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COMMISSION  
CLERK

August 3, 2010

**-VIA HAND DELIVERY -**

Ms. Ann Cole, Director  
Division of the Commission Clerk and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

**Re: Docket No. 100009-EI**

Dear Ms. Cole:

Please find enclosed for filing in the above docket the original and seven (7) copies of Florida Power & Light Company's Prehearing Statement, along with a compact disc containing the electronic version of same.

If there are any questions regarding this transmittal, please contact me at 561-304-5253.

Sincerely,

*for*

Bryan S. Anderson  
Fla. Authorized House Counsel No. 219511  
(Admitted in IL, not admitted in FL)

Enclosure

cc: Counsel for Parties of Record (w/encl.)

- COM \_\_\_\_\_
- APA \_\_\_\_\_
- ECR 4
- GCL 1
- RAD 1
- SSC \_\_\_\_\_
- ADM \_\_\_\_\_
- OPC \_\_\_\_\_
- CLK \_\_\_\_\_

*(4 CD containing the Prehearing Statement forwarded)*

DOCUMENT NUMBER-DATE

06391 AUG-3 0

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Nuclear Power Plant )  
Cost Recovery Clause \_\_\_\_\_)

Docket No. 100009-EI  
Filed: August 3, 2010

**FLORIDA POWER & LIGHT COMPANY'S PREHEARING STATEMENT**

Florida Power & Light Company ("FPL" or the "Company"), pursuant to Section 366.93, Florida Statutes, and Rule 25-6.0423, Florida Administrative Code, hereby files with the Florida Public Service Commission ("FPSC" or the "Commission") its Prehearing Statement in connection with its Petition For Approval of Nuclear Power Plant Cost Recovery True-Up for the Period Ending December 2009, filed March 1, 2010, and its Petition For Approval of Nuclear Power Plant Cost Recovery Amount for the Period January through December 2011, filed May 3, 2010, and states:

**I. FPL WITNESSES**

**A. Direct Testimony**

<b>Witness</b>	<b>Subject Matter</b>	<b>Issues</b>
Steven D. Scroggs FPL	Describes the deliberate, step-wise process FPL is utilizing in the development of the Turkey Point 6 & 7 project ("Turkey Point 6 & 7"); provides a description of key project management decisions and internal project budget, schedule, and cost controls; supports the prudence of actual costs incurred for the project during 2009, and the reasonableness of FPL's actual/estimated costs in 2010 and projected costs for 2011.	1, 16-19, 24-26
Nils Diaz The ND2 Group	Explains the role of the Nuclear Regulatory Commission ("NRC") in the licensing of Turkey Point 6 & 7 and reviews FPL's management approach, concluding that FPL's step-wise approach to licensing and project scheduling is reasonable.	19, 24-26

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Terry O. Jones FPL	Explains the activities necessary for the Extended Power Uprate (“EPU”) project; provides a description of key project management decisions and internal project budget, schedule, and cost controls; supports the prudence of actual costs incurred for the project during 2009, and the reasonableness of FPL’s actual/estimated costs in 2010 and projected costs for 2011.	16-17, 20-23
Winnie Powers FPL	Explains FPL’s compliance with Rule 25-6.0423, F.A.C. (the “Rule”); discusses the accounting controls FPL relies upon to help ensure only correct costs are appropriately charged to the projects; computes and presents FPL’s total request for recovery during the January-December 2011 period.	16, 21-27
Steven R. Sim FPL	Demonstrates the continued long-term economic feasibility of both the Turkey Point 6 & 7 project and the EPU project; describes the analytical approach used in the 2010 long-term economic feasibility analysis of each project, which utilizes updated assumptions including forecasted ranges of projected fuel costs and environmental compliance costs; and describes the many customer benefits each project will provide.	18, 20
John J. Reed Concentric Energy Advisors, Inc.	Presents his review of FPL’s system of internal controls as it relates to the Turkey Point 6 & 7 project and the EPU project; concludes that FPL’s costs for the projects are prudent and reasonable.	16 -26

**B. Supplemental Testimony**

<b>Witness</b>	<b>Subject Matter</b>	<b>Issues</b>
Winnie Powers FPL	Addresses revisions to the process FPL uses for reporting recoverable O&M, which FPL agreed to make based on Staff’s July 1, 2010 meeting with the parties in this docket and Docket No. 100001-EI.	22-23, 27

**C. Rebuttal Testimony**

<b>Witness</b>	<b>Subject Matter</b>	<b>Issues</b>
Steven D. Scroggs FPL	Rebuts the testimony of Southern Alliance for Clean Energy (“SACE”) Witnesses Gunderson and Cooper; explains that FPL is actively pursuing the licenses and permits necessary for construction of Turkey Point 6 & 7, not “line sitting” or “site banking”; demonstrates the appropriateness of	1, 18-19, 24-26

	pursuing the Combined Operating License and other state and federal permits; identifies and responds to the numerous inaccurate statements and generalities the SACE witnesses attempt to impose on or attribute to FPL.	
Nils Diaz The ND2 Group	Rebuts the assertions of SACE Witness Gundersen concerning the COLA licensing process for Turkey Point 6 & 7; responds to the inaccurate use of the term “site banking” and explains that it does not apply to FPL’s licensing efforts; affirms that FPL’s licensing approach is reasonable.	1, 19, 24-26
Paul Jacobs FPL	Rebuts statements by SACE Witness Gundersen concerning the COLA licensing process for Turkey Point 6 & 7; demonstrates that Witness Gundersen’s site-specific concerns related to the project are baseless.	18, 19
Terry O. Jones FPL	Rebuts the testimony of OPC Witness Jacobs; explains the appropriateness of the current cost estimate range considering the expanded scope and relatively early stage of the project; responds to Witness Jacobs’ recommendation for a risk sharing mechanism; responds to the recommendations of Staff witnesses Lynn Fisher and David Rich.	3, 20
Steven R. Sim FPL	Rebuts the testimony of SACE Witnesses Cooper and Gundersen regarding the feasibility of the Turkey Point 6 & 7 project; responds to the SACE witnesses’ selective use of forecast projections, lack of meaningful economic analyses, and errors; Rebuts OPC Witness Jacobs’s proposal not to account for sunk costs in the EPU feasibility analysis; and demonstrates that the EPU project is cost-effective even assuming Witness Jacobs’s higher cost assumption.	18, 20
John J. Reed Concentric Energy Advisors, Inc.	Rebuts the testimony of SACE Witnesses Cooper and Gundersen regarding the feasibility of the Turkey Point 6 & 7 project; concludes that FPL’s step-wise approach to new nuclear remains reasonable; explains that OPC Witness Jacobs’s proposal to exclude sunk costs from the EPU feasibility analysis would be inconsistent with industry and accounting norms; explains that OPC Witness Jacobs’s recommendation to institute a risk sharing mechanism for the EPU project costs is inconsistent with law, rule, and the state’s policy of promoting investment in nuclear generation.	1, 3, 18-20

## II. EXHIBITS

### A. Direct

Exhibits	Witness	Sponsor	Description
SDS-1	Steven D. Scroggs Winnie Powers	FPL	Appendix II Nuclear Cost Recovery Turkey Point 6&7 Pre-Construction Costs Nuclear Filing Requirement (NFR's) T-Schedules January - December 2009
SDS-2	Steven D. Scroggs Winnie Powers	FPL	Appendix III-Nuclear Cost Recovery Turkey Point 6&7 Site Selection Costs Nuclear Filing Requirements (NFR's) T-Schedules January 2009 – December 2009
SDS-3	Steven D. Scroggs	FPL	Turkey Point 6&7 Licenses, Permits and Approvals
SDS-4	Steven D. Scroggs	FPL	Turkey Point 6&7 Procedures and Work Instructions
SDS-5	Steven D. Scroggs	FPL	Turkey Point 6&7 Reports
SDS-6	Steven D. Scroggs	FPL	Turkey Point 6&7 Project Instructions and Forms List
SDS-7	Steven D. Scroggs	FPL	2009 True-Up Costs Summary Tables
SDS-8	Steven D. Scroggs	FPL	Project Memorandum-LWA Withdrawal
SDS-9	Steven D. Scroggs Winnie Powers	FPL	Appendix II – Nuclear Cost Recovery Turkey Point 6&7 Pre-Construction Costs Nuclear Filing Requirements (NFR's) AE-Schedules Actual/Estimate) P-Schedules (Projections) TOR-Schedules (True-up to Original) December 2010 and 2011
SDS-10	Steven D. Scroggs Winnie Powers	FPL	Appendix III- Nuclear Cost Recovery Turkey Point 6&7 Site Selection Nuclear Filing Requirements (NFR's) AE-Schedules (Actual/Estimate) P-Schedules (Projections) TOR-Schedules (True-up to Original) December 2010 and 2011
SDS-11	Steven D. Scroggs	FPL	2010 and 2011 Cost Summary Tables
SDS-12	Steven D. Scroggs	FPL	2010 Project Schedule Revision Memorandum

SDS-13	Steven D. Scroggs	FPL	Project Schedule and Milestones
SDS-14	Steven D. Scroggs	FPL	Capital Cost Estimate Memorandum
SDS-15	Steven D. Scroggs	FPL	Cost Estimate Comparison
SDS-16	Steven D. Scroggs	FPL	Forging Reservation Agreement
NJD-1	Nils J. Diaz	FPL	Resume of Nils J. Diaz
NJD-2	Nils J. Diaz	FPL	New NRC Combined Licensing Process
NJD-3	Nils J. Diaz	FPL	New Reactor Licensing Applications
NJD-4	Nils J. Diaz	FPL	Nuclear Power Plant Technology Evolution
TOJ-1	Terry O. Jones Winnie Powers	FPL	Appendix I Nuclear Cost Recovery Extended Power Uprate Project Nuclear Filing Requirements (NFR's) T- Schedules January -December 2009
TOJ-2	Terry O. Jones	FPL	EPU Organization Chart
TOJ-3	Terry O. Jones	FPL	EPU Instructions, EPPI Index
TOJ-4	Terry O. Jones	FPL	EPU Project Reports
TOJ-5	Terry O. Jones	FPL	Low Pressure Turbine Rotor Forging
TOJ-6	Terry O. Jones	FPL	Low Pressure Turbine Rotors
TOJ-7	Terry O. Jones	FPL	Low Pressure Turbine Rotor Rings
TOJ-8	Terry O. Jones	FPL	Low Pressure Turbine Rotor Ring Testing
TOJ-9	Terry O. Jones	FPL	Plant Change or Modification Status
TOJ-10	Terry O. Jones	FPL	EPU Project Schedule
TOJ-11	Terry O. Jones	FPL	2009 Construction Costs
TOJ-12	Terry O. Jones	FPL	EPU Equipment List
TOJ-13	Terry O. Jones	FPL	PWR Basic Nuclear Steam Cycle

TOJ-14	Terry O. Jones Winnie Powers	FPL	Appendix I-Nuclear Cost Recovery Extended Power Update Project Construction Costs Nuclear Filing Requirements (NFR's) AE-Schedules (Actual/Estimate) P-Schedules (Projections) TOR-Schedules (True-up to Original) December 2010 and 2011
TOJ-15	Terry O. Jones	FPL	EPU Project Schedule
TOJ-16	Terry O. Jones	FPL	St. Lucie Main Generator Rotor
TOJ-17	Terry O. Jones	FPL	Unloading Generator Rotor
TOJ-18	Terry O. Jones	FPL	2010 EPU Work Activities
TOJ-19	Terry O. Jones	FPL	2010 EPU Actual Estimated Costs
TOJ-20	Terry O. Jones	FPL	2011 EPU Work Activities
TOJ-21	Terry O. Jones	FPL	2011 EPU Projected Costs
WP-1	Winnie Powers	FPL	Revenue Requirements for 2009
WP-2	Winnie Powers	FPL	2009 Costs for Prudence Determination
WP-3	Winnie Powers	FPL	Base Rate Revenue Requirements
WP-4	Winnie Powers	FPL	Incremental Labor Guidelines
WP-5	Winnie Powers	FPL	Costs Presented in Docket #100009-EI
WP-6	Winnie Powers	FPL	Base Rate Revenue Requirement
SRS-1	Steven R. Sim	FPL	Summary of Results from FPL's 2010 Feasibility Analyses of the Nuclear Uprates and Turkey Point 6&7 Projects (Plus Results from Additional Analyses)
SRS-2	Steven R. Sim	FPL	Comparison of Key Assumptions Utilized in 2009 and 2010 Economic Analyses of FPL Nuclear Projects: Projected Fuel Costs (Medium Fuel Cost Forecast)

SRS-3	Steven R. Sim	FPL	Comparison of Key Assumptions Utilized in the 2009 and 2010 Economic Analyses of FPL Nuclear Projects: Projected Environment Compliance Costs (Env II Forecast)
SRS-4	Steven R. Sim	FPL	Comparison of Key Assumptions Utilized in the 2009 and 2010 Economic Analyses of FPL Nuclear Projects: Summer Peak Demand Load Forecast
SRS-5	Steven R. Sim	FPL	Comparison of Key Assumptions Utilized in the 2009 and 2010 Economic Analyses of FPL Nuclear Projects: Other Assumptions
SRS-6	Steven R. Sim	FPL	The Two Resource Plans Utilized in the 2010 Feasibility Analyses of the Nuclear Uprates
SRS-7	Steven R. Sim	FPL	2010 Feasibility Analyses Results for the Nuclear Uprates: Total Costs and Total Cost Differentials for All Fuel and Environmental Compliance Cost Scenarios in 2010\$
SRS-8	Steven R. Sim	FPL	2010 Feasibility Analyses Results for the Nuclear Uprates: Total Costs and Total Cost Differentials for All Fuel and Environmental Compliance Cost Scenarios in 2010\$, Sensitivity Analyses Assuming 11.75% ROE
SRS-9	Steven R. Sim	FPL	The Two Resource Plans Utilized in the 2010 Feasibility Analyses of Turkey Point 6&7
SRS-10	Steven R. Sim	FPL	2010 Feasibility Analyses Results for Turkey Point 6 & 7: Total Costs, Total Cost Differentials, and Breakeven Costs for All Fuel and Environmental Compliance Cost Scenarios in 2010\$
SRS-11	Steven R. Sim	FPL	2010 Feasibility Analysis Results for Turkey Point 6 & 7: Total Costs, Total Cost Differentials, and Breakeven Costs for All Fuel and Environmental Compliance Cost Scenarios in 2010\$, Sensitivity Analyses Assuming 11.75% ROE.
JJR-1	John J. Reed	FPL	Resume of John J. Reed
JJR-2	John J. Reed	FPL	Testimony of John J. Reed



JJR-3	John J. Reed	FPL	Price of Gas at the Henry Hub
JJR-4	John J. Reed	FPL	Total Production Cost of Electricity 1995-2008
JJR-5	John J. Reed	FPL	EPU Projects Meetings
JJR-6	John J. Reed	FPL	PTN 6&7 Organizational Chart
JJR-7	John J. Reed	FPL	Concentric Observations & FPL's Responses
JJR-8	John J. Reed	FPL	Review of New Nuclear Cost Estimates

**B. Supplemental Exhibits**

<b>Exhibits</b>	<b>Witness</b>	<b>Sponsor</b>	<b>Description</b>
WP-7	Winnie Powers	FPL	Revised Exhibits

**C. Rebuttal Exhibits**

<b>Exhibits</b>	<b>Witness</b>	<b>Sponsor</b>	<b>Description</b>
SDS-17	Steven D. Scroggs	FPL	Assessment of Risk Categories
SDS-18	Steven D. Scroggs	FPL	Facts
TOJ-22	Terry O. Jones	FPL	Examples of EPU Scope Changes
SRS-12	Steven R. Sim	FPL	Scenario Analysis of EPU Project Using Witness Jacobs' "What if" Cost Assumptions
SRS-13	Steven R. Sim	FPL	Transcript of Dr. Jacobs' Panel Testimony
SRS-14	Steven R. Sim	FPL	Screening Curve Analysis Steven R. Sim testimony in Docket No. 080707-EG
SRS-15	Steven R. Sim	FPL	Comparison of Key Assumptions Utilized in the 2009 and 2010 Economic Analyses of FPL Nuclear Projects: Summer Peak Demand Load Forecast (Expanded)
SRS-16	Steven R. Sim	FPL	SACE's Inconsistency Regarding CO <sub>2</sub> Costs

JJR-9	John J. Reed	FPL	The Contract Price/ Owner Contingency Dynamic
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In addition to the above pre-filed exhibits, FPL reserves the right to utilize any exhibit introduced by any other party. FPL additionally reserves the right to introduce any additional exhibit necessary for rebuttal, cross-examination or impeachment at the final hearing.

### III. STATEMENT OF BASIC POSITION

Section 403.519(4), Florida Statutes, Section 366.93, Florida Statutes, and Rule 25-6.0423, Florida Administrative Code (“the Rule”) establish the legal and regulatory framework for the recovery of costs in the development of nuclear generation in Florida. Section 403.519(4), Florida Statutes, applies to the determination of need for a nuclear-fueled power plant and emphasizes the Florida Legislature’s desire to improve fuel diversity, reduce dependence on fuel oil and natural gas, reduce air emission compliance costs, and contribute to the long-term stability and reliability of the electric grid in Florida. It further makes clear that a utility is entitled to recover all prudently incurred costs. Specifically, it states that after a determination of need is granted, “the right of a utility to recover any costs incurred prior to commercial operation, including but not limited to costs associated with the siting, design, licensing, or construction of the plant...shall not be subject to challenge” unless a preponderance of the evidence supports a finding that certain costs were imprudently incurred. *See* § 403.519(4)(e), Fla. Stat.

Section 366.93, Florida Statutes, requires the Commission to establish by rule a cost recovery framework that promotes utility investment in nuclear power plants and allows for the recovery of all prudently incurred preconstruction costs and the carrying costs on construction cost balances. It also entitles utilities to increase their base rates upon commercial operation of

the nuclear power plant, requires annual reporting of budgeted and actual costs, and provides for cost recovery should the project be cancelled. *See* § 366.93(4), (5), and (6), Fla. Stat., respectively. In response to this legislative direction, the Commission promulgated Rule 25-6.0423, Florida Administrative Code (“the Rule”). The stated purpose of the Rule is to establish an alternative cost recovery mechanism that promotes utility investment in nuclear power plants and allow for recovery of all prudently incurred costs. It also provides for the recovery of reasonable actual/estimated costs for the current year and reasonable projected costs for the following year.

FPL is currently undertaking two nuclear projects that qualify for cost recovery under the Nuclear Cost Recovery Clause (“NCRC”) process described above – the development of new nuclear units Turkey Point 6 & 7 and the Extended Power Uprate project (“EPU” or “Uprate Project”) at its St. Lucie and Turkey Point plants. Each project was granted an affirmative determination of need by the Commission pursuant to Section 403.519(4), Florida Statutes, and FPL is therefore entitled to recover all its prudent and reasonable costs. *See* Order No. PSC-08-0021-FOF-EI, issued January 7, 2008 (making an affirmative determination of need for FPL’s EPU project) and Order No. PSC-08-0237-FOF-EI, issued April 11, 2008 (making an affirmative determination of need for Turkey Point 6 & 7). As required by the Rule, and as demonstrated in the testimony, exhibits, and Nuclear Filing Requirements (“NFRs”) filed in this docket, FPL’s expenditures through 2009 on each of these projects were prudently incurred, and FPL’s actual/estimated 2010 expenditures and projected 2011 expenditures are reasonable.

For Turkey Point 6 & 7, 2009 pre-construction costs were necessarily and prudently incurred to continue with the licensing and permitting of the project, for engineering and design, and for power block engineering and procurement. In 2010 and 2011, FPL has incurred and expects to incur licensing and permitting preconstruction costs to continue with the work

necessary to obtain the licenses and permits that will allow for future construction. Throughout the development of Turkey Point 6 & 7, FPL has adhered to a deliberate, step-wise approach focused on maintaining the ability to move forward with the project, while fully recognizing and responding to industry and regulatory uncertainty. As a result, FPL has been able to make prudent and cost-effective decisions each step of the way. FPL's 2009 costs were prudently incurred, and its 2010 actual/estimated costs and 2011 projected costs are reasonable. All of FPL's Turkey Point 6 & 7 costs are supported by overlapping project, budget, cost and schedule controls.

With respect to the Uprate Project, in 2009, FPL prudently incurred necessary project costs related to the license application, engineering and design, permitting, project management, power block engineering and procurement, and non-power block engineering and procurement. Significant progress was made in 2009 to advance this complex undertaking, with implementation activities occurring in 2010 and planned for 2011. FPL's 2009 costs were prudently incurred, and its 2010 actual/estimated costs and 2011 projected costs are reasonable. All of FPL's EPU costs are supported by overlapping project, budget, cost and schedule controls.

Turkey Point 6 & 7 and the Uprate Project both continue to be projected as solidly cost-effective for FPL's customers. FPL has updated the inputs to its long-term feasibility analyses and these analyses show that – assuming a wide range of potential fuel costs, a wide range of potential environmental compliance costs, and updated assumptions for the load forecast and capital costs among others – each of these projects are projected to be solidly cost-effective generation additions for FPL's customers. Indeed, each project is cost-effective in seven out of seven different fuel cost and environmental compliance cost scenarios. Additionally, Turkey Point 6 & 7 is cost-effective in all but one of seven sensitivity scenarios that were run to examine the potential for higher financing costs and the EPU project is cost-effective in all but one of

twenty-one sensitivity scenarios that were run to examine the potential for higher financing costs and/or lower than anticipated megawatt output.

Additionally, each project is projected to provide substantial customer benefits. For example, assuming a Medium Fuel Cost and the “Environmental II” compliance cost scenario, the EPU project is projected to provide estimated fuel cost savings for FPL’s customers of approximately \$146 million (nominal \$) in the first full year of operation; provide estimated fuel cost savings for FPL’s customers over the life of the plant of approximately \$6 billion (nominal \$); diversify FPL’s fuel sources by decreasing reliance on natural gas by 3% beginning in the first full year of operation; reduce annual fossil fuel usage by the equivalent of five million barrels of oil or 31 million mmbTU of natural gas; and reduce carbon dioxide (“CO<sub>2</sub>”) emissions by an estimated 33 million tons over the life of the plant.

Similarly, assuming the same fuel and environmental compliance cost scenario, Turkey Point 6 & 7 is projected to provide estimated fuel cost savings for FPL’s customers of approximately \$1.3 billion (nominal \$) in the first full year of operation; provide estimated fuel cost savings for FPL’s customers over the life of the plant of approximately \$95 billion (nominal \$); diversify FPL’s fuel sources by decreasing reliance on natural gas by approximately 12% beginning in the first full year of operation; reduce annual fossil fuel usage by the equivalent of 28 million barrels of oil or 177 million mmbTU of natural gas; and reduce CO<sub>2</sub> emissions by an estimated 284 million tons over the life of the plant, which is the equivalent of operating FPL’s entire generating system with zero CO<sub>2</sub> emissions for 7 years.

For all the reasons discussed above, and as explained in more detail in the direct, supplemental, and rebuttal testimony provided by its witnesses, FPL’s total requested NCRC

amount of \$31,288,445<sup>1</sup> should be approved. For a typical residential customer consuming 1,000 kWh per month, this amount equates to an approximate monthly bill impact of \$0.33. FPL's request consists of (i) carrying charges on site selection costs for Turkey Point 6 & 7; (ii) pre-construction costs and associated carrying charges for continued development of Turkey Point 6 & 7; and (iii) carrying charges on construction costs, operations and maintenance ("O&M") costs, and base rate revenue requirements for in-service systems for the Uprate Project, all as provided for in Section 366.93, Florida Statutes and the Rule. FPL's request complies with the requirements of Section 366.93, Florida Statutes, complies with the Rule, and will enable the proper recovery of costs incurred in the pursuit of additional nuclear generation for the benefit of FPL's customers.

#### IV. ISSUES AND POSITIONS

##### Legal Matters

**ISSUE 1:** Do FPL's activities related to Turkey Point Units 6 & 7 qualify as "siting, design, licensing, and construction" of a nuclear power plant as contemplated by Section 366.93, F.S.?

FPL: Yes. FPL is conducting activities and incurring necessary expenses in the course of actively pursuing the license, permits and approvals necessary to create the option for new nuclear generation consistent with the intent of Section 366.93, F.S., which is to promote electric utility investment in nuclear power plants. Because FPL has received a determination of need for Turkey Point 6 & 7 pursuant to Section 403.519(4), F.S., FPL is entitled to recover all prudently incurred costs including, but not limited to, those associated with siting, design, licensing, and construction. The fact that FPL is not simultaneously involved in each category of activity (i.e., FPL is not currently in the construction phase of the project) does not affect the applicability of Section 366.93, F.S., and the Commission's Nuclear Cost Recovery Rule to FPL's Turkey Point 6 & 7 costs. (Scroggs, Diaz, Reed)

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<sup>1</sup> The dollar figures referenced herein reflect accounting computational or formulaic errata that will be filed in this docket.

**ISSUE 2:** Do PEF's activities related to Levy Units 1 & 2 qualify as "siting, design, licensing, and construction" of a nuclear power plant as contemplated by Section 366.93, F.S.?

FPL: No position.

**ISSUE 3:** Does the Commission have the authority to require a "risk sharing" mechanism that would provide an incentive for a utility to complete a project within an appropriate, established cost threshold? If so, what action, if any, should the Commission take?

FPL: No. FPL is entitled to recover *all* its prudently incurred costs pursuant to Sections 403.519(4) and 366.93, F.S., regardless of whether they total to some amount above or below a certain threshold. Additionally, FPL is only required to provide a non-binding cost estimate for nuclear projects during the determination of need and cost recovery processes, not a binding threshold. These two concepts – the ability to recover all prudent costs and the provision for a non-binding cost estimate – are critical elements of the nuclear cost recovery framework established by the Florida Legislature and intended to promote utility investment in nuclear generation. The establishment of a "risk sharing" mechanism would therefore run afoul of both the letter of the law and the intent of the law. Furthermore, the establishment of such a mechanism (even if it were to be permitted by law) would logically result in utilities developing project cost estimates with sufficient contingency to substantially limit the probability of a cost overrun. By doing so, the Commission would risk encouraging utilities to set much higher cost estimates and budgetary targets for nuclear projects, which is less desirable for customers from a policy perspective. (Jones, Reed)

#### **Progress Energy Florida, Inc**

**ISSUE 4:** Should the Commission find that for the year 2009, PEF's accounting and costs oversight controls were reasonable and prudent for the Levy Units 1 & 2 project and the Crystal River Unit 3 Uprate project?

FPL: No position.

**ISSUE 5:** Should the Commission find that for the year 2009, PEF's project management, contracting, and oversight controls were reasonable and prudent for the Levy Units 1 & 2 project and the Crystal River Unit 3 Uprate project?

FPL: No position.

**ISSUE 6:** Should the Commission approve what PEF has submitted as its annual detailed analysis of the long-term feasibility of completing the Levy Units 1 &

**2 project, as provided for in Rule 25-6.0423, F.A.C? If not, what action, if any, should the Commission take?**

FPL: No position.

**ISSUE 7: Is PEF's decision to continue pursuing a Combined Operating License from the Nuclear Regulatory Commission for Levy Units 1 & 2 reasonable? If not, what action, if any, should the Commission take?**

FPL: No position.

**ISSUE 8: Should the Commission approve what PEF has submitted as its annual detailed analysis of the long-term feasibility of completing the Crystal River Unit 3 Uprate project, as provided for in Rule 25-6.0423, F.A.C? If not, what action, if any, should the Commission take?**

FPL: No position.

**ISSUE 9: What system and jurisdictional amounts should the Commission approve as PEF's final 2009 prudently incurred costs and final true-up amounts for the Crystal River Unit 3 Uprate project?**

FPL: No position.

**ISSUE 10: What system and jurisdictional amounts should the Commission approve as PEF's reasonably estimated 2010 costs and estimated true-up amounts for the Crystal River Unit 3 Uprate project?**

FPL: No position.

**ISSUE 11: What system and jurisdictional amounts should the Commission approve as PEF's reasonably projected 2011 costs for the Crystal River Unit 3 Uprate project?**

FPL: No position.

**ISSUE 12: What system and jurisdictional amounts should the Commission approve as PEF's final 2009 prudently incurred costs and final true-up amounts for the Levy Units 1 & 2 project?**

FPL: No position.

**ISSUE 13: What system and jurisdictional amounts should the Commission approve as reasonably estimated 2010 costs and estimated true-up amounts for PEF's Levy Units 1 & 2 project?**

FPL: No position.



**ISSUE 14:** What system and jurisdictional amounts should the Commission approve as reasonably projected 2011 costs for PEF's Levy Units 1 & 2 project?

FPL: No position.

**ISSUE 15:** What is the total jurisdictional amount to be included in establishing PEF's 2011 Capacity Cost Recovery Clause factor?

FPL: No position.

**Florida Power & Light Company**

**ISSUE 16:** Should the Commission find that for the year 2009, FPL's accounting and costs oversight controls were reasonable and prudent for the Turkey Point Units 6 & 7 project and the Extended Power Uprate project?

FPL: Yes. FPL relies on its comprehensive corporate and overlapping business unit controls for recording and reporting transactions associated with Turkey Point 6 & 7 and the Extended Power Uprate project. These comprehensive and overlapping controls include FPL's Accounting Policies and Procedures; financial systems and related controls including FPL's general ledger and construction asset tracking system; FPL's annual budgeting and planning process and reporting and monitoring of plan costs to actual costs incurred; and Business Unit specific controls and processes. The project internal controls are comprised of various financial systems, department procedures, work/desktop instructions and best practices, providing governance and oversight of project cost and schedule processes. This comprehensive system of controls helps ensure reasonable costs and prudent decision making. (Scroggs, Jones, Powers, Reed)

**ISSUE 17:** Should the Commission find that for the year 2009, FPL's project management, contracting, and oversight controls were reasonable and prudent for the Turkey Point Units 6 & 7 project and the Extended Power Uprate project?

FPL: Yes. FPL's practices include a series of documented, overlapping processes that ensure the Company's system of internal controls is being implemented within the projects and ensure appropriate senior level oversight. The project management, cost estimation, and risk management attributes of FPL are highly developed, well documented, and adhered to by the project teams. FPL's management decisions with respect to both the Turkey Point 6 & 7 project and the EPU project are the product of properly qualified, well-informed FPL management following appropriate procedures and internal controls. (Scroggs, Jones, Reed)

**ISSUE 18:** **Should the Commission approve what FPL has submitted as its annual detailed analysis of the long-term feasibility of completing the Turkey Point 6 & 7 project, as provided for in Rule 25-6.0423, F.A.C? If not, what action, if any, should the Commission take?**

FPL: Yes. FPL used three different fuel cost forecasts and three environmental compliance cost forecasts for several types of emissions (SO<sub>2</sub>, NO<sub>x</sub>, and CO<sub>2</sub>) in its analyses. This allows a number of combinations of fuel and environmental compliance costs to serve as possible future scenarios with which to view the economics of Turkey Point 6 & 7. FPL annually updates these fuel and environmental compliance cost projections, and updates a number of other assumptions such as the load forecast, for its economic analyses. Based on this analysis, Turkey Point 6 & 7 is projected to be a solidly cost-effective addition for FPL's customers in seven out of seven "base case" scenarios. Turkey Point 6 & 7 would also be cost effective in six out of seven sensitivity scenarios, which were run to examine the potential for higher financing costs. Additionally, the substantial benefits of Turkey Point 6 & 7 in terms of fuel diversity, reduced fossil fuel usage, and system emission reductions are evident. The results of the analysis fully support the feasibility of continuing the Turkey Point 6 & 7 project. (Scroggs, Reed, Sim)

**ISSUE 19:** **Is FPL's decision to continue pursuing a Combined Operating License from the Nuclear Regulatory Commission for Turkey Point Units 6 & 7 reasonable? If not, what action, if any, should the Commission take?**

FPL: Yes. FPL's decision to continue pursuing a Combined Operating License is reasonable because obtaining a license will provide FPL an option to build Turkey Point 6 & 7 that can be exercised during a period of 20 years. Pursuing a COL and obtaining this option is of great value to FPL's customers, because FPL's feasibility analysis in this proceeding shows that exercising the option and constructing Turkey Point 6 & 7 is projected to save customers tens of billions of dollars in fuel and environmental costs in a wide range of potential future fuel and environmental compliance cost scenarios. This is in addition to greatly reducing reliance on fossil fuels and improving fuel diversity consistent with the direction of the Florida Legislature, as well as reducing environmental emissions and supporting electric system reliability with base load generating capacity. While providing additional flexibility during uncertain times, obtaining a COL does not prevent the Company from pursuing other resource strategies should such strategies prove favorable to FPL's customers. Accordingly, continued pursuit of the COL is reasonable and consistent with the prudent, step-wise management approach that FPL has taken for Turkey Point 6 & 7 since its inception. (Scroggs, Diaz, Jacobs, Reed)

**ISSUE 20:** Should the Commission approve what FPL has submitted as its annual detailed analysis of the long-term feasibility of completing the Extended Power Uprate project, as provided for in Rule 25-6.0423, F.A.C? If not, what action, if any, should the Commission take?

FPL: Yes. FPL used three different fuel cost forecasts and three environmental compliance cost forecasts for several types of emissions (SO<sub>2</sub>, NO<sub>x</sub>, and CO<sub>2</sub>) in its analyses. This allows a number of combinations of fuel and environmental compliance costs to serve as possible future scenarios with which to view the economics of the EPU project. Additionally, FPL annually updates these fuel and environmental compliance cost projections, and updates a number of other assumptions such as the load forecast, for its economic analyses. Based on this analysis, the EPU Project is still projected to be a solidly cost-effective addition for FPL's customers in seven out of seven "base case" scenarios. The EPU project would also be cost effective in seven out of seven sensitivity scenarios that were run to examine the potential for higher financing costs, seven out of seven sensitivity scenarios that were run to examine an EPU project output of 399 MW (as opposed to the currently estimated 450 MW), and six out of seven sensitivity scenarios that combined higher financing costs and a 399 MW output. Additionally, the substantial benefits of the EPU project in terms of fuel diversity, reduced fossil fuel usage, and system emission reductions are evident. The results of the analysis fully support the feasibility of continuing the EPU Project. (Jones, Reed, Sim)

**ISSUE 21:** What system and jurisdictional amounts should the Commission approve as FPL's final 2009 prudently incurred costs and final true-up amounts for the Extended Power Uprate project?

FPL: The Commission should approve \$237,677,629 (system) in EPU expenditures and \$498,077 (system) in O&M expenses as FPL's final 2009 prudently incurred costs. The resultant jurisdictional costs, net of joint owner and other adjustments, are \$227,680,201 for EPU expenditures, \$16,459,883 in carrying charges, and \$480,934 in O&M expenses. In addition, 2009 prudently incurred jurisdictional base rate revenue requirements are \$12,802. FPL's 2009 EPU costs are supported by comprehensive procedures, processes and controls which help ensure that those expenditures were the result of prudent decision making.

The final 2009 true up amount is an over recovery of \$3,837,507 in carrying costs, an over recovery of \$63,533 in O&M expenses and an over recovery of \$70,658 in base rate revenue requirements. The net amount of (\$3,971,698) should be included in setting FPL's 2011 NCRC recovery amount. (Jones, Powers, Reed)

**ISSUE 22:** What system and jurisdictional amounts should the Commission approve as FPL's reasonable actual/estimated 2010 costs and estimated true-up amounts for the Extended Power Uprate project?

FPL: The Commission should approve \$318,166,769 (system) in EPU expenditures and \$3,210,753 (system) in O&M expenses as FPL's reasonable actual/estimated 2010 costs. The resultant jurisdictional costs, net of joint owner and other adjustments, are \$302,009,710 for EPU expenditures, \$42,352,323 in carrying charges, and \$3,140,969 in O&M expenses. In addition, reasonable jurisdictional base rate revenue requirements are \$2,018,321, with carrying charges of (\$457,762). FPL's 2010 actual/estimated EPU costs are supported by comprehensive procedures, processes and controls which help ensure that these costs are reasonable

The 2010 true up amount is an under recovery of \$757,736 in carrying costs, under recovery of \$992,986 in O&M expenses, and over recovery of \$14,317,118 in base rate revenue requirements. The net amount of (\$12,566,397) should be included in setting FPL's 2011 NCRC recovery amount. (Jones, Powers, Reed)

**ISSUE 23:** **What system and jurisdictional amounts should the Commission approve as FPL's reasonably projected 2011 costs for the Extended Power Upgrade project?**

FPL: The Commission should approve the amount of \$547,756,895 (system) in EPU expenditures and \$4,161,728 (system) in O&M expenses as FPL's reasonably projected 2011 costs. The resultant jurisdictional costs, net of joint owner and other adjustments, are \$521,701,593 in EPU expenditures, \$49,129,740 in carrying charges, and \$3,917,202 in O&M expenses. In addition, reasonable jurisdictional base rate revenue requirements are \$28,270,391. The total amount of \$81,317,333 should be included in setting FPL's 2011 NCRC recovery amount. FPL's 2011 projected construction expenditures are supported by comprehensive procedures, processes and controls which help ensure that these projected costs are reasonable. (Jones, Powers, Reed)

**ISSUE 24:** **What system and jurisdictional amounts should the Commission approve as FPL's final 2009 prudently incurred costs and final true-up amounts for the Turkey Point Units 6 & 7 project?**

FPL: The Commission should approve \$37,731,525 (system) and \$37,599,045 (jurisdictional) as FPL's final 2009 prudently incurred preconstruction costs, as well as \$857,693 in preconstruction carrying charges and \$373,162 in jurisdictional carrying charges on prior years' unrecovered site selection costs. FPL's 2009 expenditures were supported by comprehensive procedures, processes and controls which help ensure that those expenditures were the result of prudent decision making.

The final 2009 true up amount is an over recovery of \$7,845,423 in pre-construction expenditures and an over recovery of \$2,802,854 in preconstruction carrying charges and on site selection unrecovered costs. The net amount of (\$10,648,277) should be included in FPL's 2011 NCRC recovery amount. (Scroggs, Powers, Reed)

**ISSUE 25: What system and jurisdictional amounts should the Commission approve as reasonably estimated 2010 costs and estimated true-up amounts for FPL's Turkey Point Units 6 & 7 project?**

FPL: The Commission should approve \$42,629,655 (system) and \$42,125,853 (jurisdictional) as FPL's reasonable 2010 actual/estimated preconstruction costs, as well as (\$4,734,785) in preconstruction carrying charges and \$145,965 in jurisdictional carrying charges on prior years' unrecovered site selection costs. FPL's 2010 actual/estimated expenditures are supported by comprehensive procedures, processes and controls which help ensure that these costs are reasonable.

The 2010 true up amount is an over recovery of \$48,528,272 in pre-construction expenditures and an over recovery of \$5,795,691 in preconstruction carrying charges and on site selection unrecovered costs. The net amount of (\$54,323,963) should be included in FPL's 2011 NCRC recovery amount. (Scroggs, Powers, Reed)

**ISSUE 26: What system and jurisdictional amounts should the Commission approve as reasonably projected 2011 costs for FPL's Turkey Point Units 6 & 7 project?**

FPL: The Commission should approve \$29,469,475 (system) and \$29,121,201 (jurisdictional) as FPL's reasonable 2011 projected preconstruction costs, as well as \$2,189,194 in preconstruction carrying charges and \$171,052 in carrying charges on prior years' unrecovered site selection costs. The total amount of \$31,481,447 should be included in setting FPL's 2011 NCRC recovery amount. FPL's 2011 projected expenditures are supported by comprehensive procedures, processes and controls which help ensure that these projected costs are reasonable. (Scroggs, Powers, Reed)

**ISSUE 27: What is the total jurisdictional amount to be included in establishing FPL's 2011 Capacity Cost Recovery Clause factor?**

FPL: The total jurisdictional amount of \$31,288,445 should be included in establishing FPL's 2011 Capacity Cost Recovery Clause factor. This amount consists of carrying charges on site selection costs, pre-construction costs and associated carrying charges for continued development of Turkey Point 6 & 7; and carrying charges on construction costs, O&M costs and base rate revenue requirements, all as provided for in Section 366.93 and the Rule. (Powers)

**V. STIPULATED ISSUES**

There are no stipulated issues at this time.

## VI. PENDING MOTIONS

<b>Motion Document No.</b>	<b>Date</b>	<b>Description</b>
06140-10	7/28/2010	Motion for temporary protective order of Staff's audit report
05440-10	07/01/2010	Motion for temporary protective order of responses to OPC's 3rd request for PODs (Nos. 34-36, 40, 47-53, 55-61, 63, 66, and 67) and responses to OPC's 3rd set of interrogatories (Nos. 37 and 45)
05363-10	06/29/2010	Motion for temporary protective order of response to OPC's 3rd request for PODs (No. 60)
03881-10	05/07/2010	Motion for temporary protective order of Exhibit TOJ-14 and Exhibit SDS-9
03465-10	04/28/2010	Motion for temporary protective order of information included in FPL's responses to OPC's 1st request for PODs (Nos. 1, 2, 4, 5, 7, 9, 11, 15, 17, 19, and 20), and 2nd request for PODs (Nos. 21, 22, 25, 27-29)
01705-10	03/12/2010	Motion for temporary protective order of Exhibit TOJ-1 and Exhibit SDS-1

## VII. PENDING REQUESTS FOR CONFIDENTIAL CLASSIFICATION

<b>Request Document No.</b>	<b>Date</b>	<b>Description</b>
TBD	8/3/2010	Request for confidential classification of portions of Exhibit SRS-12 to the testimony of Steven R. Sim
06156-10	07/28/2010	Request for confidential classification of portions of the Testimony of Dr. William Jacobs
05908-10	07/19/2010	Request for confidential classification of staff's audit workpapers
05780-10	07/14/2010	Request for confidential classification of staff's audit report on project management internal controls
04563-10	06/01/2010	Request for confidential classification of materials provided pursuant to Audit No. 10-006-4-1
04560-10	06/01/2010	Request for confidential classification of materials provided pursuant to Audit No. 10-006-4-2
04065-10	05/13/2010	Request for confidential classification of responses to OPC's request for POD's 1&2
03681-10	05/03/2010	Request for confidential classification of Exhibit SDS-9 to testimony of Steven D. Scroggs and Exhibit TOJ-14 to testimony of Terry O. Jones
03168-10	4/22/2010	Revised request for confidential classification of documents provided pursuant to Audit Control No. 08-087-4-1 (original request filed in Docket No. 080009-EI)

03164-10	4/22/2010	Revised request for confidential classification of information contained in the revised direct testimony and exhibits of William R. Jacobs, Jr., PhD (original request filed in Docket No. 080009-EI)
01375-10	03/1/2010	Request for confidential classification of portions of Exhibit TOJ-1 to testimony of Terry O. Jones and Exhibit SDS-1 to testimony of Steven D. Scroggs (revised Exhibit A and Revised Exhibit B filed 3/23/2010)

**VIII. OBJECTIONS TO WITNESSES' QUALIFICATIONS**

At this time, FPL has no objections to any witness's qualifications.

**IX. REQUIREMENTS OF THE PREHEARING ORDER THAT CANNOT BE MET**

At this time, FPL is not aware of any requirements in the Order Establishing Procedure with which it cannot comply.

Respectfully submitted this 3rd day of August, 2010.

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**CERTIFICATE OF SERVICE  
DOCKET NO. 100009-EI**

I HEREBY CERTIFY that a true and correct copy of FPL's Prehearing Statement, was served electronically and by U.S. Mail this 3rd day of August, 2010 to the following:

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