7 Preconstruction expenditures as prudently

1 incurred and the jurisdictional expenditures and carrying charges as
2 recoverable consistent with the Nuclear Cost Recovery Rule.

4 ACCOUNTING CONTROLS

5
6 **Q. Please describe the accounting controls FPL relies on to ensure proper
7 cost recording and reporting for these projects.**

8 A. FPL relies on its comprehensive corporate and overlapping business unit
9 controls for recording and reporting transactions associated with any of its
10 capital projects including the Uprate Project and Turkey Point 6 & 7. These
11 comprehensive and overlapping controls include:

- 12 • FPL's Accounting Policies and Procedures;
- 13 • Financial systems and related controls including FPL's general ledger and
14 construction asset tracking system (CATS);
- 15 • FPL's annual budgeting and planning process;
- 16 • Reporting and monitoring of plan costs to actual costs incurred; and
- 17 • Business Unit specific controls and processes.

18 The project controls are further discussed in the testimony of FPL Witnesses
19 Scroggs and Jones.

20 **Q. Are these controls documented, assessed and audited and/or tested on an
21 ongoing basis?**

22 A. Yes. The FPL corporate accounting policies and procedures are documented
23 and published on the Company's internal website, INFPL. In addition,

1 accounting management provides formal representation as to the continued
2 compliance with those policies and procedures each year. The Company's
3 external auditors, Deloitte & Touche, LLP, conduct an annual assessment of
4 the Company's internal controls over financial reporting. Sarbanes-Oxley
5 processes are identified, documented, tested and maintained, including
6 specific processes for planning and executing capital work orders, as well as
7 acquiring and developing fixed assets. Certain key financial processes are
8 tested during the Company's annual test cycle. In addition, Deloitte &
9 Touche, LLP, as a part of its annual audit, which includes assessing the
10 Company's internal controls over financial reporting and testing of general
11 computer controls, expresses an opinion as to the effectiveness of those
12 controls.

13 **Q. Describe the responsibilities and accounting controls of the New Nuclear**
14 **Accounting Project Group.**

15 A. The primary responsibility of the New Nuclear Accounting Project Group is
16 to determine the financial accounting for the recovery of costs under the
17 Nuclear Cost Recovery Rule. Additional responsibilities include the
18 preparation and maintenance of the NFR Schedules, (e.g. True-Up, AE, P, and
19 TOR Schedules) and on a monthly basis, ensuring the costs included in the
20 NFR Schedules are reconciled to the financial records of the Company. The
21 Nuclear Cost Recovery projects utilize unique work orders to capture costs
22 directly related to these projects. After ensuring accurate costs are recorded,
23 adjustments are made to reflect participants' credits, jurisdictionalize the

1 costs, and include other adjustments required in the NFR Schedules. Monthly
2 journal entries are prepared to reflect the effects of the recovery of these costs
3 and monthly reconciliations of the NFR accounts are performed. The
4 resulting schedules are included in our Nuclear Cost Recovery filings and
5 described in testimony.

6
7 The New Nuclear Accounting Project Group works closely with the Nuclear
8 business unit, Engineering, Construction & Corporate Services Division
9 (ECCS), and the Transmission & Substation business unit (Transmission
10 business unit) to address issues surrounding the costs related to the projects.
11 This involves researching, providing direction and resolving project
12 accounting issues that arise as the new nuclear projects develop.

13 14 **UPRATE SPECIFIC CONTROLS**

15 16 **Nuclear Business Unit Controls**

17 **Q. Describe the oversight role of the Nuclear Business Operations Group**
18 **related to the Uprate Project.**

19 A. The Nuclear Business Operations Group (NBO) is independent of the EPU
20 Project Team and provides oversight of the costs charged to the Uprate
21 Project. The NBO Group is primarily responsible for the work order
22 maintenance function, reviewing payroll to ensure only appropriate payroll is
23 charged to the Uprates, determining appropriate accounting for costs, raising

1 potential issues to the Property Accounting Group when necessary, providing
2 accounting guidance and training to the Uprate team, assisting with internal
3 and external audit-related matters, reviewing project projections and
4 producing monthly variance reports. The NBO Manager is a licensed CPA
5 with extensive public and private accounting experience who leads a team
6 staffed by employees with business and accounting degrees. The NBO
7 Manager reports to the Nuclear Division Controller.

8 **Q. Describe the Nuclear Business Operations Group accounting controls**
9 **which ensure costs are appropriately incurred and tracked for the Uprate**
10 **Projects.**

11 A. The Nuclear Business Unit accounts for the activities necessary to perform the
12 uprates at the four nuclear units, Turkey Point Units 3 and 4 and St. Lucie
13 Units 1 and 2. Costs associated with the work performed on components
14 defined as a property retirement unit will be transferred from CWIP to plant in
15 service at the end of each outage or when they become used and useful (i.e.
16 such as the modifications to the St. Lucie Unit 2 Turbine Gantry Crane). In
17 order to facilitate this process, a separate budget activity was set up for each
18 unit and two different capital work orders were set up within each budget
19 activity to capture costs related to each outage (eight capital work orders in
20 total). Additional work orders are set up, as necessary, to capture costs
21 associated with equipment that will be placed into service at a different time
22 than the outages (e.g. turbine gantry cranes, generator step-up transformers,
23 etc). Transmission related work for the Uprate project is also being accounted

1 for by workorder based on the scope of work and will be placed into service
2 when the respective work is used and useful.

3
4 As purchase orders (PO) are issued in the Procurement Control and Inventory
5 Management System (PASSPORT) for work to be performed at each unit, the
6 work is identified by outage and the PO is coded to charge the appropriate
7 work order. This structure facilitates cost analysis to track discrete projects
8 and tasks.

9 **Q. Describe the Nuclear Business Operations Group accounting controls
10 which ensure costs are appropriately charged to the Uprate Projects.**

11 A. Invoices are routed to the St. Lucie or Turkey Point site project controls
12 analyst, as appropriate. The analyst checks the invoices for accuracy and for
13 agreement to the PO terms and conditions. Once the invoice has been
14 appropriately verified, the analyst records invoice information on an Invoice
15 Tracking Log and attaches the Invoice Approval Form to the invoice, which is
16 routed for verification of receipt of goods/services and all required approvals.
17 Any invoice greater than \$1 million requires the approval of the EPU Project
18 Implementation Owner – South. Any invoice greater than \$5 million requires
19 the approval of the Vice President, Nuclear Power Uprates, before payment
20 can be made. Once all necessary approvals have been obtained, the Analyst
21 processes the invoice for payment in PASSPORT against the respective
22 purchase order. Extended Power Uprate Project Instruction Number EPPI-
23 230, *Project Invoice*, details the flow of the invoice through the approval,

1 receipt and payment process at the sites and establishes responsibilities at each
2 stage of the process.

3 **Q. Describe the review performed by the EPU Project Controls Team and**
4 **the Nuclear Business Operations Group related to the Uprate Project.**

5 A. Throughout the month, general ledger detail transactions are monitored by the
6 EPU Project Controls Team and NBO to ensure that costs charged to the
7 uprates are appropriate and are accurately classified as capital or O&M. Site
8 cost engineers perform reviews to ensure invoices are accurately coded to the
9 appropriate activity/scope work order. NBO reviews internal labor costs to
10 ensure that only appropriate payroll is charged to the uprates. In addition, all
11 steps in this process are subject to internal and external audits and reviews.

12
13 The Project engineers and NBO together work closely to make sure the costs
14 are appropriate and are accurately classified as capital or O&M. Construction
15 Leads perform reviews to ensure invoices are accurately coded to the
16 appropriate activity/scope work order.

17 **Q. Describe the reporting performed by the EPU Project Controls Team and**
18 **the Nuclear Business Operations Group related to the Uprate Project.**

19 A. The Uprate Project Controls Director, along with the Controls group at each
20 site, record schedule changes, project delays, and project costs. The Uprate
21 Project Controls Director, along with the Controls group, support risk
22 management and contract administration.

23

1 The NBO Group drafts monthly variance reports that compare actual
2 expenditures incurred to the originally estimated budget and reports year end
3 forecast estimates. The draft reports are sent to the St. Lucie and Turkey Point
4 Uprate Project Controls Teams responsible for providing variance
5 explanations and forecast updates to NBO. The reports are reviewed by the
6 Uprate Project control supervisors and management prior to the submission to
7 NBO. NBO reviews the variance explanations and forecast numbers for
8 reasonableness and accuracy prior to compilation and inclusion in the Nuclear
9 Business Unit corporate variance report. NBO is also responsible for
10 reviewing numbers reported to the FPL Executive Steering Committee to
11 ensure consistency with corporate variance reports and for providing the
12 Accounting Department with project numbers for inclusion in the NFR
13 schedules.

14
15 **Transmission and Substation Business Unit Controls**

16 **Q. Describe the role of the Transmission & Substation business unit related**
17 **to the Uprate Project.**

18 A. The Transmission business unit is incurring expenditures related to the Uprate
19 Project in order to perform substation and transmission line engineering,
20 procurement, and construction on specific work orders assigned to projects,
21 which resulted from transmission interconnection and integration studies
22 performed by FPL Transmission Planning. These studies were based on
23 incorporating the additional amount of megawatts to be generated by the

1 uprated nuclear units at St. Lucie 1 & 2 and Turkey Point 3 & 4 into the FPL
2 transmission system. The Transmission business unit accounting controls
3 team ensures costs are appropriately incurred and charged to the Uprate
4 Projects. The Transmission business unit allocates resources for reviewing
5 payroll to ensure only appropriate payroll is charged to the Uprate Project,
6 determining appropriate accounting for costs, raising potential issues to the
7 Property Accounting Group when necessary, providing accounting guidance
8 and training to the Uprate Project team, assisting with internal and external
9 audit-related matters, reviewing project projections, and producing monthly
10 variance reports.

11 **Q. Describe the Transmission business unit accounting controls which**
12 **ensure costs are appropriately incurred and tracked for the Uprate**
13 **Projects.**

14 A. The Transmission business unit identifies the transmission activities
15 necessary to perform the uprates at the four nuclear units, Turkey Point Units
16 3 and 4 and St. Lucie Units 1 and 2. Costs associated with the work
17 performed for each outage are transferred from CWIP to plant in service by
18 Property Accounting as necessary. In order to facilitate this process and
19 identify activities, four separate budget activities were set up with appropriate
20 sub activities and multiple work orders. Purchase Orders are handled by
21 Integrated Supply Chain (ISC) via the e-Pro Process (e-Pro). In e-Pro, a PO
22 request is routed from the originator to all approvers required based on the
23 dollar amount of the PO. The PO Requisitioning group determines the

1 required approvals based on the business unit's PO approval limits, and routes
2 the request as required. Once all required approvals are secured, the PO will
3 be created based on the information in the e-Pro request.

4 **Q. Describe the Transmission business unit accounting controls which**
5 **ensure costs are appropriately charged to the Uprate Projects.**

6 A. Invoices are routed to the Transmission Project Control Administrator
7 (Administrator). The Administrator checks the invoices for accuracy and for
8 agreement to the PO terms and conditions. Once the invoice has been
9 appropriately verified, the Administrator records invoice information on the
10 Cost Control Tracking sheet and routes the invoice for all required approvals.
11 Invoices found to contain any inaccuracies are returned to the requestor for
12 revisions. Any invoice greater than \$1 million requires the approval of the
13 Business Unit Vice President. Any invoice greater than \$5 million requires
14 the approval of FPL President & Chief Executive Officer before payment is
15 made. Once all necessary approvals have been obtained, the Administrator
16 processes the invoice for payment in e-Pro against the respective purchase
17 order.

18 **Q. Describe the review performed by the Transmission business unit related**
19 **to the Uprate Project.**

20 A. Throughout the month, the Work Order Status Report is monitored by the
21 Transmission business unit managers to ensure that costs are charged
22 appropriately and are accurately classified as capital or O&M. Site cost
23 engineers perform reviews to ensure invoices are accurately coded to the

1 appropriate activity/scope work order. All of the above work is further
2 reviewed monthly by the Cost & Performance Management function for
3 reasonableness and variances from Plan. In addition, all steps in this process
4 are subject to internal and external audits and reviews.

5
6 The Project engineers ensure the costs are appropriate and are accurately
7 classified as Capital or O&M. Construction Leads perform reviews to ensure
8 invoices are accurately coded to the appropriate activity/scope work order.

9 **Q. Describe the reporting performed by the Transmission & Substation**
10 **related to the Uprate Project.**

11 A. The Transmission & Substation Cost & Performance group drafts monthly
12 variance reports that compare actual expenditures incurred to the originally
13 estimated budget and reports year end forecast estimates. These are reviewed
14 by the Bulk Power Project Manager for reasonableness and accuracy and the
15 final is then submitted to the Corporate Budget Group.

16
17 **NEW NUCLEAR SPECIFIC CONTROLS**

18
19 **Q. Describe the role of the Engineering, Construction & Corporate Services**
20 **Division related to the Turkey Point 6 & 7 project.**

21 A. The ECCS Division has a Project Controls Group that reports through the
22 Vice President of ECCS and provides structural leadership, governance and
23 oversight for the project. On a monthly basis, the group completes a thorough
24 review of all costs ensuring accuracy of the charges posted to the project.

1 Additionally, Project Controls prepares monthly variance reports, identifying
2 variances against budgeted information. Team members and project
3 management meet monthly to review and understand existing budget
4 variances against the projected forecast. The Group consists of a Director of
5 Construction with an economics degree and 28 years experience at FPL, 20
6 years in the Nuclear Business Unit and 8 years in the Auditing, Property and
7 Financial Accounting Groups. He is supported by staff with business, finance
8 and accounting degrees and nuclear and construction experience.

9 **Q. Describe the Engineering, Construction & Corporate Services Division**
10 **accounting controls which ensure costs are appropriately incurred for the**
11 **Turkey Point 6 & 7 projects.**

12 A. When the project was determined to be viable and FPL filed its Need
13 Determination in October 2007, costs related to the project recorded in a
14 deferred debit account were transferred to CWIP. A separate work order was
15 set up for Site Selection costs and Preconstruction costs. As stated in the
16 Rule, a site is deemed to be selected upon the filing of a petition for a
17 determination of need; therefore, all costs expended prior to the Need Filing
18 are categorized as Site Selection costs. All Site Selection expenditures have
19 been determined prudent by this Commission in Order No. PSC-08-0749-
20 FOF-EI and all recoveries with resulting true-ups have been reflected in
21 previous filings. Preconstruction costs are costs expended after a site has been
22 selected, captured in a unique work order, and are included in the
23 Preconstruction T Schedules for actual costs incurred in each year.

1 **Q. Describe the Engineering, Construction & Corporate Services Division**
2 **accounting controls which ensure costs are appropriately charged to the**
3 **Turkey Point 6 & 7 project.**

4 A. When a potential expenditure greater than \$5,000 is identified, project
5 personnel input the expenditure request detailing the need, justification,
6 estimated cost and documentation in the ECCS Electronic Approval Database
7 (EAD). The request is sent to the Project Controls Group which inputs all
8 pertinent budget information, verifies appropriate accounts are charged, and
9 verifies the budgeted resources for the proposed transaction are available.
10 This information is sent through the EAD to the Project Manager of the
11 functional area who verifies the expense is applicable to the project. The
12 Project Manager then routes the information in the EAD to the appropriate
13 approvers based on authorization levels, to the Integrated Supply Chain (ISC)
14 department and to the Project Controls Group. Once the expenditure is
15 approved, ISC issues a Purchase Order in compliance with procurement
16 policies and procedures. After the goods have been received or services
17 rendered and an invoice is received by the functional area, it is reviewed,
18 determined appropriate, approved and input into the SAP payment processing
19 system. In SAP, online approvals based on authorization levels are required
20 for any expenditure greater than \$250 prior to the invoice being paid. For
21 items less than \$250, the monthly SAP transaction register detailing the
22 document number, work order, account, amount, description, purchase order
23 and the total dollar amount of the transaction must be reviewed and approved

1 monthly by the approver designated in SAP as appropriate for charging the
2 project.

3
4 Currently, the majority of expenditures are for two vendors: Bechtel, which is
5 handling the Combined Operating License Application (COLA), and Black &
6 Veatch/Zachary (BVZ), which is providing preliminary construction planning.
7 The invoices from these vendors are voluminous and received electronically by
8 the Project Controls Group. They are loaded into a SharePoint database and
9 routed to the appropriate business unit contacts to access, review and approve.
10 The Contract Administrator ensures all parties have signed off on their
11 appropriate section of the invoice prior to payment. The invoices are also
12 reviewed for compliance with the purchase order and/or contract and
13 differences with vendors are resolved. The remaining invoices relate to
14 charges incurred by groups such as Legal, Marketing and Communications,
15 Transmission, Environmental Services and long lead procurement items.

16 **Q. Describe the review and reporting performed by the ECCS Project**
17 **Controls organization related to the Turkey Point 6 & 7 project.**

18 A. The Project Controls organization is responsible for preparing, analyzing and
19 clearly and concisely explaining variances against planned budgets for current
20 month, year-to-date and year end. Project Controls holds monthly meetings
21 with team members and project management to review and understand
22 existing budget variances and any projected variances. Project Controls

1 provides the resulting expenditures to Accounting for inclusion in the NFR
2 Schedules.

3
4 **ADDITIONAL NEW NUCLEAR AND UPRATE OVERSIGHT**

5
6 **Q. Are there any additional controls implemented and relied upon for these**
7 **projects and the related reporting?**

8 A. Yes. The Company has issued specific guidelines for charging costs to the
9 project work orders. These guidelines emphasize the need for particular care
10 in charging only incremental labor to the project work orders included for
11 nuclear cost recovery and ensure consistent application of the Company's
12 capitalization policy. These guidelines describe the process for the exclusion
13 of non-incremental labor from current NCRC recovery while providing full
14 capitalization of all appropriate labor costs through the implementation of
15 separate project capital work orders that will be included in future non-NCRC
16 base rate recoveries. Exhibit WP-4 provides a flowchart depicting this
17 process.

18 **Q. What is the purpose of the continuous internal audits conducted by FPL**
19 **on the Uprate and Turkey Point 6&7 projects?**

20 A. The Company continues to undergo specific project related internal audits.
21 The objective of these audits is to test the propriety of expenses charged to the
22 NCRC and to test the process of recording and capturing costs related to the
23 Uprate Project and Turkey Point 6 & 7 Project in the pre-established work

1 orders to ensure compliance with the Commission's Rule. FPL will continue
2 to ensure these projects are audited on an ongoing basis. The 2009 costs and
3 controls related to the Turkey Point 6 & 7 and the Uprate Projects will have
4 been audited prior to the start of the hearing in this docket. These audits will
5 continue to provide assurance that the internal controls surrounding
6 transactions and processes are well established, maintained and communicated
7 to employees and provide additional assurance that the financial and operating
8 information generated within the Company is accurate and reliable.

9 **Q. Please comment on the overall level of control and oversight of the NCRC**
10 **process.**

11 A. The ongoing cycles of cost collection, aggregation, analysis and review which
12 lead to the NFR filings provide for a level of detailed review that is
13 unprecedented. For example, in the preparation of the NFR Schedules,
14 transactional expenditures are projected by activity and an immediate review
15 of projection to actual, in many cases at the transactional level, is conducted.
16 The manual nature of the data collection and aggregation process, along with
17 the manual calculation of carrying charges and construction period interest,
18 provides an increased level of detailed review. The requirements of the Rule
19 have, by design, significantly increased the review and transparency of the
20 costs themselves.

21 **Q. How are carrying charges provided for under the Nuclear Cost Recovery**
22 **Rule?**

1 A. Carrying charges are established by Statute based on the pre-tax AFUDC rate
2 at the time the utility files its Need Determination. For FPL this rate is
3 11.04% (based on an AFUDC rate of 7.42%) annually.

4 **Q. How will FPL incorporate the Commission-ordered treatment that**
5 **AFUDC charged to these projects should also be based on the pre-tax**
6 **AFUDC rate at the time the Utility filed its Need Determination?**

7 A. In Order No. PSC-09-0783-FOF-EI, the Commission determined that “utilities
8 shall not be permitted to record in rate base the incremental difference
9 between carrying costs established in Section 366.93, F.S., and their
10 respective most currently approved AFUDC rate.” Therefore, FPL has
11 adjusted the AFUDC recorded on its projects under the NCRC on a retroactive
12 basis effective with November 2009 to reflect the AFUDC rate of 7.42%.
13 Starting December 2009, FPL will apply this 7.42% statutory rate going
14 forward to all eligible CWIP charges for the new nuclear and uprate projects.
15 FPL will only record and recover a carrying charge through the CCRC at the
16 fixed rate specified in the NCRC, and will no longer calculate or track any
17 resulting incremental/decremental AFUDC for amounts to be recovered
18 through the NCRC.

19 **Q. Does this conclude your direct testimony?**

20 A. Yes.

Florida Power & Light Company
2009 Revenue Requirements
(in Jurisdictional \$'s net of participants)

Line No.	(a) March 1, 2010 True-up filing (Docket No. 100009-EI)			(b) May 1, 2009 Actual/Estimated Filing (Docket No. 090009-EI)			(c) March 1, 2010 True-up filing (Docket No. 100009-EI)		
	(A) 2009 P's	(B) 2009 T's	(C)	(D) 2009 P's	(E) 2009 AE's	(F)	(G) 2009 AE's	(H) 2009 T's	(I)
	2009 Projections Collected in 2009 Docket No. 080009-EI	2009 Actual Costs Dkt 100009-EI	(Over)/ Under Recovery	2009 Projections Collected in 2009 Docket No. 080009-EI	2009 Actual/Estimated Costs Collected in 2010 Docket No. 090009-EI	(Over)/ Under Recovery	2009 Actual/Estimated Costs Collected in 2010 Docket No. 090009-EI	2009 Actual Costs Dkt 100009-EI	(Over)/ Under Recovery
2	Turkey Point 6 & 7								
3	Site Selection Costs	\$ -	(a) \$ -	(a) \$ -	\$ -	(a) \$ -	\$ -	(a) \$ -	\$ -
4	Carrying Costs	381,938	343,600	(38,338)	381,938	346,025	(35,913)	343,600	(2,425)
5 (d)	2008 Carrying Costs on DTL	-	(19,559)	(19,559)	-	-	-	(19,559)	(19,559)
6	Carrying Costs on DTA	127,112	48,777	(78,335)	127,112	126,913	(199)	48,777	(78,136)
7	Total Carrying Costs	\$ 509,050	\$ 372,818	\$ (136,232)	\$ 509,050	\$ 472,938	\$ (36,112)	\$ 372,818	\$ (100,120)
8	Total Site Selection	\$ 509,050	\$ 372,818	\$ (136,232)	\$ 509,050	\$ 472,938	\$ (36,112)	\$ 372,818	\$ (100,120)
9									
10	Preconstruction Costs	\$ 109,540,915	\$ 37,599,045	\$ (71,941,870)	\$ 109,540,915	\$ 45,444,468	\$ (64,096,447)	\$ 37,599,045	\$ (7,445,423)
11	Carrying Costs	3,975,003	(691,521)	(4,666,524)	3,975,003	1,524,630	(2,450,373)	(691,521)	(2,216,151)
12 (d)	2008 Carrying Costs on DTL	-	(42,148)	(42,148)	-	-	-	(42,148)	(42,148)
13	Carrying Costs on DTA	3,369,810	1,590,881	(1,778,929)	3,369,810	2,036,141	(1,333,669)	1,590,881	(445,260)
14	Total Carrying Costs	\$ 7,344,813	\$ 857,211	\$ (6,487,602)	\$ 7,344,813	\$ 3,560,771	\$ (3,784,042)	\$ 857,211	\$ (2,703,560)
15	Total Preconstruction	\$ 116,885,728	\$ 38,456,256	\$ (78,429,472)	\$ 116,885,728	\$ 49,005,239	\$ (67,880,489)	\$ 38,456,256	\$ (10,548,983)
16	Total TP6&7	\$ 117,394,778	\$ 38,829,074	\$ (78,565,704)	\$ 117,394,778	\$ 49,478,177	\$ (67,916,601)	\$ 38,829,074	\$ (10,649,103)
17	Uprates								
18	Carrying Costs	\$ 16,564,497	\$ 18,343,745	\$ 1,779,248	\$ 16,564,497	\$ 20,304,909	\$ 3,740,412	\$ 18,343,745	\$ (1,961,164)
19 (d)	2008 Carrying Costs on DTL	-	(315,325)	(315,325)	-	-	-	(315,325)	(315,325)
20	Carrying Costs on DTA	(11,478)	(1,569,091)	(1,557,613)	(11,478)	(7,519)	3,959	(1,569,091)	(1,561,572)
21	Total Carrying Costs	\$ 16,553,019	\$ 16,459,329	\$ (93,690)	\$ 16,553,019	\$ 20,297,390	\$ 3,744,371	\$ 16,459,329	\$ (3,838,061)
22	Recoverable O&M	0	478,450	478,450	0	544,467	544,467	478,450	(66,017)
23 (e)	Base Rate Rev Req.	0	12,802	12,802	0	83,460	83,460	12,802	(70,658)
24	Total Uprates	\$ 16,553,019	\$ 16,950,581	\$ 397,562	\$ 16,553,019	\$ 20,925,317	\$ 4,372,298	\$ 16,950,581	\$ (3,974,736)
25									
26	Total TP6&7 and Uprates	\$ 133,947,797	\$ 55,779,654	\$ (78,168,143)	\$ 133,947,797	\$ 70,403,494	\$ (63,544,303)	\$ 55,779,654	\$ (14,623,840)
27	(Rounding Differences May Occur)								

Notes:

- (a) The March 1, 2010 True-up filing compares 2009 Actual costs to the 2009 Projections (Order No. PSC-08-0749-FOF-EI) in order to calculate carrying charges.
(b) The May 1, 2009 Actual/Estimated Filing (Order No. PSC-09-0783-FOF-EI) compares the 2009 Actual/Estimated Costs to the 2009 Projections.
(c) The March 1, 2010 True-up filing ultimately compares the 2009 Actual Costs to the 2009 Actual/Estimated Costs resulting in a final true-up amount of (\$14,623,840) which will reduce the CCRC charge paid by customers when the CCRC is re-set in 2011.
(d) The deferred income tax liability created by income tax deductions relate to expenditures incurred in 2006 - 2009. These income tax deductions relate to qualifying Research and Development expenditures (Internal Revenue Code 174), Nuclear Licensing Internal Payroll costs (Internal Revenue Services Code Regulations Section 1.263(a)(4)), and Investigatory costs (Internal Revenue Code 162). Refer to TOJ-1 (Appendix I), SDS-1 (Appendix II), and SDS-2 (Appendix III) for further detail.
(e) FPL is recovering \$83,460 of base rate revenue requirements in 2010 for the modifications related to its St. Lucia Unit 2 Turbine Gantry Crane as approved in Order No. PSC-09-0783-FOF-EI. The St. Lucia 2 Turbine Gantry Crane actually entered into commercial service on December 22, 2009, resulting in a reduced base rate revenue requirement of \$12,802. The difference of (\$70,658) will reduce the CCRC charge paid by customers when the CCRC is re-set in 2011.

Florida Power & Light Company
Turkey Point 6 & 7
2009 Costs for Prudence Determination

Line No.		2009
1	Turkey Point 6 & 7	
2	Site Selection:	
3	Project Staffing	\$ -
4	Engineering	-
5	Environmental Services	-
6	Legal Services	-
7	Total Site Selection Costs	\$ -
8	Jurisdictional Factor (a)	0.99648888
9	Total Jurisdictional Site Selection Costs	\$ -
10		
11	Pre-Construction:	
12	Generation:	
13	Licensing	\$ 30,271,612
14	Permitting	991,090
15	Engineering and Design	6,445,161
16	Long lead procurement advance payments	-
17	Power Block Engineering and Procurement	23,662
18	Total Generation Costs	\$ 37,731,525
19	Jurisdictional Factor (a)	0.99648888
20	Total Jurisdictional Generation Costs	\$ 37,599,045
21	Transmission	
22	Line Engineering	\$ -
23	Substation Engineering	-
24	Clearing	-
25	Other	-
26	Total Transmission Costs	\$ -
27	Jurisdictional Factor (a)	0.99412116
28	Total Jurisdictional Transmission Costs	\$ -
29		
30	Total Company Turkey Point 6 & 7 Costs	\$ 37,731,525
31		
32	Total Jurisdictional Turkey Point 6 & 7 Costs	\$ 37,599,045

Notes:

(a) Jurisdictional separation factor as reflected in the 2009 FPSC Earnings Surveillance Report.

Docket No. 100009-EI
2009 Costs for Prudence Determination
Exhibit WP-2, Page 2 of 2

Florida Power & Light Company
Uprate
2009 Costs for Prudence Determination

Line No.		2009
1	Uprates	
2	Generation:	
3	License Application	\$ 66,925,376
4	Engineering & Design	12,568,941
5	Permitting	512,725
6	Project Management	15,544,538
7	Clearing, Grading and Excavation	-
8	On-Site Construction Facilities	-
9	Power Block Engineering, Procurement, etc.	141,222,239
10	Non-Power Block Engineering, Procurement, etc.	535,251
11	<u>Total Generation costs</u>	<u>\$ 237,309,070</u>
12	Participants Credits Port St. Lucie (PSL) Unit 2	
13	OUC (b)	\$ (3,758,778)
14	FMPA (b)	(5,435,545)
15	<u>Total Participants Credits PSL Unit 2</u>	<u>\$ (9,194,323)</u>
16	<u>Total FPL Generation Costs</u>	<u>\$ 228,114,747</u>
17	Jurisdictional Factor (a)	0.99648888
18	<u>Total FPL Jurisdictional Generation Costs</u>	<u>\$ 227,313,809</u>
19		
20	Transmission:	
21	Line Engineering	13,004
22	Substation Engineering	120,482
23	Line Construction	228,155
24	Substation Construction	6,919
25	<u>Total Transmission Costs</u>	<u>368,559</u>
26	Jurisdictional Factor (a)	0.99412116
27	<u>Total Jurisdictional Transmission Costs</u>	<u>\$ 366,392</u>
28	<u>Total FPL Jurisdictional Generation & Transmission Costs (Net of Participants)</u>	<u>\$ 227,680,202</u>
29		
30	Total Company Uprate Generation and Transmission Costs	237,677,629
31		
32	Recoverable O&M	\$ 498,077
33	Less Total Participants Credits PSL Unit 2	(17,941)
34	<u>Total FPL O&M Costs</u>	<u>\$ 480,136</u>
35	Jurisdictional Factor (a)	0.99648888
36	<u>Total Jurisdictional O&M Costs</u>	<u>\$ 478,450</u>
37		
38	Base Rate Revenue Requirement (c)	\$ 12,802
39		
40	Total Uprate Costs (Jurisdictionalized & Net of Participants)	\$ 228,171,454
41		
42	Total Turkey Point 6 & 7 Costs from Page 1	\$ 37,599,045
43		
44	Total Uprate and Turkey Point 6&7 Costs for Prudence Determination	\$ 265,770,498

Notes:

(a) Jurisdictional separation factor as reflected in the 2009 FPSC Earnings Surveillance Report.

(b) Participant ownership rates of 6.08951% for Orlando Utilities Commission (OUC) & 8.806% for Florida Municipal Power Agency (FMPA).

(c) Base Rate Revenue Requirement is Jurisdictional and Net of Participants. See WP - 3 for calculation.

Florida Power & Light Company
 St. Lucie & Turkey Point Uprate Project
 Base Rate Revenue Requirements
 St. Lucie Unit 2 Turbine Gantry Crane Additions

2009

Line No.	Work Order	Plant Account	Detail	SystemTotal Plant (Net of Participants)	Detail	Rate (Annual)
1	6991-070-0910	323	Turbogenerator units	\$ 2,856,822	Depreciation Rate	1.90%
2	8013-070-0010 (Participant)			(423,379)	Property Tax Rate	1.91%
3				<u>\$ 2,433,443</u>	Rate of Return (Pre-Tax Cost of Capital)	10.79%
4						
5	<u>In-Service Date (1)</u>					
6	15-Dec-09					
7						

Notes:

- (1) Modifications to St. Lucie Unit 2 Turbine Gantry Crane were placed into service in 12/22/2009. In accordance with FPL's procedures for placing plant of this size into service, a half month convention is used for placing the modifications into service.
- (2) Jurisdictional Separation Factor is FPL's nuclear capital separation factor for 2009 reflected in the 2009 FPSC Earnings Surveillance Report.
- (3) Depreciation Rate is FPL's current approved depreciation rate for plant account 323 as reflected in Order No. PSC-05-0902-S-EI, issued September 14, 2005, in Docket Nos. 050045-EI (Rate Order) and 050188-EI (FPL's Depreciation Study Filing).
- (4) The company's overall Rate of Return of 10.79% reflects Return on equity of 11.75% as reported in September 2009 surveillance report which is FPL's most recent surveillance report as of the filing for FPL's Petition for Base Rate Increase Request on December 4, 2009 in Dkt. 090529-EI.
- (5) The Property Tax Rate of 1.91% is 2010 trended rate for St. Lucie County which is the Property Tax Rate from 2009 at 1.87% with a 2.5% escalator for 2010.
- (6) See Exhibit TOJ-1, Appendix I-A.

Florida Power & Light Company
 St. Lucie & Turkey Point Uprate Project
 Base Rate Revenue Requirements
 St. Lucie Unit 2 Turbine Gantry Crane Additions

Line No.	Detail	2009 December	2010 January	2010 February	2010 March	2010 April	2010 May	2010 June	2010 July	2010 August	2010 September	2010 October	2010 November
1													
2	Additions (net of participants)	\$ 1,216,721	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443
3	Total Plant in Service	\$ 1,216,721	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443
4	Jurisdictional Separation Factor	0.99648888	0.99648888	0.99648888	0.99648888	0.99648888	0.99648888	0.99648888	0.99648888	0.99648888	0.99648888	0.99648888	0.99648888
5	Jurisdictional Plant	\$ 1,212,449	2,424,899	2,424,899	2,424,899	2,424,899	2,424,899	2,424,899	2,424,899	2,424,899	2,424,899	2,424,899	2,424,899
6	Depr Rate (monthly)	0.001583333	0.001583333	0.001583333	0.001583333	0.001583333	0.001583333	0.001583333	0.001583333	0.001583333	0.001583333	0.001583333	0.001583333
7	Depreciation	\$ 1,920	3,839	3,839	3,839	3,839	3,839	3,839	3,839	3,839	3,839	3,839	3,839
8	Accumulated Depreciation	\$ 1,920	5,759	9,599	13,438	17,277	21,117	24,956	28,796	32,635	36,475	40,314	44,153
9	Net Plant in Service	\$ 1,210,530	2,419,140	2,415,300	2,411,461	2,407,621	2,403,782	2,399,942	2,396,103	2,392,264	2,388,424	2,384,585	2,380,745
10	Average Plant In Service	\$ 1,210,530	1,814,835	2,417,220	2,413,380	2,409,541	2,405,702	2,401,862	2,398,023	2,394,183	2,390,344	2,386,505	2,382,665
11	Rate of Return (Pre-Tax Cost of Capital)	0.0090	0.0090	0.0090	0.0090	0.0090	0.0090	0.0090	0.0090	0.0090	0.0090	0.0090	0.0090
12	Return	\$ 10,882	16,314	21,729	21,695	21,660	21,626	21,591	21,557	21,522	21,488	21,453	21,419
13	Property Tax Base		2,419,140	2,415,300	2,411,461	2,407,621	2,403,782	2,399,942	2,396,103	2,392,264	2,388,424	2,384,585	2,380,745
14	Property Tax Rate		0.0015944	0.0015944	0.0015944	0.0015944	0.0015944	0.0015944	0.0015944	0.0015944	0.0015944	0.0015944	0.0015944
15	Property Tax		3,857	3,851	3,845	3,839	3,833	3,826	3,820	3,814	3,808	3,802	3,796
16													
17	Monthly Revenue Requirements	\$ 12,802	24,011	29,420	29,379	29,338	29,298	29,257	29,217	29,176	29,135	29,095	29,054
18													
19	Base Rate Rev Requirements - NCRC	\$ 12,802											

Notes:

- (1) Modifications to St. Lucie Unit 2 Turbine Gantry Crane were placed into service in 12/22/2009. In accordance with FPL's procedures for placing plant of this size into service, a half month convention is used for placing the modifications into service.
- (2) Jurisdictional Separation Factor is FPL's nuclear capital separation factor for 2009 reflected in the 2009 FPSC Earnings Surveillance Report.
- (3) Depreciation Rate is FPL's current approved depreciation rate for plant account 323 as reflected in Order No. PSC-05-0902-S-EI, issued September 14, 2005, in Docket Nos. 050045-EI (Rate Order) and 050188-EI (FPL's Depreciation Study Filing).
- (4) The company's overall Rate of Return of 10.79% reflects Return on equity of 11.75% as reported in September 2009 surveillance report which is FPL's most recent surveillance report as of the filing for FPL's Petition for Base Rate Increase Request on December 4, 2009 in Dkt. 090529-EI.
- (5) The Property Tax Rate for 2009 is 1.87%. The Property Tax Rate for 2010 is based on the 1.87% for 2009 with a 2.5% escalator for 2010 resulting in a 1.91% rate.
- (6) See Exhibit TOJ-1, Appendix I-A

