BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 110009-EI

In the Matter of:

NUCLEAR COST RECOVERY CLAUSE.
_____/

VOLUME 2

Pages 135 through 289

PROCEEDINGS: HEARING

COMMISSIONERS PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER EDUARDO E. BALBIS
COMMISSIONER JULIE I. BROWN

DATE: Wednesday, August 10, 2011

TIME: Commenced at 12:25 p.m.
Concluded at 1:09 p.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: LINDA BOLES, RPR, CRR
Official FPSC Reporter
(850) 413-6734

APPEARANCES: (As heretofore noted.)

I N D E X

WITNESSES

EXHIBITS

NUMBER:		ID.	ADMTD.
194	Scroggs' prior year's rebuttal testimony	286	

P R O C E E D I N G S

(Transcript continues in sequence from Volume 1.)

CHAIRMAN GRAHAM: All right. Now am I swearing in witnesses?

MR. YOUNG: Yes, sir.

CHAIRMAN GRAHAM: Okay. Your witnesses, are they here? If I can just get the witnesses to stand and to raise your right hand.

(Witnesses collectively sworn.)

MR. YOUNG: Mr. Chairman?

CHAIRMAN GRAHAM: Yes.

MR. YOUNG: Staff would note, per the Prehearing Officer's ruling, witness summaries shall not exceed five minutes per witness for each petition.

CHAIRMAN GRAHAM: Yep. I got that.

MR. YOUNG: Staff witnesses in this, in this portion of the docket will be testifying as a panel, and the witness, witness summaries for that will not exceed five minutes.

CHAIRMAN GRAHAM: I also want to remind the parties that we're not going to have testimony that's duplicative, repetitive, and there is no friendly cross allowed. I'm sure the Staff has already told you that, but I just want to let you know.

Okay. Mr. Anderson, first witness.

MR. ANDERSON: I'll introduce my colleague Jessica Cano, who will present FPL's first witness, Steven Scroggs.

MS. CANO: Thank you.

STEVEN D. SCROGGS

was called as a witness on behalf of Florida Power & Light Company and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MS. CANO:

Q Mr. Scroggs, were you just sworn?

A Yes.

Q Would you please state your name and business address for the record?

A My name is Steve Scroggs. I am the Senior Director of Development for Florida Power & Light Company.

Q Thank you. Have you prepared and caused to be filed 73 pages of prefiled direct testimony on March 1st, 2011?

A Yes, I have.

Q And did you also prepare and cause to be filed 42 pages of prefiled direct testimony in this proceeding on May 2nd, 2011?

A Yes, I have.

Q Did you also cause to be filed one page of errata and updates on August 4th, 2011?

A Yes, I have.

Q Do you have any other changes or revisions to make to your prefiled testimony?

A No, I do not.

MR. ANDERSON: We've been asked to have people speak up a little more clearly.

CHAIRMAN GRAHAM: I think we can -- can we control that mic? Thank you.

BY MS. CANO:

Q If I were to ask you the same questions today that are contained in your prefiled testimony, would your answers be the same?

A Yes, they would.

MS. CANO: Mr. Chairman, I ask that the prefiled direct testimony of Steven Scroggs be entered into the record as though read.

CHAIRMAN GRAHAM: Let's enter that prefiled testimony into the record as though read.

BY MS. CANO:

Q Did you also sponsor or cosponsor exhibits to your testimony?

A Yes, I did.

Q And do those consist of Exhibits SDS-1 through SDS-20?

A Yes, I did.

MS. CANO: Mr. Chairman, I would note that these have been premarked for identification on Staff's exhibit list as Exhibits 2 through 21.

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear Power Plant)	DOCKET NO. 110009-EI
Cost Recovery Clause)	FILED: August 4, 2011

TESTIMONY OF STEVEN D. SCROGGS, MARCH 1, 2011

ERRATA

PAGE #	LINE #	
8	7	Change "SDS - 11" to "SDS - 7"

UPDATES

PAGE #	LINE #	
54	9-11	On July 20, 2011 the Ninth Revised Schedule for the Turkey Point 6 & 7 Site Certification Application (SCA) was approved. The effect of this revision extends the SCA schedule by approximately six weeks from the Eighth Revised Schedule.

TESTIMONY OF STEVEN D. SCROGGS, MAY 2, 2011

ERRATA

PAGE #	LINE #	
28	9	Change "June 15, 2011" to "July 15, 2011"

UPDATES

PAGE #	LINE #	
28	9	On July 14, 2011, FPL and Westinghouse agreed to extend the Forging Reservation Agreement. The current extension expires September 16, 2011.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF STEVEN D. SCROGGS

DOCKET NO. 110009-EI

MARCH 1, 2011

Q. Please state your name and business address.

A. My name is Steven D. Scroggs and my business address is 700 Universe Boulevard, Juno Beach, FL 33408.

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

A. I am employed by Florida Power & Light Company (FPL) as Senior Director, Project Development. In this position I have responsibility for the development of power generation projects.

Q. Please describe your duties and responsibilities with regard to the development of new nuclear generation to meet FPL customer needs.

A. Commencing in the summer of 2006, I was assigned the responsibility for leading the investigation into the potential of adding new nuclear generation to FPL's system, and the subsequent development of new nuclear generation additions to FPL's power generation fleet. I currently lead the development of FPL's Turkey Point Nuclear Units 6 and 7 (Turkey Point 6 & 7).

Q. Please describe your educational background and professional experience.

A. I graduated from the University of Missouri – Columbia in 1984 with a Bachelor of Science Degree in Mechanical Engineering. From 1984 until 1994, I served in the United States Navy as a Nuclear Submarine Officer. From 1994 to 1996, I was a research associate at The Pennsylvania State University, where I earned a Masters Degree in Mechanical Engineering. I provided consulting and management services to the regulated and unregulated power generation industry through a number of positions until 2003, when I joined FPL as Manager, Resource Assessment and Planning.

Q. Are you sponsoring any exhibits in this proceeding?

A. Yes, I am sponsoring the following exhibits:

- SDS-1, consisting of schedules T-1 through T-7 covering the 2009 actual period for Turkey Point 6 & 7 Pre-Construction costs. Page 2 of SDS-1 contains a table of contents listing the T schedules sponsored and co-sponsored by FPL Witness Powers and by me, respectively.
- SDS-2, consisting of schedules A/E-1 through A/E-7 the 2010 actual/estimated period for Turkey Point 6 & 7 Pre-Construction costs. Page 2 of SDS-2 contains a table of contents listing the A/E schedules sponsored and co-sponsored by FPL Witness Powers and by me, respectively.
- SDS-3, consisting of schedules T-1 through T-7 covering the 2010 actual period for Turkey Point 6 & 7 Pre-Construction costs. Page 2 contains a table of contents listing the T schedules sponsored and co-sponsored by FPL Witness Powers and by me, respectively.

- SDS-4, consisting of schedules T-1 through T-7 covering the 2009 actual period for Turkey Point 6 & 7 Site Selection costs. Page 2 of SDS-4 contains a table of contents listing the T schedules sponsored and co-sponsored by FPL Witness Powers and by me, respectively.
- SDS-5, consisting of schedules A/E-1 through A/E-7 covering the 2010 actual/estimated period for Turkey Point 6 & 7 Site Selection costs. Page 2 of SDS-5 contains a table of contents listing the A/E schedules sponsored and co-sponsored by FPL Witness Powers and by me, respectively.
- SDS-6, consisting of schedules T-1 through T-7 covering the 2010 actual period for Turkey Point 6 & 7 Site Selection costs. Page 2 contains a table of contents listing the T schedules sponsored and co-sponsored by FPL Witness Powers and by me, respectively.
- SDS-7, consisting of a table providing a listing of all licenses, permits and approvals FPL is preparing to support the Turkey Point 6 & 7 project.
- SDS-8, consisting of a comprehensive list of procedures and work instructions that govern the internal controls processes.
- SDS-9, providing a list describing various project reports, their periodicity and target audience.
- SDS-10, providing a comprehensive list of project instructions and forms.
- SDS-11, providing Project Memoranda generated in 2009 and 2010.
- SDS-12, providing summary tables of the 2009 expenditures.
- SDS-13, providing a summary of the 2010 cost estimate review.

- SDS-14, providing summary tables of the 2010 expenditures.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe the activities involved in the Turkey Point 6 & 7 project throughout 2009 and 2010. Specifically, my testimony will describe the deliberate, stepwise process FPL is employing to create an option to provide new nuclear generation for our customers and how that process is being managed and controlled to ensure prudent expenditures and the best outcome possible. I will include a discussion of project internal controls and how those controls, supported by internal and external oversight, provide for diligent and professional project execution. I will discuss key issues the project has faced in 2009 and 2010 and how those issues were evaluated and appropriate actions determined. Further, my testimony will discuss the actual expenditures made related to the project and compare those expenditures to the actual/estimated values provided in May 2009 and May 2010. Collectively, my testimony will provide the information necessary to demonstrate that FPL's management decisions with respect to the Turkey Point 6 & 7 project are the product of properly qualified, well-informed FPL management following appropriate procedures and internal controls, and the costs for the project are reasonable and were prudently incurred.

Q. Please describe how your testimony is organized.

A. My testimony includes the following sections:

1. High Level Project Summary and Issues
2. Project Management Internal Controls

3. Procurement Processes and Controls
4. Internal/External Audits and Reviews
5. 2009 Project Activities and Results
6. 2009 Key Management Decisions
7. 2009 Preconstruction Costs
8. 2009 Project Site Selection Costs
9. 2010 Project Activities and Results
10. 2010 Key Management Decisions
11. 2010 Preconstruction Costs
12. 2010 Project Site Selection Costs
13. Conclusion

Q. Please summarize your testimony.

A. My testimony describes the activities accomplished in 2009 and 2010. During 2009, the project completed the studies and analyses supporting applications to federal, state and local entities for required licenses, certifications and permits to construct and operate the project. These applications describe the project's technical and environmental aspects and are now the focus of extensive agency review and deliberation that will continue through the next several years. Additionally, 2009 was a year of negotiation, analysis and review to determine how and when to take additional steps beyond the licensing activity in preparation for project construction.

Early in 2010 the results of 2009 were evaluated to revise the project capital cost estimate range and the project schedule. The review indicated that key project issues had not matured to the stage that warranted pursuing pre-construction activities in parallel with licensing activities. The project schedule was revised to initiate pre-construction activities following licensing, as opposed to conducting some pre-construction activities in parallel with licensing, resulting in new projected commercial operating dates of 2022 and 2023 for Unit 6 & 7, respectively. Through the balance of 2010, a robust dialogue was maintained with federal, state and local government agencies and stakeholders in support of the project application reviews. Careful and deliberate progress was made, achieving a higher level of mutual understanding and project detail. Key approvals and agreements were obtained.

My testimony demonstrates that the Turkey Point 6 & 7 project struck an appropriate balance to maintain progress towards the necessary approvals, creating the option for new nuclear generation, but has managed commitments in recognition of developing regulatory schedules, economic factors and significant stakeholder interest. My testimony also demonstrates that the project management process is being conducted in a well-informed, transparent and organized manner enabling executive oversight and facilitating reviews by internal and external parties. This disciplined

application of process by well-qualified FPL employees and contractors results in prudent decisions with respect to project activities and expenditures.

HIGH LEVEL PROJECT SUMMARY & ISSUES

Q. Please summarize the Turkey Point 6 & 7 project in 2009.

A. During 2009, the Turkey Point 6 & 7 Project progressed on schedule with licensing and permitting activities, and maintained costs well within budget. As a result of commercial negotiations and engineering planning analysis, several key decisions were made that accepted an increase in risk to maintaining the project construction schedule of early 2009. These decisions included deferral of the Engineering and Procurement (EP) or Engineering, Procurement and Construction (EPC) contract, deferral of Long Lead material procurement and withdrawal of the Limited Work Authorization (LWA) request. The Forging Reservation Agreement, providing for manufacturing slots to support the then current project schedule, was extended into 2010. The project completed 2009 with total expenditures of $37.7 million dollars as compared to the May 1, 2009 filing projection of $45.6 million. The variance for 2009 is related to work scope deferred into the future. The specific variances and explanations are provided later in this testimony.

The primary activities (and majority of expenditures) in 2009 were related to finalizing the license and permit applications required to facilitate federal,

state and local reviews of the project. All applications were filed June 30, 2009, with the exception of the application for the Underground Injection Control (UIC) Exploratory Well which was filed January 20, 2009. Both before and after submittal of all applications, FPL conducted a coordinated agency outreach and engagement effort to ensure the applications would be complete, sufficient and fully understood by the reviewing agencies. A listing of these approvals is provided as Exhibit SDS-11. Additionally, FPL conducted extensive project education and interactive dialogue with community and governmental stakeholders throughout the year. These efforts took the form of bi-lateral and multi-party meetings, websites, customer correspondence, site tours and presentations to civic groups, governmental bodies and non-governmental organizations.

Along with the intensive licensing and permitting activity, FPL continued important steps to obtain additional approvals, agreements and transactions to support the project. These include: 1) the EP or EPC agreement with Westinghouse/Shaw (WS), 2) supporting federal legislation to support a land exchange with Everglades National Park, 3) commercial sources of fill for future construction, 4) Comprehensive Development Master Plan (CDMP) Amendments for a lake excavation and roadway improvements, and 5) a Joint Participation Agreement to facilitate delivery of reclaimed water from Miami-Dade County.

Q. Please summarize the Turkey Point 6 & 7 project in 2010.

A. During 2010, the Turkey Point 6 & 7 Project continued with the review of project license and permit applications, and maintained costs well within budget. The project completed 2010 with total expenditures of $25.6 million dollars as compared to the May 1, 2010 filing projection of $42.6 million. Primarily, the variance is related to work scope deferred into the future. The specific variances and explanations are provided later in this testimony.

FPL conducted a review of project cost and schedule in early 2010 that resulted in a revised project schedule and a check of the non-binding capital cost estimate range. The review concluded that it was premature to initiate those activities associated with the Preparation phase, and revised the project schedule to remove the overlap between Licensing phase and Preparation phase activities. The revised schedule targeted commercial operation dates (COD) of 2022 and 2023 for Units 6 & 7, respectively. The Forging Reservation Agreement was extended to March 15, 2011 to allow additional time for negotiation and resolution following the schedule change. The cost estimate check reviewed the project cost estimate using the most current information available at the line item level. The revised cost estimate confirmed that project overnight capital costs are consistent with the high end of the original cost estimate range. Although this estimate is not supported by firm contracts, it is consistent with what is known of cost estimates for other ongoing AP1000 projects in the Southeast U.S.

The primary activities in 2010 were related to the ongoing review of license and permit applications for the project. The Nuclear Regulatory Commission (NRC) Combined License schedule included a public meeting on the project and a pre-hearing conference convened by the Licensing Board in November. The Site Certification application went through multiple rounds of completeness review. In December, the transmission portion of the application was determined to be complete.

FPL continued important development steps to obtain additional approvals, agreements and transactions to support the project. These include negotiations for: 1) activities to complete steps supporting a land exchange with Everglades National Park, 2) approval of a CDMP Amendment for roadway improvements needed for construction of the plant, and 3) approval and execution of a Joint Participation Agreement to provide reclaimed water from Miami-Dade County for project cooling needs.

Q. What are the customer benefits that justify the continued pursuit of new nuclear generation?

A. The benefits to FPL customers offered by additional nuclear generation are numerous and wholly consistent with the requirements of the Need Determination Rule (25-22.080 F.A.C.). The key benefits relate to our core mission of providing reliable electric service at reasonable rates. The fuel required for nuclear generation is not dependent on natural gas pipelines, railroad or maritime distribution systems or volatile energy markets.

Therefore, nuclear generation greatly adds to the reliability of a system by increasing fuel diversity, fuel supply reliability and energy security. The historic pricing of nuclear fuel provides a stable cost input reducing the impact to monthly customer bills that result from fuel price volatility. The feasibility analyses approved by the Commission in 2008 and 2009, and performed again in 2010, demonstrate the robust cost-effective nature of nuclear generation when compared to other baseload alternatives. Finally, nuclear is recognized as an important component of meeting the state and national energy goals in addressing greenhouse gas reduction. By employing an approach that maintains progress, even through dynamic and demanding times, FPL is creating the option of delivering those benefits on the most practicable schedule.

Q. Please expand on the value of "creating the option" for new nuclear generation.

A. Without the approvals, licenses and permits needed to construct and operate a new nuclear facility, the opportunity to benefit from this valuable generation source is remote and uncertain. By taking the steps to obtain the licenses and approvals, further defining the specific project, FPL is accomplishing several key objectives. First, the uncertainties around the approval process and the final definition of the project are significantly reduced. Second, the market for providing the equipment and services needed to construct the project is allowed to more fully mature, leveraging observations from first wave projects. Lastly, a shorter time span between the decision to construct and the

commercial operation dates will reduce uncertainties in the underlying feasibility analysis and provide the best decision basis available.

Q. What national level issues are being monitored for the potential impact to cost and schedule of the Turkey Point 6 & 7 project?

A. Developments in 1) the economy, 2) energy policy (at national and regional levels) and 3) the progress of international and domestic projects have the potential to affect the project.

The recent recession and subsequent prolonged recovery has impacted many facets of the project, including: access to and cost of financing, material and labor cost indices, and the development of national and international supply chains for new nuclear projects. The annual feasibility analyses address these issues in a disciplined and consistent manner each year.

National energy policy, as proposed by the current administration, is supportive of nuclear energy in general, and new nuclear energy development specifically. In a town hall meeting in New Hampshire on February 2, 2010 President Obama stated "...if you're serious about dealing with climate change, then you've got to take a serious look at the nuclear industry." This practical statement has been followed with steps to address the Department of Energy's (DOE) responsibility to provide a final disposition of used fuel and proposing an increase in the funding for DOE Loan Guarantees for new reactors.

The progress of domestic and international nuclear projects is also instructive to FPL's management decision-making. Internationally, the most relevant projects are two AP1000 projects in China; Sanmen and Haiyang. These projects are the first AP1000 design projects and will identify multiple important lessons for future projects. Currently these projects are on schedule, anticipating operation in 2013 and 2015, respectively. Southern's Vogtle project in Georgia and the SCE&G V.C. Summer project in South Carolina are the leading U.S. projects. FPL monitors information shared by Westinghouse – Shaw, publicly available reports and industry groups and journals to stay up to date on these projects. The most significant regulatory activity being monitored is the Nuclear Regulatory Commission's consideration of final reviews to the AP1000 Design Certification Document and the Vogtle Combined License application. Timely progress on these two proceedings is necessary to maintain the current Turkey Point 6 & 7 project schedule.

Q. What project specific issues are being monitored for the potential impact to cost and schedule of the Turkey Point 6 & 7 project?

A. Project specific issues include 1) FPL system and regional economic developments influencing the annual feasibility analysis, 2) the pace and outcome of permit and license application reviews, 3) and the development of commercial agreements supporting the Preparation and Construction phases of the project.

The economic slowdown has reduced the growth of demand for electricity on the FPL system, thus reducing the need for new capacity. Additionally, the economic downturn has reduced consumption in a number of sectors. Reduced natural gas demand coupled with incremental supply being identified in central U.S. shale deposits has reduced the near term -price of natural gas. The economic impact of these factors on the project feasibility is reviewed annually. Results to date maintain that the project remains feasible and in the best interests of FPL customers.

On May 28, 2010 the NRC published a review schedule that is consistent with the time frame identified in preceding projects, resulting in a Combined License decision by the end of 2013. Through 2009 and 2010, NRC reviews remained on pace while the State Site Certification process took a more protracted pace. The results of the license and permit review processes will define the final project features and conditions of certification. The NRC license process remains the critical path, or most influential sequence of events, to maintaining the current project schedule.

Negotiations with the WS consortium in 2008 and 2009 resulted in indicative pricing for an EP scope that was used to revise the cost estimate range for the project. The indicative pricing, while informative, is not conclusive

recognizing that terms, conditions and a specific project milestone schedule has not been developed in tandem.

PROJECT MANAGEMENT INTERNAL CONTROLS

Q. Please describe the project management structure responsible for the Turkey Point 6 & 7 project.

A. The management structure for Turkey Point 6 & 7 reflects the dual nature of the project relying on a working combination of two key groups: Project Development and New Nuclear Projects. The organization of the project into these two key groups helps maintain a consistent management and reporting structure with specific focus and areas of responsibility, while allowing the project the flexibility to grow and adapt over time. The overall project management structure has remained unchanged since initial formation.

Project Development, which I lead, has the primary responsibility for the execution of development and licensing activities not within the purview of the NRC, as well as all project communication activities and Florida Public Service Commission (FPSC) interface. Similar to the way other generation development projects are executed within FPL, Project Development utilizes matrix relationships with key business units in the Company to provide essential support. For example, legal and environmental services are provided by those business units through assigned personnel.

Recognizing the need for specific nuclear-based skills and experience, FPL established the New Nuclear Project team within Engineering, Construction & Corporate Services Division (ECCS) to manage the complex and specialized nature of the Combined Operating License Application (COLA) process and the engineering, procurement and construction activities. This team is managed by William Maher, Director of Licensing – New Nuclear Projects. The New Nuclear Project team has direct responsibility for the production and management of the COLA as well as the engineering, procurement, site preparation, construction and start-up aspects of the project. The New Nuclear Project team will adjust staffing as the project evolves, ensuring access to the necessary skill sets are maintained to accomplish project objectives in the most cost-effective manner.

Q. Please describe the project management and staffing approach employed on the Turkey Point 6 & 7 project.

A. The project is staffed by a combination of employees fully dedicated to the project, employees from FPL business units who devote a portion of their time to the project and a select group of contractors and subcontractors whose subject matter expertise and skills are required to complete the considerable tasks related to this undertaking. Leading the staff is a project management team charged with monitoring the day-to-day execution and strategic direction of the project. The project management team provides routine, dedicated oversight of the project including a determination of the timing and content of

external reviews. The project management team is supported by project controls professionals that execute the day-to-day project activities and provide direct oversight of procedural compliance. The project also benefits from routine review, supervision and direction provided by FPL executive management.

Q. What are the key elements of the project management process used to manage the Turkey Point 6 & 7 project?

A. FPL routinely and methodically evaluates the risks, costs, and issues associated with the Turkey Point 6 & 7 project using a system of internal controls, routine project meetings and communication tools, management reports and reviews, internal and external audits and an annual feasibility analysis.

Q. Please describe the system of internal controls applicable to the project.

A. 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.

FPL utilizes SAP software as a part of its financial recording system and a Financial Management Information Process (FMIP) for project report generation. ECCS also utilizes an Electronic Approval Database (EAD) system to initiate and record the management approval process for the commitment of project funds.

Exhibit SDS-8 provides a list of procedures and work instructions that govern the internal controls processes and expectations. These procedures and work instructions are employed by dedicated and experienced project controls personnel who functionally report through ECCS Project Controls and provide project oversight and analysis. The internal controls organization helps to ensure appropriate management decisions are made based upon assessment of available information leading to reasonable costs. Accountability is clear and understood throughout the controls organization and is a cornerstone of the services they provide.

Q. Please describe the specific reports generated to monitor the project and the periodicity and audience for those reports.

A. The project relies on a series of weekly or monthly reports and has standing meetings to review forward looking analysis with project managers. Exhibit SDS-9 provides a list describing the reports, and their periodicity and target audience.

Q. Please describe the staff responsible for administering these internal controls and their specific responsibilities.

A. The internal controls staffing for the project is comprised of four personnel. A Project Controls Director provides functional leadership, governance and oversight. A Lead Project Controls professional provides cost and schedule direction and analysis, coordinates internal and external audit requests, holds meetings with project management to review cost and schedule performance, and reviews all cost, scope changes, schedules and performance indicators. A

Cost Analyst provides bi-monthly reviews of all project expenditures, maintains cost templates, supports the production of documents and responses to information requests, and meets monthly or as required with department heads on forecasting and commitments. A Construction Capital Cost Estimator manages the master schedule and maintains the master project estimate template.

Q. How were the internal controls developed?

A. Many of the internal controls procedures, processes or work instructions were pre-existing FPL company or department processes. However, due to the unique characteristics of the Turkey Point 6 & 7 project, cost templates were specifically developed for monitoring expenditures to support FPSC filing requirements and to facilitate associated reviews. FPL has contractually placed significant reporting requirements on contractors by requiring trend, tracking and performance indicators. This allows the internal controls team to monitor events and trends on a forward-looking basis. As the project evolves, additional controls will be developed as necessary.

Q. What are Project Instructions and why are they needed?

A. In the course of project development, FPL identified a need to develop some business processes unique to new nuclear deployment. These processes generally involve conducting business in compliance with FPL General Operating procedures, but also recognize project-specific requirements. For example, specific instructions are needed to ensure compliance with additional NRC requirements for quality control and document retention. Direction for

such specific areas of focus is provided to project staff through a set of FPL's New Nuclear Project - Project Instructions (NNP–PI). These project instructions establish a standard for the project team which provides guidance, sets expectations and drives consistency. Exhibit SDS-10 provides FPL's comprehensive list of project instructions and forms.

Q. What processes are used to manage project risk?

Cost and schedule risk is managed by ensuring the project team recognizes and understands the issues facing different sub-teams that comprise the overall project. A mix of weekly meetings with small teams, monthly meetings with select members of the project team, and routine executive briefings ensure the project benefits from sufficient and timely communication. Further, the information flow begins at the working level and is integrated as it moves to the project management team to ensure the issues are adequately captured and the interaction with other portions of the project is properly assessed. These meetings result in several reports identified in Exhibit SDS-9. These routine meetings allow project management to obtain updates from key project team members, provide direction on the conduct of the project activities and maintain tight control over project progress, expenditures, and key decisions.

Each week the project team holds multiple status meetings. These meetings, held by teams within the project, track project activities at a level that allows most issues to be identified, discussed and resolved at the working team level. Examples include the COLA team, Site Certification Application (SCA) team

consisting of plant and transmission subteams, among others. For those issues that cannot be resolved at the working team level, project management has provided a multi-step process to elevate the issue to the appropriate level for resolution. Contractor performance is also tracked on a weekly basis. Schedule and cost metrics are monitored and reported in standard format reports to allow close monitoring of contractor performance.

The project team meets monthly to review project schedule, budget performance and key project issues. Project risk is specifically tracked and reviewed. The project made significant improvements to this tool in 2010, and will complete that work in 2011. The monthly Cost Report meeting provides an opportunity to drill down on project cost issues and expectations. Project management also provides a routine update to FPL executive management. Normally once per month, this update provides the opportunity for robust dialogue between the project management team, Business Unit leaders and executive management. While the executive team is always available for consultation on developing issues and opportunities, the routine meetings ensure a broad range of topics are regularly reviewed and discussed.

In 2010, the project has developed and implemented a quarterly risk assessment tool to identify, characterize and track project risks. Six areas are assessed to identify key issues, estimate probability or likelihood of occurrence (high, medium and low), and the magnitude of potential consequences (high, medium,

and low). Further, mitigation actions or strategies to be employed to manage the risk are described. The development of this assessment was the result of a recommendation during a project controls review conducted in 2009. In 2011, this tool will be further developed to replace the monthly Project Dashboard with a more project specific review.

Q. What other periodic reviews are conducted to ensure the project is appropriately reviewed and analyzed?

A. Internal and external audits occur during the course of the project to ensure the project adheres to all corporate guidelines for financial accounting as well as employing best management and internal controls practices. When a deficiency is identified in an audit, an analysis is conducted to determine the cause of the deficiency and corrective actions are implemented to ensure the deficiencies are mitigated going forward.

The project is reviewed annually to determine its continued economic feasibility. This analysis is conducted in the same framework as the analysis accepted during the Need Determination proceeding, but is updated to reflect what is currently known regarding project cost, project schedule, and the cost and viability of alternative generation technologies. The analyses presented in the May 2008, May 2009, and May 2010 Nuclear Cost Recovery (NCR) filings demonstrate the project remains feasible. An updated feasibility study will be filed on May 2, 2011.

Q. What other activities has FPL undertaken to ensure its decision processes are informed by the most current national and international industry information?

A. FPL is an industry leader in nuclear generation, and as such, has the experience, contacts, and industry presence to engage in many forums for exploration of nuclear industry issues. Nonetheless, the specific challenges of new nuclear deployment have created focus areas requiring additional coordination between entities involved in new plant licensing, construction, and operation. FPL participates in four key industry groups providing value to the Turkey Point 6 & 7 project. The NuStart Consortium provides FPL access to the reference COLA (Southern Nuclear Company's Vogtle Plant) and associated information developed by other AP-1000 applicants necessary to maintain the Turkey Point 6 & 7 COLA. NuStart is also responsible for supporting the design finalization of the AP-1000 technology. This involvement is necessary to support the federal licensing process. In addition, the Design Centered Working Group was formed to provide coordination among owners, vendors, and the NRC related to design modifications of the AP-1000. This critical activity is necessary to ensure design changes for the AP-1000 are made through a consensus process with the involvement of the NRC to preserve standardization of design, a cornerstone of new nuclear development. FPL also is a member of APOG (a consortium of owners of the AP-1000 design) and of the Advanced Nuclear Technology group organized by the Electric Power Research Institute (EPRI). These groups are primarily

forums to identify and resolve issues that are of primary interest to owners, such as staffing, training and maintenance activities. For example, programs such as Procurement Specification Development, Equipment and Nuclear Fuel Reliability improvements, Advancing Welding Practices, and Modular Equipment Testing and Benchmarking allow FPL increased efficiency in program development and implementation resulting in future cost savings. The principle of standardization through operations and maintenance requires this level of industry coordination and dialogue. These different groups have unique and important roles in the successful execution of new nuclear deployment in the United States. Achieving the goal of industry standardization and realizing the associated economic and operational efficiencies mandates the need for active participation by industry participants in these venues.

Q. What steps are taken to ensure project expenditures are properly authorized?

A. Non-Legal project expenditures $5,000 or greater must be formally input and approved in the ECCS EAD. The EAD request serves as documented communication between the Turkey Point 6 & 7 project and the Integrated Supply Chain (ISC) identifying the need to contract for goods and services. The database is used by the Turkey Point 6 & 7 project team to document and record procurement activities and to obtain the appropriate level of management authorization. Legal expenditures are independently tracked through the Law Department controls.

For Initial Commitments, an approved EAD request directs ISC to formally contract with the selected supplier. Initial Commitments require appropriate authorizations that include all documentation required by Corporate Procedures. This would include contracts, purchase orders, notice to proceed, and, if required, a single or sole source justification. For Contract Change Orders (CCOs), the EAD request must be authorized at the appropriate level and the CCOs executed prior to releasing the supplier to perform the requested scope of work.

Q. How would you summarize FPL's overall approach to project management in relation to Turkey Point 6 & 7?

A. As described above, FPL has robust project planning, management, and execution processes in place to manage the Turkey Point 6 & 7 project. These efforts are led by personnel with significant experience in project management and development supported by project management professionals trained in the deliberate execution of critical infrastructure projects through a comprehensive set of internal controls. Additionally, FPL is able to capitalize on the experience of its other power generation development projects by implementing lessons learned by those project teams. Finally, FPL implements an ongoing internal auditing and quality assurance process to continuously monitor compliance with the controls discussed above. In summary, FPL has the right people with the right tools and oversight making decisions with the best available information. For all of these reasons, FPL is

confident that its Turkey Point 6 & 7 management decisions are well-founded and reasonable. Further, FPL recognizes the unique nature of new nuclear deployment demanding a continuous watch be maintained to monitor developments in policy, regulatory and economic arenas. An ongoing analysis and incorporation of these events is necessary to ensure the appropriate actions are taken at the right time to create the option for new nuclear generation. The application of sound project management fundamentals and critical questioning provides the best results.

PROCUREMENT PROCESSES AND CONTROLS

Q. What is FPL's preferred method of procurement and when might it be in the best interest of the project to use another method?

A. The preferred approach for the procurement of materials or services is to use competitive bidding. FPL maintains a strong market presence allowing it to leverage corporate-wide procurement activities to the specific benefit of individual project procurement activities. Maintaining a relationship with a range of service providers offers the opportunity to assess capabilities, respond to changing resource loads and remain knowledgeable of current market trends and cost of service.

However, in certain situations the use of single or sole source procurement is in the best interest of the company and its customers. In some cases there is a

limited pool of qualified entities to perform specific services or provide certain goods and materials. In other cases a service provider is engaged to conduct a specific scope of work based on a competitive bid or other analysis and additional scope is identified that the vendor can efficiently provide. Circumstances such as the above examples are common in the nuclear industry, and especially on complex long-term projects such as the Turkey Point 6 & 7 project.

Q. Do you anticipate the use of single or sole source procurement practices will change over the course of the project?

A. Yes. As the project moves through various phases, the proportion of single source procurement will shift based on the nature of the major expenditures associated with each phase. During the licensing phase, the majority of the costs are expended on the federal licensing activities, which were competitively bid. In contrast, the next phase of the project will involve proprietary EP activity that FPL must contract from the equipment provider, a sole source of these goods and services. Then, as the project moves to construction, FPL is taking steps to develop credible providers who can competitively bid specific scopes of the construction work. Developing a set of credible competitors, especially for the very large and complex construction phase, requires a concerted effort, but is expected to result in reduced costs regardless of which vendor is selected.

Q. Please describe the single and sole source procurement procedures that apply to the Turkey Point 6 & 7 project.

A. General Operations (GO) Procedure 705.3 requires proper documentation and senior-level approval of single or sole source procurement. The procedure calls for a review of the business interests associated with recommending a single or sole source procurement contract and a validation that the costs are reasonable. During 2008 and 2009, the process by which FPL documented compliance with GO 705.3 was reviewed. Opportunities for improvement were identified and documented. Training was conducted to ensure project staff had a working understanding of the required documentation and analysis necessary to support a sole or single source request. Throughout 2009 and 2010, FPL maintained its vigilance in creating adequate single or sole source documentation.

Q. What is a Pre-Determined Source (PDS) and how has FPL used this type of source to ensure procurement decisions are prudent and costs are reasonable.

A. A PDS is a source that has demonstrated through a competitive evaluation and/or other documented economic analysis to be the preferred source for particular goods or services. A PDS is designated by the FPL ISC in accordance with the Predetermined Sources section of the FPL Procurement Process Manual. The New Nuclear Project sourcing team determined PDS designations would be appropriate for certain project sources, primarily to streamline the process being used for CCOs. Previously, all CCOs were handled as single or sole source justifications, even if the underlying initial

commitment was competitively bid. Such procurement management is a standard trade practice used to increase procurement efficiency.

For additional work beyond authorized limits, the full FPL requisition and procurement process requirements must be met in order to increase the limits as required by additional work scope being authorized. Other work awarded to the same supplier for different scopes of work are still subject to the full FPL procurement process requirements.

Currently, FPL has six vendors under PDS status for the New Nuclear Project. Bechtel, Westinghouse, Black & Veatch/Zachry (BVZ), Environmental and Consulting Technology, Inc. (ECT), Golder Associates, Inc., and McNabb Hydrogeologic Consulting, Inc. provide specific scope services to the project. Because of their specific expertise and the evolving nature of the services provided, these vendors remain good candidates for PDS selection.

Q. What were the major contracting activities for the project during 2009?

A. The major activities related to 1) licensing and permitting, 2) engineering studies, and 3) the Forging Reservation Agreement. Negotiations with the WS consortium were held during 2009, the results of which are discussed later in this testimony. Upon completion of the work scope to develop the licensing and permitting applications in June 2009, additional contracts were executed to engage the principal consultants for support of the application review and subsequent studies that will be required by reviewing agencies.

The prior arrangement, wherein Bechtel Engineering Corporation managed the subcontractors, was no longer required for consistency and control of information and was therefore not used in the post-submittal stage of the project. Each principal consultant is now engaged by FPL directly. BVZ completed a work scope including engineering logistics planning within the year. As described in my May 1, 2009 testimony, the results of 2009 were expected to lead to key project reviews in 2010. Therefore, the Forging Reservation Agreement was extended six months (from December 31, 2009 to June 30, 2010) to allow for 2010 planning processes to be completed prior to determining the appropriate next step.

Q. What were the major contracting activities for the project during 2010?

A. The major activities related to licensing and permitting reviews and an extension of the Forging Reservation Agreement. Upon completion of the work scope to develop the licensing and permitting applications, additional contracts were executed to engage the principal consultants for support of the application review and subsequent studies that will be required by reviewing agencies. These contracts were managed in 2010 through change orders to reflect the actual pace of the project and timing of required support. The Forging Reservation Agreement was scheduled to terminate on June 30, 2010. Westinghouse and FPL mutually agreed to extend the terms of the agreement to March 15, 2011 to allow for current market information to be incorporated into a decision on the next appropriate step.

INTERNAL/EXTERNAL AUDITS AND REVIEWS

Q. What internal audits or reviews have been conducted to ensure the project controls are adequate and costs are reasonable?

A. Several audits have been conducted to ensure FPL's standards for project internal controls and cost reasonableness have been demonstrated. Annual FPL internal audits focus on the project financials and related controls.

The 2009 internal audit focused on whether costs charged to the project are actually for New Nuclear related activities and are recorded in accordance with Rule 25-6.0423. Independent testing of expenses ($42.7M) charged to the New Nuclear project for the period January 1, 2009 to December 31, 2009 was conducted. The results of this audit revealed that the costs charged in accordance with the Nuclear Cost Recovery Rule are appropriate and controls over the New Nuclear project are good. A similar audit is underway to review the New Nuclear project for the period January 1, 2010 to December 31, 2010.

Turkey Point 6 & 7 project personnel are made aware of process improvements by attending training sessions as well as being provided required reading. All action items are provided scheduled completion dates and are tracked to ensure completion. On-going recommendations are routinely reviewed.

Team-level audits and reviews are another important means of validating that the project activities are being conducted according to good policies and practices. Audit reviews are used between key process steps to ensure the project is ready to proceed to the next step. Examples of these reviews are the process reviews held with work teams (FPL employees and vendor staff) and self-auditing checklists generated for repetitive processes (travel, etc.). Such careful and meticulous business practices help catch items before they become issues and instill policy guidance in project staff.

Q. What external audits or reviews have been conducted to ensure the project controls are adequate and costs are reasonable?

A. Concentric Energy Advisors (Concentric) has been engaged to conduct a review of the project internal controls, with a focus on management processes. The 2009 review revealed that FPL has continued on its stepwise approach to managing the deployment of two new nuclear units by appropriately evaluating the Turkey Point 6 & 7 reports and processes in response to Concentric's observations in 2009 and March 2010. Concentric performed a similar review on 2010 project management and internal controls. Concentric's 2009 and 2010 review is discussed by FPL Witness Reed.

The FPSC Staff conducted four audits in 2009 and 2010. For each year, these audits included a financial audit of the project ledger and accounts, and an internal controls audit. The results of the FPSC Staff audits conducted during the 2010 NCR process (Docket No. 100009) validated FPL's findings.

Specifically, the FPSC audit staff had no findings related to the project. The audits of the 2010 financials and controls are currently underway.

2009 PROJECT ACTIVITIES AND RESULTS

Q. What were the major activities for the Turkey Point 6 & 7 project during 2009?

A. The major activities for the project in 2009 were associated with 1) the completion and support of project license and permit applications at the federal, state and local level, 2) additional activities focused on other transactions and agreements necessary to support the project, and 3) internal planning studies and commercial negotiations for specific scopes of supply.

Q. What were the specific activities and results associated with federal licensing of the Turkey Point 6 & 7 project in 2009?

A. On June 30, 2009, FPL filed a COLA and request for LWA with the NRC. The NRC conducted a review resulting in a determination the application is sufficient. The application was docketed by the NRC on September 4, 2009. Along with the sufficiency review, the NRC provided Requests for Additional Information (RAIs) seeking further information related to the application. FPL provided responses to these RAIs on November 11, 2009. At that time, FPL notified the NRC it was withdrawing the LWA due to changed circumstances, recognizing that the anticipated time saving value offered by the LWA would not materialize or would be significantly reduced. Exhibit

SDS-11, Project Memoranda, includes Project Memorandum 09-001 providing a discussion of this decision process.

FPL also submitted an application to the United States Army Corps of Engineers (USACE) for Section 404 and Section 10 permits on June 30, 2009 related to wetlands impacted by the project. The NRC and USACE have a memorandum of understanding delineating the process by which the USACE will utilize the EIS generated by the NRC as part of the COLA review as its record of decision. Therefore the USACE process will follow the NRC time schedule up to the publication of the Final EIS.

Other federal agency reviews (e.g., US Fish and Wildlife Service, National Marine Fisheries Service, US Coast Guard, etc.) will be conducted in consultation with the NRC.

Q. What were the specific activities and results associated with state certification and permitting of the Turkey Point 6 & 7 project in 2009?

A. Recognizing the long permitting timeframe associated with a UIC well, FPL submitted the UIC Exploratory Well permit on January 20, 2009 to the Florida Department of Environmental Protection (FDEP). The permit was processed, culminating in a public meeting held December 14, 2009. A permit to construct the wells was issued in 2010 and preparations are being made to initiate construction in 2011. This process will develop the necessary information from actual well installation and testing to confirm the suitability

of the UIC well process for the project, and is therefore necessary to obtain final approvals.

A SCA was submitted to the FDEP Siting Coordination Office on June 30, 2009 to provide the procedural consolidation of state and local government reviews necessary for the construction and operation of a power plant in the state of Florida. This process begins with a completeness review by multiple agencies and governments. The application is managed in two parts; one part related to the plant and non-transmission facilities and the other part related to transmission facilities. Completeness questions are posed by agencies and local governments that have substantive requirements related to the construction and operation of the proposed facility and the applicant responds to those questions.

Q. What were the specific activities and results associated with obtaining local approvals supporting the Turkey Point 6 & 7 project in 2009?

A. A CDMP Amendment was submitted to Miami-Dade County in October 2008 to support land use approvals for the FPL-owned fill source. Following the change to project schedule, this CDMP Amendment was subsequently withdrawn to allow for alternative fill supply options to be investigated.

A second CDMP Amendment was filed in April 2009 to support temporary roadway improvements needed to support safe project access during construction. The amendment was transmitted to the Department of

Community Affairs (DCA) in December 2009 and was considered for adoption by the Miami-Dade Board of County Commissioners in the Spring of 2010. The results of that activity are discussed later in this testimony.

Q. What were the specific activities and results associated with transactions and agreements supporting the Turkey Point 6 & 7 project in 2009?

A. FPL continued negotiations with Miami-Dade County Water and Sewer Department (WASD) to develop a Joint Participation Agreement defining the roles and responsibilities for development of a reclaimed water pipeline and contains a form of Reclaimed Water Service Agreement that is expected to govern the commercial and operational relationship for water supply to the project. The negotiations yielded a draft agreement that was considered for execution by the Miami-Dade Board of County Commissioners in the summer of 2010. The results of that activity are discussed later in this testimony.

FPL also continued pursuit of a land exchange with Everglades National Park (ENP) to facilitate the preferred Transmission Corridor in western Miami-Dade County. Multiple agencies are involved in the land exchange to resolve a property issue that was created by the expansion of the national park in the early 1980s without cost to taxpayers. Federal legislation authorizing the exchange was enacted in early 2009 and subsequent due diligence activities have been underway to support the transaction.

Q. What were the specific activities and results associated with internal studies and commercial negotiations related to the Turkey Point 6 & 7 project in 2009?

A. BVZ was engaged to conduct an engineering and logistics planning review to assess the specific site preparation and pre-construction activities necessary given the project design specifications contained in the license and permit applications. The review resulted in an assessment of integrated activity sequences and durations. The results of this review informed FPL's project schedule review, conducted in early 2010, that resulted in revising the project schedule.

FPL also conducted investigations of other sources of fill for the project beyond the FPL-owned fill source proposed in the applications. Additional fill will be required beyond what the FPL-owned fill source is estimated to yield, so regional commercial sources are being evaluated for supply.

Commercial negotiations with WS continued in 2009 to define the terms, scope, schedule and price for project management, engineering, and procurement services needed to support the next phase of the project. As of December 31st, 2009, the negotiations had not yielded a consolidated proposal FPL judged as suitable in price, risk sharing, and schedule certainty. Further, FPL has not made a commitment to whether an integrated EPC or an EP and C form of contracting offers the best cost, risk, and schedule management.

Accordingly the Forging Reservation Agreement, then due to expire at the end of 2009, was extended to June 2010 at no cost and with no other changes to allow for these reviews.

Q. Please describe the results of the 2009 annual feasibility analysis.

A. A complete feasibility analysis was conducted to review the economic basis for the project given updated assumptions for system demand, alternative fuel forecasts and revised alternative generation costs. The analysis is a two step process, consistent with the original analysis leading to the 2008 Need Order. The first step takes the form of developing a system analysis based "break-even" cost to determine what the nuclear project could cost and remain economically competitive with alternative baseload generation sources. That "break-even" cost is compared to the high end of the project cost estimate range. The results of the analysis confirmed that the estimated project costs are below the "break-even" costs, and therefore the new nuclear project remains the best economic alternative for our customers.

2009 KEY MANAGEMENT DECISIONS

Q. What were the key matters addressed by FPL project management in 2009?

A. FPL management made the following key decisions during 2009: 1) decision to defer purchase of $63.5 million in previously identified long lead materials and engineering design activities; 2) decision to defer execution of either an

EP contract or an EPC contract for the project; 3) decision to extend the Forging Reservation Agreement by six months; 4) decision on final design features of the project for submittal in federal and state applications; and 5) withdrawal of the LWA request from the NRC COLA.

Q. Why was it determined to defer purchase of long lead materials and specific engineering design activities and what are the impacts of this decision?

A. In early 2008 FPL, in consultation with WS, identified a set of long lead materials and the specific engineering design activities necessary to confidently meet the project schedule. Specifically, these materials are forgings and components for Reactor Coolant Pumps, tubing for the Steam Generators, secondary components for Steam Generator fabrication and Containment Vessel materials. This was included in FPL's NCR filing and subsequently approved for 2009 cost recovery. As 2009 unfolded, it became evident to FPL an agreement on an EP or EPC contract may not be in the best interest of FPL customers in 2009, and therefore associated expenses stemming from such an agreement would not be appropriate. Therefore, FPL chose to defer those costs into 2010 or later.

Q. Why was it determined to defer execution of an EP or EPC contract and what are the impacts of this decision?

A. FPL and WS conducted negotiations through 2008 and 2009. FPL's desire to preserve the option for creating competition for the Construction component of work by developing an EP contract challenged the vendor's original

business model. WS was responsive to FPL's request and provided an indicative price estimate for EP scope. However, FPL and WS were not able to come to a set of acceptable terms, conditions and associated execution schedule meeting FPL's needs. Given the number of political, regulatory, and commercial developments ongoing in 2009 and into 2010, deferral of contract execution was determined to be the best course of action to protect the interests of FPL's customers.

The decision to defer execution of a contract will be one of several factors that impact the overall project cost and schedule, the magnitude and contribution of which cannot be estimated at this stage. It is FPL's determination that the decision favorably limits cost risk by not signing a contract under undesirable or unacceptable terms at a time when firm schedules for the regulatory review processes have not been established. Deferring the decision is expected to allow FPL's customers to benefit from lessons learned in other AP-1000 projects in China and the US, and enter into a more favorable and certain agreement at a later time.

Q. Please describe the decision to extend the Forging Reservation Agreement and related cost, risk or schedule impacts.

A. Based on the decision to defer an EP or EPC contract, and given anticipated developments in the review schedule of state and federal applications and the pending project schedule reviews, it was mutually agreed to extend the terms of the agreement, with no changes or added costs, by six months. This

allowed FPL to integrate the results of 2009 activities and the regulatory review schedules pending in early 2010 into the overall project schedule review prior to making a final disposition on the Forging Reservation Agreement. No negative cost, risk, or schedule impacts were anticipated from this decision, and the option to renegotiate the Forging Reservation Agreement to favorable terms aligned with a refreshed schedule was preserved.

Q. Please describe the key decisions related to final design features of the project for submittal in federal and state applications and the implications of those decisions.

A. Four key design decisions were finalized in preparation for the submittal of license and permit applications. These decisions determined the specific design parameters and location of equipment associated with 1) the water resources plan, 2) the wastewater management plan, 3) the construction roadway access plan and 4) the transmission preferred corridor selection.

Following extensive investigation of alternatives, it was determined the benefits of using reclaimed water as a primary supply could be attained with a proper backup supply to ensure supply reliability. Therefore the current design of the water resources plan included a nine-mile delivery pipeline connecting WASD's South District Wastewater Treatment Facility to the Turkey Point Plant Site, a wastewater treatment facility to further treat the delivered water to suitable condition for power plant use and a backup system

supplying saline water via radial collector wells located on Turkey Point, just north and east of the project area. The backup system is necessary because it is the most cost effective way to provide reliability of supply. Cooling towers, reservoirs, and ancillary equipment were designed to accommodate the range of differences between the two supply sources. This selection provides environmentally sensitive water supply coupled with operational reliability at reasonable costs.

The plant wastewater streams were determined best handled through an UIC well system, similar to that used by WASD in the current disposition of treated wastewater at the South District Wastewater Treatment Facility. Such a system allows for disposal of non-hazardous waste streams (primarily cooling tower blowdown mixed with other plant effluents) to the deep Floridan Aquifer (also referred to as the Boulder Zone), a confined geologic aquifer far below aquifers used for drinking water supply. The UIC option avoids the need to discharge these effluents to surface water bodies and handles the waste streams in a manner environmentally sound and proven successful in South Florida. The selection of this means of disposal requires a significant modeling and exploratory well program subsequently initiated in early 2009.

Traffic studies indicated regional roadway networks were sufficient to support the incremental 800 employees anticipated during operation, but were not

sufficient for safe and efficient access during the peak construction period where up to 4000 additional trips per day will be made by construction workers and material deliveries supporting Unit 6 & 7 construction. An access plan was developed utilizing currently impacted rights-of-way and roadways in the region to provide sufficient access to the site to support construction and not interfere with the safe and efficient operation of the existing five units on site.

The Power Plant Siting Act requires an applicant to select a preferred corridor in its application for certification of transmission lines. FPL conducted significant studies, agency workshops and community outreach over a period of eighteen months to inform a selection process leading to a preferred corridor for the transmission lines necessary to interconnect and integrate the plant to the transmission grid. The culmination of this process was the selection and delineation of specific corridors for certification where the transmission lines would be sited. FPL was able to use existing transmission line rights-of-way for much of the length of the corridors. Two areas required new transmission corridors: a segment along the L-31N levee in western Miami-Dade County and a segment along US-1 in eastern Miami-Dade County.

Q. Why was it determined to withdraw the LWA request and what are the impacts of this decision?

A. Preliminary planning and schedule work in 2007 and 2008 indicated that a LWA could provide a potential schedule benefit by allowing the early initiation of certain NRC jurisdictional construction activities. In short, the LWA potentially provided FPL with an option to accomplish certain activities early. However, through additional construction planning reviews conducted in 2009, an increased understanding of the magnitude and duration of site excavation and preparation activities that would precede the LWA activities was obtained. These activities were more extensive than early estimates. This reduced the value of the LWA, limiting the schedule acceleration offered by a LWA. Further, monitoring of ongoing regulatory activity in other NRC proceedings indicated processing of a LWA request could increase the total amount of time required for the COLA review. Therefore, considering the combined effect of reduced schedule benefit and increased risk to lengthening the federal review schedule, it was determined the best course of action was to withdraw the LWA request prior to the NRC establishing the milestone review schedule for FPL's COLA submittal.

2009 PRECONSTRUCTION COSTS

Q. Describe the preconstruction costs incurred for the Turkey Point 6 & 7 project in 2009.

A. As represented in Exhibit SDS-12 and Exhibit SDS-1, Schedule T-6, FPL incurred a total of $37,731,525 in pre-construction costs. This is $7,909,137

less than the May 1, 2009 Actual/Estimated costs of $45,640,662. The costs are broken down into the following categories: 1) Licensing $30,271,612; 2) Permitting $991,090; 3) Engineering and Design $6,445,161; 4) Long Lead Procurement advanced payments $0; and 5) Power Block Engineering and Procurement $23,662.

Q. Please describe the costs incurred in the Licensing subcategory.

A. In 2009, Licensing costs were $30,271,612 as shown in Exhibit SDS-12 Table 2 and Exhibit SDS-1, Schedule T-6, Line 3. Licensing costs consist primarily of FPL employee, contractor labor and specialty consulting services necessary to develop the federal COL application required for construction and operation of the Turkey Point 6 & 7 project and the state SCA providing state certification of the project.

The largest portion of these expenditures, $15,868,758, was a result of costs incurred supporting the COLA process. This value is a combination of COLA Team Costs and Bechtel COLA contract payments. The permit and license applications contain project specific information, assessments and studies required by the NRC, FDEP and other federal, state and local entities to support the reviews leading to decisions on the technical, environmental and social acceptability of the project. Some activities are common between applications, and therefore offer opportunities to coordinate efforts and manage costs. However, each application analyzes each issue from a unique perspective and may require differing levels of detail.

The COLA development costs were estimated based on the Bechtel proposal obtained through a competitively bid process. The proposal was reviewed to verify the scope adequately described the activities necessary and reasonable labor rates and resource costs were utilized. Other licensing and permitting costs were developed in accordance with FPL's budget and accounting guidelines and policies. Further, these cost estimates were compared to FPL's recent extensive experience with the development and permitting of new generation projects in Florida and were found to be reasonable.

Q. Please explain the reasons behind the variances between the actual Licensing costs and the costs projected in the 2009 Nuclear Cost Recovery filing in Docket No. 090009-EI.

A. Overall, FPL spent $5,164,519 less than planned in 2009. This variance is the result of lower than planned NRC fees, Bechtel COLA contract support, transmission line permitting, SCA support, New Nuclear Project staffing, and unused contingency. The NRC fees were $1,368,129 less than expected due to a lag in receiving the NRC review schedule and subsequent required reviews shifted into 2010; the Bechtel COLA contract support was $1,267,765 less than expected primarily attributable to the change in application filing dates shifting a portion of planned support for RAIs into 2010; Power Systems costs were $819,896 less than expected primarily due to lower than anticipated costs associated with environmental studies supporting the transmission line siting activity. SCA production costs were $530,424 higher

than anticipated due to additional conceptual engineering and modeling required to respond to agency requests. Costs for the New Nuclear Project team were $216,835 more than expected due to the staffing activities associated with the COLA review prior to submittal. The contingency amount of $2,007,004 was not required.

Q. Please describe the costs incurred in the Permitting subcategory.

A. In 2009, Permitting costs were $991,090 as shown in Exhibit SDS-12 Table 3 and Exhibit SDS-1, Schedule T-6, Line 4. Permitting costs consist primarily of FPL employees, communications and legal services necessary to support the various license and permit applications required by the Turkey Point 6 & 7 project. Exhibit SDS-12, Table 3 provides a detailed breakdown of the Permitting subcategory costs in 2009, including a description of items included within each category.

The Marketing and Communications department supports the project by ensuring project information is prepared, reviewed and available for distribution to media, customers and key stakeholders. Expenses in this category include personnel dedicated to supporting the many project outreach activities, external contractors who provide specific services (e.g., graphic arts, mass mailings), and printing of mailing and collateral materials. Development costs in 2009 include three personnel: myself, a Project Director and a Project Manager. Legal expenditures provide necessary support to activities for all permitting and project interactions. Contingency is

established to provide for emerging issues, unanticipated required studies or activities previously unknown.

Q. Please explain any variance between the actual Permitting costs and the costs provided in the 2009 Nuclear Cost Recovery filing.

A. The project spent $960,060 below plan in 2009 in the Permitting subcategory. This variance is a result of the communications expenditures being under budget by $354,088, due in part to the change in application filing dates shifting a portion of planned support into 2010. Legal costs were $402,564 less than expected due primarily to a reclassification of $280,261 in 2008 and 2009 costs. Taking these costs out of the project offset actual costs in this area. Finally, $204,122 of contingency was not required.

Q. Please describe the costs incurred in the Engineering and Design subcategory.

A. In 2009, Engineering and Design costs were $6,445,161 as shown in Exhibit SDS-12 Table 4 and Exhibit SDS-1, Schedule T-6, Line 5. Engineering and Design costs consist primarily of FPL employee services and/or engineering consulting services necessary to develop the construction execution plan for the Turkey Point 6 & 7 project. Exhibit SDS-12 Table 4 provides a detailed breakdown of the Engineering and Design subcategory costs in 2009, including a description of items included within each category.

In 2009, the majority of costs in the Engineering and Design subcategory were split between staffing for the project construction staff and contracting with

BVZ to undertake the initial construction planning activities. Costs associated with EPRI's Advanced Nuclear Technology working group and membership in the APOG industry group are also included in this category.

Q. Please explain any variance between the actual Engineering and Design costs and the costs provided in the 2009 Nuclear Cost Recovery filing.

A. Overall, the project incurred costs were $1,786,327 below plan in 2009 in the Engineering and Design subcategory. The variance of $856,026 was composed in part by cost deferrals resulting from reduced construction team staffing relative to plan. This reduction was appropriate given deferral of engineering design and EP or EPC contract engagement in 2009. The balance of the variance of $933,864 was a result of reducing the scope of the BVZ activities in 2009, a decision made following interim analysis of the results of BVZ's construction planning studies.

Q. Please describe the costs incurred in the Long Lead Procurement subcategory.

A. In 2009 there were no Long Lead Procurement costs, for the reasons described previously in this testimony.

Q. Please describe any variance between the actual Long Lead Procurement costs and the costs provided in the 2009 Nuclear Cost Recovery filing.

A. No variance exists in this category.

Q. Please describe the costs incurred in the Power Block Engineering and Procurement subcategory.

A. In 2009, Power Block Engineering and Procurement costs were $23,662 as shown in Exhibit SDS-12 Table 5 and Exhibit SDS-1, Schedule T-6, Line 7. Power Block Engineering and Procurement costs consist of FPL payroll and expenses supporting negotiations with WS. Exhibit SDS-12 Table 5 provides a detailed breakdown of the Power Block Engineering and Procurement subcategory costs in 2009, including a description of items included within each category.

Q. Was there a variance between the actual Power Block Engineering and Procurement costs and the costs provided in the 2009 Nuclear Cost Recovery filing?

A. Yes. The project incurred costs of $1,769 above plan in 2009 in Power Block Engineering and Procurement subcategory. The variance relates to legal support for the reclaimed water activity and should be a part of the permitting costs. A reclassification of these expenses was made.

Q. Were any costs expended in the Transmission category prior to or during 2009?

A. No. All costs associated with Transmission planning or engineering are related to the licensing and permitting activities, and therefore are appropriately included in those categories, described above. When activities move from the licensing/permitting support phase to detailed engineering of the transmission improvements, costs will then begin to be expended in these categories.

Q. Were the 2009 project activities prudent and were the related costs reasonable?

A. Yes. All costs were incurred as a result of the deliberately managed process at the direction of well-informed, properly qualified management. The costs were incurred in the process of conducting the necessary pre-construction activities such as obtaining the necessary licenses and permits, and the process of obtaining the necessary manufacturing space reservations for the Turkey Point 6 & 7 project. All costs were reviewed and approved under the direction of the Turkey Point 6 & 7 management team and were made fully subject to project internal controls. Costs were processed using FPL standard procurement procedures and authorization processes, and are reasonable.

2009 PROJECT SITE SELECTION COSTS

Q. Please describe the Site Selection costs incurred in 2009.

A. FPL's Site Selection work completed in October 2007 with the filing of the Need Petition. The costs of $373,162 in this category relate to carrying charges. FPL Witness Powers supports the calculation of carrying charges.

2010 PROJECT ACTIVITIES AND RESULTS

Q. What were the major activities for the Turkey Point 6 & 7 project during 2010?

A. Primarily, FPL maintained progress on the review of license and permit applications and other activities initiated in 2009. The project completed a combined schedule and cost estimate review of the project in the early part of the year resulting in a change to the estimated operational dates for the project. The schedule change was determined necessary to manage cost risk to FPL customers, allowing for further development of commercial, regulatory and execution planning information necessary to commit to a construction schedule. The cost review brought the cost estimate up to date with the project design selection and key project features reflected in the applications under review. The results of the cost estimate check confirmed that the cost estimate range remains valid for purposes of testing the feasibility of the project.

Q. What were the specific activities and results associated with federal licensing of the Turkey Point 6 & 7 project in 2010?

A. On May 28, 2010 the NRC issued a review schedule for the Turkey Point 6 & 7 Combined License application. This schedule describes the milestones to complete reviews by the end of 2012 in support of an Atomic Safety Licensing Board (ASLB) hearing in 2013. The NRC schedule is the critical path to maintaining the overall project schedule, and is consistent with FPL's assumptions included in the 2010 schedule analysis leading to revised COD dates of 2022 and 2023 for Units 6 & 7 respectively.

During the year the NRC staff continued its substantive review of FPL's application. This included visits to alternative site locations, and hosting a multi-agency Environmental Audit (workshop) in Homestead, FL for two days to identify and discuss issues of concern. The NRC also held two public events during the year. The first was a public meeting held in July to obtain input from the public on the scope of the Environmental Impact Statement (EIS) for the project. In November an NRC Atomic Safety and Licensing Board held a pre-hearing conference to address contentions proposed in two petitions. Both events were noticed and held in the Homestead area. The results of the pre-hearing conference will influence the scope of the NRC's review, and is expected in early 2011.

The USACE also continued its review of the Environmental sections of the COLA and participated in both the Environmental Audit and the public scoping meeting for the NRC-led EIS. The USACE will continue to participate in the federal review process in support of its own wetland permitting decision.

Q. What were the specific activities and results associated with state certification and permitting of the Turkey Point 6 & 7 project in 2010?

A. Agencies coordinated by the FDEP continued their review of the SCA submitted on June 30, 2009. FDEP found the transmission portions of the application to be complete on December 10, 2010. The plant and non-

transmission portions of the application are in the fourth round of completeness responses, anticipating completeness resolution in 2011.

On October 25, 2010 the FDEP issued the seventh revised schedule for the SCA review. This schedule resulted in projected Site Certification hearing dates of January 31, 2012 to March 2, 2012 with the Siting Board hearing the matter in mid-2012. Recognizing the current pace of completeness reviews and the desire to address Land Use issues in advance of the Site Certification Hearing, a draft eighth schedule for the SCA is being considered. The draft eighth schedule, if accepted as currently proposed, would result in an additional 4 months added to the SCA schedule. Project documents and approved schedules are posted on the FDEP website at http://www.dep.state.fl.us/siting/apps.htm#ppn1.

The permit to construct an exploratory well and dual-zone monitoring wells under the UIC program was issued by FDEP on May 5, 2010. This exploratory well permit is the first step in the process of permitting a deep well injection system for disposal of project wastewater. Subsequent steps to convert the exploratory well to an injection well will be taken as the FDEP UIC process unfolds. In addition, a portion of the permitting process involves test operation of the UIC wells after project completion. Construction of the wells, planned to begin in 2010, was delayed by regulatory interpretations but will be executed in 2011.

The Prevention of Significant Deterioration (PSD) air permit was issued by the FDEP on May 28, 2010. This permit addresses air discharges, primarily related to the operation of the forced draft cooling towers for the project.

Q. What were the specific activities and results associated with obtaining local approvals supporting the Turkey Point 6 & 7 project in 2010?

A. The CDMP Amendment to support the temporary roads for construction of the facility was reviewed and adopted by Miami-Dade County, and subsequently approved by the Florida Department of Community Affairs. This ensures that the contemplated roads are consistent with the County land use plan, and allows for the permitting aspects to be considered in the SCA process.

Q. What were the specific activities and results associated with transactions and agreements supporting the Turkey Point 6 & 7 project in 2010?

A. FPL and Miami-Dade County entered into a Joint Participation Agreement that details the roles and responsibilities of the parties in developing a landmark reclaimed water project that will provide Turkey Point 6 & 7 with its primary supply of cooling water and allow Miami-Dade County to meet its regulatory obligations to substantially increase the use of reclaimed water.

Significant fill will be required to establish the base for the plant site. FPL has investigated options to self-provide the fill, utilize regional commercial rock quarries and other large regional infrastructure projects (such as the Port of

Miami Tunnel project and the proposed West Kendall Regional Park) that may produce sizeable quantities of fill material. The selection of the final sources for fill will likely be a combination of different sources and will be dependent on how economic and regulatory factors develop.

Q. What were the specific activities and results associated with internal studies and commercial negotiations related to the Turkey Point 6 & 7 project in 2010?

A. In 2009 the Reservation Forging Agreement was extended to June 2010 to allow for the schedule review to be conducted. Following that review, FPL and Westinghouse further extended the Reservation Forging Agreement to March 15, 2011. This date coincides with the first action that Westinghouse would be required to take under the current agreement. FPL has engaged Westinghouse in negotiations with the objective of determining what course of action related to the Reservation Forging Agreement is in the best interest of FPL customers.

In 2010 FPL conducted a review of project schedule and cost that led to a revised project schedule and a check of the non-binding capital cost estimate range. The results of these studies are further discussed later in this testimony.

Q. Please describe the results of the 2010 annual feasibility analysis.

A. The annual feasibility analysis was repeated in April 2010 following updates

to FPL's resource planning assumptions. The analysis was conducted in the same manner as previous feasibility analyses. The results confirmed that the Turkey Point 6 & 7 project, under the revised cost and schedule assumptions of early 2010, was the most cost-effective baseload choice when compared to a combined cycle natural gas turbine alternative. The primary economic benefit comes from the avoided fuel costs. Additional benefits come from the avoidance of greenhouse gas emissions, fuel diversity, energy security and high reliability. Exhibit SDS-13 provides a description of the 2010 feasibility analysis and results.

Q. What non-economic factors affect the project's long term feasibility?

A. Non-economic factors include the feasibility of obtaining all necessary approvals (permits, licenses, etc.), the ability to obtain financing for the project at reasonable cost and supportive state and federal energy policy.

Significant federal, state and local approvals are required to allow for the construction and operation of the project. The intense review process currently underway will result in each agency identifying its perspective on the project and describing conditions upon which the project approvals may be granted. While the review process has taken longer than originally anticipated compared to our experience with Turkey Point Unit 5 and other recent development activity, the process is proceeding substantively as expected.

Financing will be determined as the project proceeds through approvals to construction. Recent activity on predecessor projects shows a strong interest in the investment community to participate in new nuclear financing. For instance, Municipal Electric Authority of Georgia (MEAG) recently conducted a successful solicitation for $2.7 billion dollars of project bonds for its share of the Vogtle Units 3 & 4 AP-1000 project. More interest was displayed than was required for the solicitation and the net Build America Bonds Rate for the three categories of bonds were 4.33%, 4.31% and 4.59%, respectively.

As discussed earlier in this testimony, state and federal energy policy continues to be supportive of new nuclear generation for a host of reasons. The high reliability, low and stable energy costs, and zero greenhouse gas emission profile of the technology is highly compatible with key energy policy objectives.

Q. How are the impacts to customers recognized and addressed in a decision to continue or stop the project?

A. Customer impacts resulting from project decisions are addressed inherently in the initiating Need Order and the annual economic feasibility analysis accomplished as a part of the Nuclear Cost Recovery Clause (NCRC) docket. The initiating Need Order takes into account the need for electric system reliability and integrity, the need for adequate electricity at a reasonable cost, the need for fuel diversity and supply reliability, and whether the plant is the

most cost-effective alternative. Each year the feasibility analysis addresses changes in system and project-related factors to determine if the project remains economically viable. The analysis looks at a range of potential future economic and regulatory scenarios to ensure the project viability is robustly demonstrated.

Moreover, the management of project risk using a stepwise decision making process inherently recognizes the impacts to customers in each decision. For example, the decision to manage project risk by deferring design and procurement activities recognizes an outcome of the decision is the postponement of the benefits offered by new nuclear generation for some undetermined amount of time. However, the long term incremental benefit is weighed against the alternative of proceeding at this stage. Under the latter strategy, to proceed with those activities now assumes cost and schedule risks that could severely degrade or negate the incremental benefits of delivering the project a year or two earlier. Further, assuming unmitigated cost and schedule risk early in the project jeopardizes the project as a whole, potentially precluding the delivery of any of the benefits of new nuclear generation if the option is not created.

2010 KEY MANAGEMENT DECISIONS

Q. What were the key matters addressed by FPL project management in 2010?

A. FPL management made the following key decisions during 2010: 1) decision to revise the project schedule to decouple licensing and pre-construction activities resulting in COD dates of 2022 and 2023; 2) review of the project cost estimate range to determine if the range remained achievable; 3) a decision to extend the Forging Reservation Agreement into March of 2011; 4) the decision to execute the Joint Participation Agreement for reclaimed water; and 5) a decision to continue pursuit of a radial collector well system as a backup cooling water supply for the project.

Q. What was the basis for the decision to revise the project schedule?

A. Beginning in late 2009, FPL began a review of the developments of the past year to determine the best path forward for the project. The original schedule, with in-service dates of 2018 and 2020, required activities in the Preparation phase (detailed engineering, long lead procurement and construction planning) to be initiated by 2010, in parallel with the Licensing phase. This earliest practicable schedule assumed national level issues (energy policy, NRC design certification, NRC license review, economic and market behavior), state level issues (load growth, economic health), as well as project specific issues (pace of application reviews, commercial contracts) would have developed further than they had leading into 2010. Because the anticipated

degree of development had not occurred, expenditures beyond those required to obtain the necessary licenses, permits and approvals were judged to be unwarranted. FPL therefore determined to continue to pursue Licensing phase activities (supporting applications for needed approvals) and defer most Preparation phase activities (detailed engineering, long lead procurement, and construction planning) and associated expenditures. This pacing decision allows for additional information to develop while positively and actively managing risk exposure for non-licensing related expenses. FPL's assessment of the status of these uncertainties indicates that initiation of the expenditures in the Preparation phase would be premature.

By moving Preparation phase activities from 2010 to 2014, the commercial operating dates estimated for the Turkey Point 6 & 7 project were necessarily revised to 2022 and 2023, respectively. The basis for this project schedule decision is captured in Project Memorandum 10-005, included in Exhibit SDS-11.

Q. Was the decision to change the planning schedule for the Turkey Point 6 & 7 project consistent with FPL's project management approach?

A. Yes. The decision to manage cost risk by deferring expenditures, and therefore revise the project schedule, is a proactive management decision based on project-specific factors and industry developments. These factors were originally identified in FPL's 2008 and 2009 NCRC filings. In fact, the decision is a continuation of FPL's stepwise management approach for this

project reflected in choices to defer Preparation phase expenditures (engineering design and long lead procurement) in 2008 and 2009. The current decision is consistent with the process applied in these earlier actions.

Q. Does FPL intend to pursue completion of the Turkey Point 6 & 7 project?

A. Yes. The most important near term activity is creating the option by obtaining the licenses and approvals necessary to construct and operate Turkey Point 6 & 7. Once approvals are obtained, FPL will be able to review the economics and the experience of other new nuclear projects as well as how state and federal energy policies have evolved. The Commission will continue to have the opportunity to review FPL's plans through the NCRC process.

FPL's decision to carefully manage the risk of inefficient expenditures will allow the project to better advance through the early uncertain periods, thereby enabling the project to proceed to a later stage where risks can be better identified, quantified and mitigated. Considering all project specific and industry factors, this is a responsible and prudent course of action to continue progress in creating the option for new nuclear generation for our customers.

Q. Please describe the decision made in 2010 regarding FPL's cost estimate range for the project.

A. FPL conducted a line item review of the cost estimate range to determine if there had been material changes in the cost estimate. The approach for conducting the cost estimate is described in Project Memorandum 10-003. In

summary, FPL captured several project feature modifications and estimated the impact of recent economic factors on material costs. The result confirmed that the current estimate for the overnight cost of the project is consistent with the high end of the cost estimate range, approximately $4,991/kW (in 2010 $). A comparative table is provided in Exhibit SDS-13. Further meaningful refinement of the cost estimate will necessarily await development of more predictability in the overall regulatory review schedule, conditions of certification, as well as economic and commercial factors. A more complete discussion of project cost and feasibility is included later in this testimony.

Q. Was there another cost review conducted to determine if any further revisions to the project design in 2010 affected project cost?

Yes. During the course of 2010 project features were further refined as feedback was received from regulators through the review process. Improvements were made to limit perceived impacts and incorporate specific requirements. Some of these refinements added cost, while some reduced cost. For example, the original application included a dewatering method for the construction period that was highly conservative. Following review, the dewatering method was revised to significantly reduce the amount of groundwater that would be pumped during the early phases of the construction period. The new dewatering method added costs in some areas, but reduced costs in other areas. Overall, the refinements incorporated into the project in 2010 result in no significant increase or decrease in costs to the project capital cost estimate.

Q. Would you provide examples of items being monitored that may impact project cost in the future?

A. Yes. The final project cost will be subject to factors related to international and national economic health as well as project specific design modifications. A key result will be the final approved design for the AP1000, coupled with early lessons learned from the first wave construction projects in China and the U.S. Economic market factors affecting materials and labor indices will certainly influence construction pricing. More specifically, throughout the application review process alternative alignments, designs and locations are explored for the project features to minimize environmental impact and incorporate the best construction methods and information. For example, the final site certification will specify the approved transmission line corridors, mitigation plan and other conditions of certification that will result in cost adjustments. The project continues to track these issues routinely.

Q. What was the basis for extending the terms of the Forging Reservation Agreement from June 2010 to March 2011?

A. The Forging Reservation Agreement was developed and includes milestones related to the original 2018 and 2020 project schedule. Necessarily the agreement must be terminated or revised to adapt to the new project schedule. In consultation with Westinghouse, the first commitments that would require action to support the agreement occur in March of 2011. Therefore, both parties agreed to extend the agreement to that point to allow for time to negotiate the disposition of the agreement. Options include termination of the

agreement or development of a new agreement that would preserve value and optionality for FPL's customers. Exhibit SDS-11 includes a project memorandum summarizing the decision process behind extending the agreement and the alternatives considered.

Q. Why did FPL execute a Joint Participation Agreement with Miami-Dade County related to the development of the reclaimed water project?

A. The development of a reliable supply of reclaimed water to provide cooling for the project offers benefits for FPL's customers, Miami-Dade County citizens and the regional environment and is consistent with the planning objectives of many federal, state and local agencies. It was determined that a Joint Participation Agreement (JPA) would allow FPL and Miami-Dade to outline the process by which the two will jointly conduct the activities that will lead to execution of this transaction. Key components include outlining contractual terms for the construction and operation of the system. Executing this agreement gives reviewing agencies confidence that a key aspect for project success has been negotiated and will be available as the project proceeds through certification and license approval.

Q. What assessment did FPL conduct regarding its proposed back up cooling water supply?

A. During the course of the application reviews, significant attention has been directed to the potential impacts of the radial collector well system. This system employs a unique process to draw water from beneath Biscayne Bay (avoiding environmental impacts) and provide the project with a dependable

alternative supply in the event that reclaimed water is not available in sufficient quantity or quality. To authorize such a system, considerable groundwater modeling is required to assure all reviewers that the system can be successfully designed and operated. FPL considered it prudent to revisit its selection process and determine if its original choice was still merited given the substantive exchange with reviewers that has occurred since the application was submitted in June of 2009. In summary, the assessment indicated that the radial collector wells offered the best combination of environmental attributes as a backup source when compared to other sources.

Q. Were the above described decisions prudent?

A. Yes. The project management structure, project internal controls, staffing and oversight processes ensure these decisions were made based upon consideration of the best information currently available, and were also properly vetted and considered at the highest levels of the organization and resulted in prudently incurred costs.

2010 PRECONSTRUCTION COSTS

Q. Describe the preconstruction costs incurred for the Turkey Point 6 & 7 project in 2010.

A. As represented in Exhibit SDS-14 and Exhibit SDS-3, Schedule T-6, FPL incurred a total of $25,593,577 in pre-construction costs. This is $17,036,078 less than the May 3, 2010 Actual/Estimated cost of $42,629,655. The

$25,593,577 in costs are broken down in the following categories: 1) Licensing $23,184,978, 2) Permitting $1,223,203, 3) Engineering and Design $1,185,396, 4) Long Lead Procurement advance payments $0, and 5) Power Block Engineering and Procurement $0.

Q. Did FPL perform a partial year true-up of 2010 costs in 2010?

A. Yes. The schedules presenting FPL's actual/estimated 2010 costs of $42,629,655 as of May 2010 are attached hereto in Exhibit SDS-2.

Q. Were FPL's 2010 actual/estimated costs reasonable?

A. Yes. The actual/estimated costs reflected two months of actual costs (January and February 2010), and an updated estimate for the remainder of the year. All costs were incurred/estimated as a result of the deliberately managed process at the direction of well-informed, properly qualified management. All costs were reviewed and approved under the direction of the Turkey Point 6 & 7 management team and were made fully subject to project internal controls. Costs were processed using FPL standard procurement procedures and authorization processes, and were reasonable.

Q. Please describe the costs incurred in the Licensing subcategory.

A. In 2010, Licensing costs were $23,184,978 as shown in SDS-14 Table 2 and Exhibit SDS-3, Schedule T-6, Line 3. Licensing costs consist primarily of FPL employee, contractor labor, and specialty consulting services necessary to develop the federal COL application required for construction and operation of the Turkey Point 6 & 7 project and the state SCA providing state certification of the project.

Q. Please explain the reasons behind the variances between the actual Licensing costs and the costs provided in the 2010 Nuclear Cost Recovery filing in Docket No. 100009-EI.

A. FPL spent $11,148,208 less than planned in 2010. This variance is the result of lower than planned NRC fees, Bechtel COLA contract support, New Nuclear Project staffing, SCA support, Environmental Services support, external legal services and unused contingency. The NRC fees were $1,114,755 less than expected due to a lag in receiving the NRC review schedule and associated RAIs; the Bechtel COLA contract support was $1,168,818 less than expected primarily attributable to fewer than anticipated RAIs in 2010; the New Nuclear Project staffing was $1,214,038 less than expected composed in part by cost deferrals resulting from reduced construction team staffing relative to plan. SCA support was $886,787 higher than anticipated due to additional analysis and groundwater modeling required to respond to agency requests; Environmental Services support was $2,495,714 less than anticipated primarily due to lower than anticipated costs associated with the UIC exploratory well hearing not required and anticipated expenses for Preparation phase activities being shifted into future years. External legal services were $1,671,453 less than anticipated primarily due to delays in the SCA process. The contingency amount of $3,758,929 was not required.

Q. Please describe the costs incurred in 2010 in the Permitting subcategory.

A. In 2010, Permitting costs were $1,223,203 as shown in Exhibit SDS-14 Table 3 and Exhibit SDS-3, Schedule T-6, Line 4. Permitting costs consist primarily of FPL employees, communications and legal services necessary to support the various license and permit applications associated with the Turkey Point 6 & 7 project. Exhibit 14, Table 3 provides a detailed breakdown of the Permitting subcategory costs in 2010, including a description of items included within each category.

Q. Please explain any variance between the actual Permitting costs and the costs provided in the 2010 Nuclear Cost Recovery filing.

A. The project spent $2,004,977 below plan in the Permitting subcategory. This variance is the result of lower than planned communications expenses and unused contingency. The communications expenses were $214,500 less than anticipated due the delay in hearings and associated stakeholder communications required. The contingency amount of $1,680,741 was not required.

Q. Please describe the costs incurred in the Engineering and Design subcategory.

A. In 2010, Engineering and Design cost were $1,185,396 as shown in Exhibit SDS-14 Table 4 and Exhibit SDS-3, Schedule T-6, Line 5. Engineering and Design costs consist primarily of FPL employee services and/or engineering consulting services necessary to explore Preparation phase activities for the Turkey Point 6 & 7 project. Exhibit SDS-14 Table 4 provides a detailed

breakdown of the Engineering and Design subcategory costs in 2010, including a description of items included within each category.

Q. Please explain any variance between the actual Engineering and Design costs and the costs provided in the 2010 Nuclear Cost Recovery filing.

A. Overall, the project incurred costs were $3,882,893 below plan in 2010 in the Engineering and Design subcategory. The external engineering support was $4,161,406 lower than planned primarily due to the delay in starting the UIC exploratory well. The Federal Emergency Management Fee was $133,970 higher than anticipated due to an accounting correcting entry and APOG was $150,000 higher than anticipated due to the 2011 participation fee being processed in December 2010.

Q. Please describe the costs incurred in the Long Lead Procurement subcategory.

A. In 2010, there were no Long Lead Procurement costs, for the reasons described previously in this testimony.

Q. Please describe any variance between the actual Long Lead Procurement costs and the costs provided in the 2010 Nuclear Cost Recovery filing.

A. No variances exist in this category.

Q. Please describe the costs incurred in the Power Block Engineering and Procurement subcategory.

A. In 2010, there were no Power Block Engineering and Procurement costs as shown in Exhibit SDS-14 Table 5 and Exhibit SDS-3, Schedule T-6, Line 7.

Q. Were any costs expended in the Transmission category prior to or during 2010?

A. No. All costs associated with Transmission planning or engineering are related to the licensing and permitting activities, and therefore are appropriately included in the categories described above.

Q. Were the 2010 project activities prudent and were the related costs reasonable?

A. Yes. All costs were incurred as a result of the deliberately managed process at the direction of well-informed, properly qualified management. The costs were incurred in the process of conducting the necessary pre-construction activities such as obtaining the necessary licenses and permits, and the process of obtaining the necessary manufacturing space reservations for the Turkey Point 6 & 7 project. All costs were reviewed and approved under the direction of the Turkey Point 6 & 7 management team and were made fully subject to project internal controls. Costs were processed using FPL standard procurement procedures and authorization processes, and were prudently incurred.

2010 PROJECT SITE SELECTION COSTS

Q. Please describe the Site Selection costs incurred in 2010.

A. FPL's Site Selection work completed in October 2007 with the filing of the Need Petition. The costs of $145,965 in this category relate to carrying charges. FPL Witness Powers supports the calculation of carrying charges.

CONCLUSION

Q. Please summarize your testimony.

A. During 2009, the Turkey Point 6 & 7 project progressed on schedule with licensing and permitting activities, and maintained costs well within budget. As a result of commercial negotiations and engineering planning analysis, several key decisions were made accepting risk to the project construction schedule. These included deferral of the EP or EPC contract, deferral of Long Lead material procurement and withdrawal of the LWA request. These decisions were carefully analyzed and fully vetted, resulting in stepwise management of the project maintaining important progress to create the option of new nuclear generation without incurring unnecessary cost exposure.

In 2010, FPL continued a disciplined pursuit of the approvals and authorizations necessary to create this important option for our customers. FPL completed a project schedule and cost estimate review, as well as an updated feasibility analysis which demonstrated that the project retains merits that resulted in the original affirmative Need Order and subsequent cost recovery approvals by the FPSC. In addition to lower expected fuel and

operating costs, these merits include avoidance of greenhouse gas emissions, reduced reliance on oil and natural gas, as well as improvements in fuel diversity, energy security, and electric system reliability. The project execution has maintained FPL's commitment while displaying a willingness to adapt the project timelines to ensure an inclusive and complete review. Additionally, key project feature decisions are being reviewed given the most current information to ensure the project results in the best attributes possible. The results of these decisions continue to demonstrate progress, while maintaining overall project expenditures significantly below budget.

The project is being managed by a professional team of engineers, analysts, and managers to ensure process controls are maintained and activities are compliant with applicable corporate procedures and project specific instructions. The project management process is being conducted in a well-informed, transparent and organized manner enabling executive oversight and facilitating reviews by internal and external parties. The Turkey Point 6 & 7 project team has the skills, experience and executive oversight to guide the project through critical decisions using the best available information. This disciplined application of process by well-qualified FPL managers and their staff, results in prudent decisions with respect to project activities and expenditures.

Q. Does this conclude your testimony?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF STEVEN D. SCROGGS

DOCKET NO. 110009-EI

MAY 2, 2011

Q. Please state your name and business address.

A. My name is Steven D. Scroggs. My business address is 700 Universe Boulevard, Juno Beach, Florida 33408.

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

A. I am employed by Florida Power & Light Company (FPL or the Company) as Senior Director, Project Development. In this position I have responsibility for the development of power generation projects to meet the needs of FPL's customers.

Q. Have you previously provided testimony in this docket?

A. Yes.

Q. Are you sponsoring any exhibits in this case?

A. Yes, I am sponsoring the following exhibits:

- Exhibit SDS-15, a graphic depiction of the four phase new nuclear deployment process and project schedule.
- Exhibit SDS-16, Turkey Point 6 & 7 Preconstruction Nuclear Filing Requirement Schedules (NFRs) consists of 2011 P Schedules and 2011 True-up to Original (TOR) Schedules. The NFR Schedules

contain a table of contents listing the schedules sponsored and co-sponsored by FPL Witness Powers and me, respectively. FPL has included the 2011 P Schedules as they are the basis for determining the reasonableness of the true-up of FPL's 2011 AE Schedules. The 2011 TOR Schedules present a summary of costs that are the basis for the revenue requirements being recovered in 2011.

- Exhibit SDS-17, Turkey Point 6 & 7 Site Selection NFRs consists of 2011 P Schedules and 2011 TOR Schedules. The NFR Schedules contain a table of contents listing the schedules sponsored and co-sponsored by FPL Witness Powers and me, respectively. FPL has included the 2011 P Schedules as they are the basis for determining the reasonableness of the true-up of FPL's 2011 AE Schedules. The 2011 TOR Schedules present a summary of costs that are the basis for the revenue requirements being recovered in 2011.
- Exhibit SDS-18, Turkey Point 6 & 7 Preconstruction NFRs consists of 2011 AE Schedules, 2012 P Schedules, and 2012 TOR Schedules. The NFR Schedules contain a table of contents listing the schedules sponsored and co-sponsored by FPL Witness Powers and me, respectively.
- Exhibit SDS-19, Turkey Point 6 & 7 Site Selection NFRs consists of 2011 AE Schedules, 2012 P Schedules, and 2012 TOR Schedules. The NFR Schedules contain a table of contents listing the schedules

sponsored and co-sponsored by FPL Witness Powers and me, respectively.

- Exhibit SDS-20, consisting of summary tables presenting the 2011 actual/estimated and 2012 projected preconstruction costs for the Turkey Point 6 & 7 project.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide a description of how the Turkey Point 6 & 7 project is being developed, managed and controlled to create the option for more reliable, cost-effective and fuel diverse nuclear generation to benefit FPL customers under the earliest practicable deployment schedule. The project undertakes the steps necessary to license, construct and operate two Westinghouse designed AP1000 nuclear reactors and associated transmission and ancillary facilities at the Turkey Point site near the existing Turkey Point 3 & 4 nuclear power plants in southern Miami-Dade County. My testimony will provide insight into how project activities are managed given the near term focus on obtaining all licenses, authorizations and approvals needed and the factors influencing key decisions affecting the nature, cost and pace of that effort. I will also describe the projected expenditures for 2011 and 2012 allowing FPL to support and defend the applications submitted in 2009 requesting the required licenses and permits.

Q. Please describe how your testimony is organized.

A. My testimony includes the following sections:

1. Project Approach

2. Process and Risk Management

3. Procurement

4. Issues Potentially Affecting Project

5. Key Decisions & Milestones

6. Preconstruction Cost Request

7. Project Cost and Feasibility

Q. Please summarize your testimony.

A. The primary focus of the current phase of the project has been, and remains, obtaining the necessary federal, state and local approvals that will define the project and enable construction and operation of the Turkey Point 6 & 7 project. In doing so FPL is creating a valuable option that can be exercised at the most opportune time for the benefit of FPL customers. My testimony describes the project milestones expected to be achieved in 2011 and 2012, and the factors affecting the pace and execution of the Licensing phase of the project. The Licensing phase is the second step in a four step process, depicted in Exhibit SDS-15.

Key decisions control the pace of the project to maintain progress without incurring unnecessary cost or schedule risks. FPL has made decisions in past years to defer planned expenditures in long lead procurement, design engineering and the initiation of prime contracts (early stage Preparation phase activities) awaiting higher predictability in project schedule and cost. The projected in-service dates of 2022 and 2023 are based on the premise that

predictability will be developed to begin Preparation phase activities in late 2012 and early 2013. Recognizing that this needed clarity and clear path to construction has not sufficiently developed, expenditures in 2011 and 2012 are limited to those required to obtain the needed licenses, permits and approvals for operation and construction of the project. FPL will be monitoring several major milestones expected to occur in 2011 and 2012 that will have influence on the predictability of the Turkey Point 6 & 7 project cost and schedule. The unfolding industry and regulatory response to the recent events in Japan are anticipated to be a significant influence. FPL Witness Diaz provides a comprehensive perspective on the events and the potential influence on U.S. nuclear programs.

My testimony discusses the content of the $38.0 million of actual/estimated Pre-construction costs planned in 2011 and the $31.4 million of projected Pre-construction costs planned for 2012, and why they are reasonable. Moreover, I will discuss the rationale for these expenditures and how they will be managed going forward to meet project objectives. These amounts contribute to a total company request to recover approximately $196 million in 2012, as described by FPL Witness Powers. This equates to a residential customer monthly bill impact of $2.09 per 1,000 kWh. The testimony also addresses the economic and fundamental feasibility of the project, concluding the project remains feasible with the capability to deliver the cost-effective, reliable, fuel diverse baseload generation needed in our future without

greenhouse gas emissions as envisioned in the Florida Public Service Commission (Commission) 2008 Need Order authorizing the project.

Q. Would you please provide an overview of the expected benefits of the Turkey Point 6 & 7 project for FPL customers?

A. Yes. Taking into account the updated project information related in this testimony, FPL expects that the Turkey Point 6 & 7 project will:

- Provide estimated fuel cost savings for FPL's customers of approximately $1.1 billion (nominal) in the first full year of operation;
- Provide estimated fuel cost savings for FPL's customers over the life of the project of approximately $75 billion (nominal);
- Diversify FPL's fuel sources by decreasing reliance on natural gas by approximately 13% beginning in the first full year of operation;
- Reduce annual fossil fuel usage by the equivalent of 177 million barrels of oil or 28 million mmBTU of natural gas; and
- Reduce CO2 emissions by an estimated 287 million tons over the life of the project, which is the equivalent of operating FPL's entire generating system with zero CO2 emissions for 7 years.

These quantifications are set forth in FPL Witness Dr. Sim's testimony and Exhibit SRS-1.

PROJECT APPROACH

Q. What is FPL's overall approach to developing Turkey Point 6 & 7?

A. FPL continues to develop Turkey Point 6 & 7 through a deliberate process navigating the project through the four phases of project development: Exploratory, Licensing, Preparation, and Construction. The project has completed the Exploratory phase, and is currently focused on the Licensing phase prior to initiating Preparation phase activities. The approach allows FPL to make necessary progress without taking on the risks of committing to a specific construction schedule and the associated expenditures.

Therefore, FPL's approach has been developed as a step-wise process. Continuous monitoring of a wide range of factors and events is accomplished to help resolve uncertainty and increase predictability, informing each subsequent step.

Q. Please expand on the concept of the step-wise process and how the risks related to the Turkey Point 6 & 7 project are controlled by key decisions.

A. The project team monitors a host of issues at local, state and federal levels and across technical, commercial, economic and regulatory areas of interest. The impact on cost, schedule and quality are constantly being assessed through a set of routine tools and reviews. If review indicates the potential for a considerable cost or schedule impact, mitigation actions are identified and are designed to eliminate, reduce, defer or otherwise manage the impact. If the magnitude of the impact materially affects cost or schedule, or changes the feasibility of the project, a decision will be made as to whether such impact is acceptable in light of all current information. Annually the Commission will

review the results of these changes. Options available include continuing with a modified budget and schedule along with available mitigation actions, or halting a portion of the project temporarily while the issue is further assessed or resolved. The option of slowing or halting a portion of the project in response to significant events or uncertainties offers a high level of risk control for FPL and its customers.

Q. How has this project approach specifically been applied to the activities planned for the Turkey Point 6 & 7 project in 2011 and 2012?

A. In 2011 and 2012, FPL maintains the course developed in early 2010 when the project schedule was revised to remove the overlap between Licensing and Preparation phase activities. The 2010 review indicated that it was prudent to continue licensing efforts, but any expenditures committing to a specific construction schedule (such as long lead procurement) or conducting initial site engineering would be premature.

For example, the unanticipated events in Japan will likely impact the project schedule. FPL's approach has limited the impact of this unforeseen occurrence by not embarking on Preparation phase activities that may now be delayed. Maintaining the balance between making progress and managing expenditures will be reinforced as the industry and regulators respond to the events in Japan of March 2011.

FPL's resulting plan for 2011 and 2012 focuses on activities supporting the review of federal, state and local license and permit applications. The stepwise approach suggests that the best course of action in the next two years is to continue progress on obtaining all approvals while observing the application review processes underway, the developing commercial market for construction and equipment services, national and regional energy policy, and the actual experience of preceding U.S. and International projects. Information from these events will provide a better basis to develop a project execution plan that reduces risk to expenditures.

PROCESS AND RISK MANAGEMENT

Q. How is the Turkey Point 6 & 7 project management organized to maintain an on-going risk management focus?

A. The Turkey Point 6 & 7 project requires a wide range of specific experience in the development, design, construction and licensing of nuclear generation. There is also a significant volume of information generated as issues unique to new nuclear generation deployment are identified and evaluated. The project management structure of the Turkey Point 6 & 7 project provides for dedicated teams with the requisite subject matter expertise to be coordinated at all levels. This is accomplished through a project organization and reporting structure and a deliberate contracting structure applying the best resources to each issue while maintaining transparent and open

communications. The project organization relies on two principal organizations jointly responsible for the integrated execution of the project. William Maher manages the New Nuclear Plant (NNP) organization with responsibility for Nuclear Regulatory Commission (NRC) licensing and project engineering and construction. I lead the FPL Development organization for all other facets of project development, such as state Site Certification, local zoning approvals, public relations and Commission regulatory issues. Each organization is supported by FPL business units with specific, recent success in the certification, NRC re-licensing and permitting of twelve power generation units in Florida in the past eight years and is complemented by our national operating experience with renewable, natural gas and nuclear generation assets.

FPL also gives careful consideration to how it contracts for support of the many license and permit applications. A combination of competitive bidding and single/sole source procurement is used, in compliance with FPL policies, to manage augmentation of FPL staff with qualified and experienced specialty contractors and service providers.

Q. What process and risk management tools does FPL apply to obtain cost, risk and schedule objectives?

A. FPL uses industry accepted project controls, systems and practices to obtain a high level of confidence in the expenditures incurred and projected for all projects. The primary means of control are 1) the project budgeting and

reporting process, 2) project schedule and activity reporting processes, 3) the contract management process for external service providers, and 4) internal and external oversight processes. These processes were fully described in my direct testimony provided in the March 1, 2011 True-up filing and continue to be utilized in the oversight of the project.

Q. How are these tools reviewed over time and what new tools are being employed as a result of these reviews?

A. Effectiveness measures are included within some mechanisms and provided by external review processes for all. As an example, the Engineering & Construction Division Project Dashboard presents issues and the current trends for those issues. Over time, if a problematic issue continues to trend down or remains neutral, the effectiveness of the project management controls are investigated to determine if modifications are needed to effect improvement. This tool has been revised recently to more specifically address the unique aspects of the Turkey Point 6 & 7 licensing project. Effectiveness of project control processes is also reviewed as a part of the project management reviews and audits.

Project Memoranda, describing the background and analysis considered in project decisions are an example of a tool developed to ensure a higher level of documentation and transparency in the management of the project. These memoranda have documented decisions made with respect to project features, contracts, cost estimates and schedules.

Additionally, a high level risk summary has been developed to record the assessment of project risks over time. This summary qualitatively gauges the probability of occurrence and impacts to implementation, cost and schedule aspects of the project. This tool was developed in response to a comment during a project management review.

Q. What audit and review activities are planned and what are the objectives of these audits?

A. FPL employs a comprehensive suite of audit activities to evaluate and document the conduct of project activities. Standard annual financial audits provide full review of project expenditures to support prudency determination in the subsequent years. Annual internal controls reviews and financial audits are conducted to ensure FPL is appropriately applying all project controls and is adopting the appropriate techniques and tools learned from other projects in the industry. Topical audits are developed as necessary to complement specific areas of key interest at each stage of the project. Examples of topical audits would include quality control audits focusing on specific processes and training audits to verify personnel are receiving required instruction.

Q. What other activities are employed by the project to address industry issues affecting the long term success and execution of the project?

A. FPL is involved in a number of areas to address issues relevant to new nuclear deployment. The company works with the U.S. Department of Energy (DOE)

and members of Congress on energy policy matters related to nuclear development.

FPL also participates in four specific groups comprised of new nuclear industry owners and design vendor(s). These include the Design Centered Working Group (DCWG), the AP1000 Owners Group (APOG), Advanced Nuclear Technology group and the NuStart Consortium. The collective purpose of these groups is to identify and resolve issues potentially affecting the licensing, design, construction, operation and maintenance of the AP1000 design. Individually, each group provides a collaborative forum for owners to work with each other, the design vendor and the NRC to achieve standardized solutions to the issues facing all owners. This enables the industry to maintain a high level of standardization from the earliest stages of new nuclear deployment. Standardization of designs and processes will provide benefits to FPL customers in terms of efficiency and cost control.

PROCUREMENT

Q. Please summarize the results of the procurement activities supporting Turkey Point 6 & 7 project to date.

A. The bulk of project activities and expenditures are related to the development of the detailed studies and analyses required to initiate, sustain and facilitate federal, state and local reviews of the proposed project. FPL has used

competitive bidding for the majority of total project expenditures and used single or sole source procurement when appropriate or where no alternative exists.

Q. What key procurement activities are being addressed by the project in 2011 and 2012?

A. Procurement activities in 2011 and 2012 generally focus on the licensing and permitting process required to support and advance the federal, state and local approval processes. Professional services will be required from technical and environmental consultants, legal service firms and subject matter experts to respond to the inquiries of the public and the reviewing agencies during the application review process or the subsequent hearings. Additionally, the current project schedule calls for Preparation phase activities, such as clearing and grading at the site, in mid-2013. In order to prepare for those activities FPL would need to hire additional staff for its Construction team, conduct engineering reviews and planning, and develop bid packages for the work in 2012. FPL has not included these costs in the projected 2012 request based on the need to observe significant events in 2011 and early 2012 prior to authorizing such expenditures. As more information is developed in 2011 and 2012, FPL will make a decision to move forward on the current schedule or make appropriate revisions.

ISSUES POTENTIALLY AFFECTING PROJECT

Q. What are the international, national and regional indicators being monitored for their effect on the Turkey Point 6 & 7 project?

A. These can be generally grouped into four areas. First, the events surrounding the Japanese nuclear industry in the wake of the March 2011 earthquakes and tsunami are as significant as any that have faced the nuclear industry in recent years. The impacts of these events will likely have operational, regulatory and political ramifications for the U.S. nuclear industry. Second, progress of international and domestic new nuclear projects, specifically in the wake of the Japanese events, will be important inputs to inform management decision-making for the Turkey Point 6 & 7 project. Third, developments in the regional and national economy and energy policy have potential to affect the project. Finally, there are several project specific issues that may impact the project.

Q. Please describe how the events in Japan's nuclear industry may impact the Turkey Point 6 & 7 project.

A. There are likely to be indirect and direct impacts. A tremendous amount of information is generated and studied following major events to determine if changes to existing designs, regulations, operating or maintenance procedures are required. At the same time there will be significant political and regulatory interest in determining what actions are warranted based on these

analyses. Time will be needed to judge the cost or schedule impacts that may result from the implementation of actions related to the events in Japan.

Indirectly, many of the industry and regulatory resources that have been working on new nuclear generation may be tasked with assisting in any required actions determined for existing reactors impacting resources available for new application reviews. Directly, the results of these reviews could change the AP1000 design, or establish new standards to which the AP1000 must demonstrate its compliance impacting the AP1000 Design Certification (DC) Amendment or the Southern Vogtle Reference Combined License application (R-COLA). The potential impacts to cost and schedule cannot be estimated at this early time, but will be monitored during 2011 and 2012.

Q. What do recent developments related to the progress of international and domestic new nuclear energy projects indicate with respect to the continued pursuit of the Turkey Point 6 & 7 project?

A. FPL is monitoring several AP1000 projects to capture issues and challenges and to learn from the experiences of these projects. Internationally, FPL is monitoring progress on the Sanmen 1 & 2 (China, AP1000) and Haiyang 1 & 2 (China, AP1000) projects. The Sanmen and Haiyang projects represent the lead AP1000 technology plants. These projects have completed site preparation and the initial concrete pour for unit foundations and have started

module assembly and placement. At present, they appear to be on schedule and within the original cost estimate.

In the United States, multiple projects are underway. The NRC is currently reviewing several AP1000 projects, including FPL's Turkey Point 6 & 7. Three of these projects (Southern Vogtle, South Carolina Electric & Gas Summer and Progress Levy) are well into the review process and are considered the first wave of AP1000 projects. Scheduled delivery has not changed from inception for the Vogtle and Summer projects, but has moved back two years for the Progress Levy project. In 2010 Duke Energy's Lee project moved its project dates back by approximately four years based on reduced demand in their service areas.

The collective status of international and domestic projects demonstrates substantial progress is being made on the next generation of nuclear projects. Time will be required to gather lessons learned and strategies that would best apply to Turkey Point 6 & 7 project. In general, the pace of these projects are positive, but the milestones to be achieved in the next two years affirms FPL's choice to defer Preparation phase activities as a way to control implementation risks and identify efficiencies.

Q. What are the specific federal licensing milestones FPL will monitor in 2011 and 2012?

A. Three areas are of specific interest to FPL. First, the continued progress of the DC Amendment for the AP1000 design is critical to project success. The DC Amendment has completed technical reviews and has moved to rulemaking in 2011. The completion of rulemaking is necessary before COLAs based on the DC can be issued. The second track involves the progress of the Southern Vogtle COLA. This is the reference COLA for the AP1000 and is reflected in FPL's COLA. Lastly, the Progress Levy COLA includes many technical (geologic and seismologic) similarities to the Turkey Point COLA, and will provide significant feedback to inform the support of FPL's COLA.

Q. What do recent developments related to the national and regional economy indicate with respect to the continued pursuit of the Turkey Point 6 & 7 project?

A. The economic downturn has affected forward expectations for demand growth across the nation. The reduced growth rate has been cited as a reason for deferring in-service dates for some nuclear projects, but has not been a reason to cancel any projects. FPL Witness Sim addresses the impact of changes in FPL demand forecasts on the economic feasibility of Turkey Point 6 & 7, particularly in regard to projections of FPL's resource needs.

The downturn has also had an effect on the cost and availability of capital, particularly in the consumer and small business markets. These observations lead FPL to conclude that no fundamental economic shift has occurred affecting FPL's near term pursuit of the Turkey Point 6 & 7 project.

However, this is an area requiring continuous monitoring to determine the availability and cost of capital to fund the project at the point when considerable spending is initiated associated with the Preparation and Construction phases of the project. Additionally, the recession will have potential effects on the financial health of contractors, vendors and other firms FPL will rely upon to execute the Preparation and Construction phases of the project and will be a factor in forming the project execution team.

Q. What do recent developments related to national and regional energy policy indicate with respect to the continued pursuit of the Turkey Point 6 & 7 project?

A. National energy policy, as proposed by the current administration, is supportive of nuclear energy in general, and new nuclear energy development in specific. Recently, Energy Secretary Steven Chu asked Congress to consider nuclear generation as a part of any "Clean Energy" standard or policy. This practical statement has been preceded by steps to address the DOE responsibility to provide a final disposition of used fuel and proposing a three-fold increase in the funding for DOE Loan Guarantees for new reactors. The administration has reaffirmed its support for new nuclear power following the recent events at the Daiichi plant in Japan.

The administration's renewed commitment to the DOE Loan Guarantee program is supportive of an overall energy policy seeking to increase energy security and reduce greenhouse gas emissions. As FPL has stated before, we

will consider all opportunities that may provide demonstrable benefits to our customers. During the first solicitation (2007 and 2008) the DOE Loan Guarantee program had a small allocation for a large number of perceived potential applicants, was undefined in cost, benefit and structure, and would have required a truncation of FPL's deliberate technology selection process in order to meet the December 2008 COLA filing eligibility requirement. For those reasons, FPL chose not to apply at that time. FPL is monitoring the implementation of first round Loan Guarantees. Should the proposed increased funding be made available, modifications to the DOE Loan Guarantee program qualification criteria instituted and a new solicitation opened, FPL will consider applying.

Regionally, the legislature continues to address questions related to Florida's energy mix, affirming many of the policies implemented in the Florida Energy Act of 2006. Issues cited as important in the Commission's Need Order of April 2008 have not changed. Reliability, cost-effectiveness, fuel diversity, fuel supply reliability and price stability are still benefits to be delivered by increasing nuclear generation capacity and are still needed by FPL's customers. A future plan not including new nuclear capacity prolongs reliance on fossil fuels, maintains exposure to fuel supply reliability and price volatility, and is not as effective at reducing system emissions, including greenhouse gas emissions, as a plan including new nuclear generation capacity.

Q. What project specific issues does FPL monitor that may affect objectives for 2011 and 2012?

A. In addition to the national and industry developments discussed in the preceding section, FPL also monitors a variety of issues more specific to FPL and the Turkey Point 6 & 7 project. These issues include economic developments influencing the FPL system, the annual feasibility analysis, the pace of permit and license application reviews, and the development of information supporting the decision to initiate the Preparation phase of the project.

Q. What were the economic developments impacting the FPL system and the project feasibility analysis?

A. As observed last year, the economic slowdown has reduced demand for electricity on the FPL system, and reduced consumption in a number of sectors. As it pertains to the annual feasibility analysis, reduced natural gas demand coupled with incremental supply being identified in central U.S. shale deposits has depressed the price of natural gas. The impact of these issues is discussed later in this testimony and in the testimony of FPL Witness Sim.

Q. Please describe the pace of the COL application review at the NRC and factors affecting the pace of the review.

A. FPL submitted its COL application to the NRC on June 30, 2009. Following an acceptance review, the application was docketed on September 4, 2009. FPL received a review schedule in May of 2010 consistent with the duration of review received by other AP1000 COL applicants preceding FPL.

However, the NRC indicated in January 2011 that the NRC review schedule for FPL's Turkey Point 6 & 7 project is "under review".

Federal budgeting and contracting issues impact the NRC's decisions regarding resource allocation to meet its agency objectives. Resource limitations may result in reduced review resources and a protracted review schedule. Currently the NRC is actively reviewing 12 COLAs (5 COL applicants have requested their reviews be suspended) and 5 DC Documents. Six of the COLAs in review are based on the AP1000 design, and 3 of the AP1000 COLAs have expected in-service dates before FPL's schedule of 2022 and 2023. At the time of this filing, FPL has received no notification of any change to our existing schedule.

Issuance of the U.S. Army Corps of Engineers (USACE) wetland permits are linked to the issuance of the Final Environmental Impact Statement (FEIS) in the NRC COLA process (currently scheduled in 2012), and therefore the actual review period for COLA will directly affect the timing of the USACE permits.

Q. Please describe the pace of the state Site Certification Application (SCA) review and factors affecting the pace of the review.

A. FPL submitted the SCA on June 30, 2009. Considerable interest has been expressed by multiple agencies related to the physical environment surrounding Turkey Point and the complexity of groundwater features in the

region. The result has been an unprecedented number of completeness inquiries from agencies requiring an extensive level of groundwater modeling. These inquiries are being actively addressed by the project team. Achieving completeness is critical to the success and validity of the Site Certification process. FPL will continue to work with all agencies to address the technical issues associated with SCA review to ensure all legitimate issues have been fully addressed prior to proceeding to the SCA Hearing (expected Summer 2012) and subsequent decision by the Power Plant Siting Board (expected Fall 2012).

Q. When would it be necessary to revive commercial negotiations with the Westinghouse/ Shaw consortium?

A. Negotiations with the Westinghouse/Shaw (WS) consortium have been on hold since 2009 recognizing FPL's choice to focus on the licensing aspects of the project and allow significant industry milestones to be achieved in other AP1000 projects. FPL estimates that it must make long lead procurement commitments by 2015 in order to continue to meet the projected 2022 in-service date for Unit 6. Assuming an 18 to 24 month period for negotiation of an appropriate contract, negotiations must be initiated in 2013. Therefore, negotiations with the WS consortium are not planned within the term of this docket request.

KEY DECISIONS AND MILESTONES

Q. What will be the focus of the project in 2011 and 2012?

A. During 2011 and 2012 the focus of the project will be to obtain the state Site Certification and respond to NRC staff as they develop the NRC FEIS and Final Safety Evaluation Report; two reports that will be the subject of the Atomic Safety Licensing Board hearings in 2013. The project will also be monitoring and participating in Everglades National Park's Environmental Impact Statement (ENP EIS) associated with the authorized land exchange along the western Preferred Corridor. As always, the project will continue to monitor industry milestones and events that could have an impact to the overall Turkey Point 6 & 7 project cost or schedule and provide indicators as to when Preparation phase activities are warranted.

Q. Please provide examples of decisions that would be made associated with the State Site Certification process, and how those decisions may affect the project cost and schedule estimate.

A. During the review of the SCA, agencies will assess the potential impacts and necessary mitigation associated with executing the proposed project. Through the course of that exchange, revisions or conditions of certification are often proposed that minimize impacts or assist project features to more closely conform to current regulatory policy. These revisions and conditions can impact the cost and schedule for project execution. In some instances, the revisions may result in considerable costs or execution risks to the project.

The project must make decisions regarding what level of revisions to make, what conditions can be accepted and assess the impact of these changes to project cost and schedule. Additionally, the project will be preparing to defend the applications at hearing and making decisions regarding the nature of that defense and the experts needed to support the case.

Q. What milestones will be experienced related to the State Site Certification process in 2011 and 2012?

A. Two significant milestones for 2011 include achieving completeness of the plant and non-transmission portion of the SCA and obtaining a Land Use consistency determination. In 2011 agencies will complete agency reports on the transmission portion of the SCA. Similarly, agencies will be expected to complete agency reviews on the plant and non-transmission portion in 2012. These reports set the stage for the SCA hearing in mid-2012.

Q. What types of decisions will be made in support of the NRC staff reviews?

A. The NRC staff may request additional analyses and studies to augment the initial submittal. These analyses can range from short topical studies to significant field studies and/or modeling. Project management will be making decisions on the necessity, scope and conduct of any additional work scope. Similarly, NRC staff review may highlight opportunities for revisions to the project and commitments the company may be asked to make regarding conditions of licensing. Revisions and commitments may result in additional project cost or schedule impact.

Q. What milestones are expected in relation to the NRC licensing process in 2011 and 2012?

A. The results of the schedule review underway at the NRC will be a key milestone. As previously identified, the pace and outcome of AP1000 DC Amendment and R-COLA reviews will directly affect the project regulatory schedule. Finally, the response of the NRC to the events in Japan of March 2011 will set the pace and standard for future licensing.

Q. Will the project decisions regarding the ENP EIS and land exchange be similar to those made in the NRC and SCA processes?

A. Yes. The EIS process will result in observations and recommendations. The Secretary of the Interior may choose to place conditions on the land exchange as a result of these observations and recommendations. FPL will be required to assess the nature of these conditions and determine the impact to project cost and schedule. It is expected that a public scoping meeting will be held in 2011, followed by the development of a draft EIS. Comment will be collected on the draft EIS and a final EIS developed in 2012.

Q. What decisions and milestones may be made related to project schedule?

A. As previously stated, the project is focused on obtaining the licenses and approvals needed to create the option for new nuclear generation. However, FPL has maintained a schedule that provides an "earliest practicable in-service date" for planning purposes. This schedule allows the project to conduct the economic feasibility analysis required in this docket. The date assumes that needed predictability is achieved in regulatory, commercial and project

execution areas. If the project proceeds on its current scheduled pace and maintains its planning date of 2022 for Unit 6 in-service, early Preparation phase steps would need to begin in 2012 or 2013. These steps include hiring construction project staff and engaging in the preliminary engineering related to site clearing and access road construction. FPL has not included these costs in the projected 2012 request based on the need to observe significant events in 2011 and early 2012 prior to such expenditures. As more information is developed in 2011 and 2012, FPL will make a decision to move forward on the current schedule or make appropriate revisions.

Q. Does FPL intend to pursue completion of the Turkey Point 6 & 7 project?

A. Yes. The most important near term activity is creating the option by obtaining the licenses and approvals necessary to construct and operate Turkey Point 6 & 7. Once approvals are obtained, FPL will be able to review the economics and the experience of other new nuclear projects as well as how state and federal energy policies have evolved. The Commission will continue to have the opportunity to review FPL's plans through the NCRC process.

FPL's decision to carefully manage the risk of inefficient expenditures will allow the project to better advance through the early uncertain periods, thereby enabling the project to proceed to a later stage where risks can be better identified, quantified and mitigated. Considering all project specific and industry factors, this is a responsible and prudent course of action to

continue progress in creating the option for new nuclear generation for our customers.

Q. Are there other decisions that will be required in 2011 or 2012?

A. Yes. FPL executed a Forging Reservation Agreement with Westinghouse in 2008 to secure manufacturing capacity for ultra-heavy forgings needed to support the project's previous schedule. The agreement has been extended several times to allow FPL and Westinghouse to monitor industry developments and determine the best disposition of the existing reservation agreement. The current extension expires June 15, 2011. FPL intends to complete negotiations of a new agreement by that date.

2011 & 2012 PRE-CONSTRUCTION COSTS

Q. How are the 2011 actual/estimated costs and the 2012 projected costs developed?

A. As described earlier, FPL has a disciplined ground-up process to develop project budgets. This process was used in the initial project budgeting activity and is routinely reviewed and evaluated for adequacy and accuracy as additional information becomes available. The estimates of the 2011 actual/estimated and 2012 projected costs were completed in accordance with FPL's budget and accounting guidelines and policies. Where services are contracted, rate sheets are provided by the contractor and reviewed to verify the charged rates are consistent with FPL's experience in the broader industry.

The cost estimates were compared to other costs being incurred by the company for similar activities and found to be reasonable.

Q. Please provide a high level summary of the 2011 actual/estimated and the 2012 projected costs presented in this filing.

A. The $38 million of expenditures estimated for 2011 are solely related to the pursuit of licenses and permits for the project. All 2011 costs provide for FPL staff and contractors necessary to support and advance the various applications throughout the review period with the participating agencies. As discussed earlier in this testimony, no engineering design or procurement activities are planned for 2011. Costs in the engineering and design category are related to the construction of an exploratory well necessary to complete the Underground Injection Control (UIC) permitting process.

In 2012, it is projected $31.4 million of expenditures will be incurred to support the continued review of the project applications. Support costs for the licensing and permitting activities are expected to be lower in 2012 assuming the completion of the SCA reviews by mid-2012.

Q. What changes may occur that could affect these cost projections?

A. As discussed previously, the 2011 and 2012 budgets are based on estimates of the requirements to support the expected scope and schedule for application reviews and approvals. Licensing and permitting support will take the form of subject matter expertise, studies and analyses in response to agency requests. While FPL has submitted comprehensive applications meeting the respective

standards, additional information has been requested. Budgets reflect the information requested to date. Similarly, if significant intervention is registered against the applications, the cost of supporting the applications at hearing may increase. Current estimates assume some opposition is presented.

As we have seen, the pace of these projects can change. If conditions warrant, some Preparation phase activities may be advisable in the latter part of 2012. However, no expenditures for 2012 Preparation phase activities have been included in this request.

Q. Please summarize the costs included in this filing for Turkey Point 6 & 7 Pre-Construction activities.

A. Schedule AE-6 of SDS-18 presents the 2011 actual/estimated costs in the following categories: 1) Licensing $28,789,986, 2) Permitting $2,416,877, 3) Engineering and Design $6,748,673, 4) Long Lead Procurement advance payments $0, 5) Power Block Engineering and Procurement $0, and 6) Transmission Engineering $0. Schedule P-6 of SDS-18 presents the 2012 projected costs in the following categories: 1) Licensing $27,362,894, 2) Permitting $2,420,144, 3) Engineering and Design $1,610,050, 4) Long Lead Procurement $0, 5) Power Block Engineering and Procurement $0, and 6) Transmission Engineering $0. Table 1 of Exhibit SDS-20 provides a summary of the actual/estimated 2011 and projected 2012 Preconstruction

costs. The descriptions in Exhibit SDS-20 tables are illustrative and do not provide full line item detail.

Q. What major differences are noted for the 2011 and 2012 project budget when compared to FPL's prior filings?

A. There is no significant difference in the project budget for 2011 and 2012 when compared to FPL's prior filings. Some adjustments have been made to accommodate for shifts in project schedule from year to year. For example, development of the UIC wells will occur in 2011 and 2012, where previously budgeted for 2010 and 2011. Similarly, extensions of the SCA schedule deferred legal costs for hearings into 2011 and 2012. This results in increasing the 2011 actual/estimated expenditures approximately $8.5 million more than projected in the May 2010 filing.

Q. Please describe the activities included in the Licensing category for the 2011 actual/estimated costs and the 2012 projected costs.

A. For the period ending December 31, 2011, Licensing costs are projected to be $28,789,986 as shown on Line 3 of Schedule AE-6 of SDS-18. For the period ending December 31, 2012, Licensing costs are projected to be $27,362,894 as shown on Line 3 of Schedule P-6 of SDS-18. Table 2 of Exhibit SDS-20 provides a detailed breakdown of the Licensing subcategory costs.

Licensing costs consist primarily of FPL employee and contractor labor and specialty consulting services necessary to support the various license and permit applications required by the Turkey Point 6 & 7 project. The majority

of the licensing expenditures are a result of the federal COLA process. This value is a combination of NNP team costs and Bechtel COLA team costs. The license and permit applications contain project specific information, assessments and studies required by various regulatory authorities to support the reviews leading to decisions on the technical, environmental and social acceptability of the project. Other licensing activities include costs associated with the SCA, USACE permits and delegated programs such as Prevention of Significant Deterioration and UIC. License and permitting costs are developed in accordance with budget and accounting guidelines and policies. Some activities are common between applications, and therefore offer opportunities to coordinate efforts and manage costs. Further, these cost estimates were compared to FPL's recent extensive experience with the development and permitting of new generation projects in Florida and found to be reasonable.

Q. What are the major differences between the 2011 actual/estimated values and those projected in the May 2010 filing for the Licensing category?

A. Differences are created by the shifting NRC COLA review schedule. Some activities scheduled for 2010 were deferred into 2011 and some 2011 activities were moved into 2012.

Q. Please describe the activities in the Permitting category for the 2011 actual/estimated costs and the 2012 projected costs.

A. For the period ending December 31, 2011, Permitting costs are projected to be $2,416,877 as shown on Line 4 of Schedule AE-6 of SDS-18. For the period

ending December 31, 2012, Permitting costs are projected to be $2,420,144 as shown on Line 4 of Schedule P-6 of SDS-18. Table 3 of Exhibit SDS-20 provides a detailed breakdown of the Permitting subcategory costs, including a description of items included within each category.

Permitting fees consist of expenditures for Project Development management, public outreach/education and environmental services. Outreach is a vital process to inform stakeholders of the project and educate the public with regard to the many processes where they can be involved. The outreach activity involves hosting informational events and providing information on the project through a variety of media platforms. FPL experience has demonstrated that a proactive outreach and education approach facilitates a sharing of concerns and perspectives improving the overall project. Development costs in 2011 include two personnel: myself and a Project Manager. Environmental services relate to costs associated with supporting the non-NRC applications. Legal expenditures provide necessary support to activities for all permitting and project interactions. Legal support expenditures are necessary to support the timely preparation, submission, and review of issues associated with the project at the local, state and federal agency levels.

Q. Please describe the activities in the Engineering and Design category for the 2011 actual/estimated costs and the 2012 projected costs.

A. The Engineering and Design activities performed in 2011 and 2012 are required to support the permitting effort for the UIC well system. For the period ending December 31, 2011, Engineering and Design costs are projected to be $6,748,673 as shown on Line 5 of Schedule AE-6 of SDS-18. For the period ending December 31, 2012, Engineering and Design costs are projected to be $1,610,050 as shown on Line 5 of Schedule P-6 of SDS-18. Table 4 of Exhibit SDS-20 provides a detailed breakdown of the Engineering and Design subcategory costs, including a description of items included within each category.

Engineering and Design costs consist primarily of contract engineering and construction services necessary to develop the UIC exploratory well. The well is necessary to collect further data confirming the geology and hydrology at the site to support a properly constructed UIC well system.

Costs for participation in industry groups include the EPRI Advanced Nuclear Technology working group (with annual fees of $275,000) and the DCWG(no charge to participate in this group). The 2011 APOG fee was expensed in December 2010, and the 2012 APOG fee of $980,000 is anticipated to be paid in early 2012. These costs are necessary to obtain the benefits of membership described earlier in this testimony.

Q. Please describe the activities in the Long Lead Procurement category for the 2011 actual/estimated costs and the 2012 projected costs.

A. For the period ending December 31, 2011, Long Lead Procurement costs are projected to be $0 as shown on Line 6 of Schedule AE-6 of SDS-18. Future Long Lead Procurement costs are anticipated to be included in the Power Block Engineering and Design cost category.

Q. Please describe the activities in the Power Block Engineering and Procurement category for the 2011 actual/estimated costs and the 2012 projected costs.

A. For the period ending December 31, 2011, Power Block Engineering and Procurement costs are projected to be $0 as shown on Line 7 of Schedule AE-6 of SDS-18. For the period ending December 31, 2012, Power Block Engineering and Procurement costs are projected to be $0 as shown on Line 7 of Schedule P-6 of SDS-18.

Q. Please describe the activities in the Transmission Engineering category for the 2011 actual/estimated costs and the 2012 projected costs.

A. For the period ending December 31, 2011, Transmission Engineering expenditures are projected to be $0 as shown on Line 25 of Schedule AE-6 of SDS-18. For the period ending December 31, 2012, Transmission Engineering expenditures are projected to be $0 as shown on Line 25 of Schedule P-6 of SDS-18.

All 2011 and 2012 costs associated with Transmission planning are related to the licensing and permitting activities, and therefore are appropriately included in those categories, described above.

PROJECT COST AND FEASIBILITY

Q. What is the basis and background of the non-binding cost estimate range used by the project?

A. The project cost estimate range was initially developed in 2007 to support the Need Determination in 2008. The cost estimate was developed by reviewing the most comprehensive cost analysis available for a two unit, 1,370 MW U.S. new nuclear project and adjusting information for the Turkey Point project specific information available at the time. In 2007, FPL had not selected a specific technology nor had it completed any site specific project design or planning. Necessarily, the cost estimate range was broad and inclusive of a range of potential costs. The original cost estimate range was not based on firm contractual agreements, approved licenses and permits or a detailed project execution plan and schedule. In early 2010, FPL conducted a review of the cost estimate to reflect indicative pricing from Westinghouse/Shaw and updates to the overall project design. This review provided a revised estimate and reaffirmed that the existing cost estimate range remained valid. A table describing the results of the review is provided as Exhibit SDS-13 of my March 1, 2011 testimony in this proceeding.

Q. Please review how the FPL cost estimate process is constructed and how it is used to help evaluate the feasibility of the project each year.

A. An overnight cost is developed using the most current information available. An overnight cost provides an estimate of the total project costs assuming all costs occur at one point in time ("overnight") and time-related costs (escalation, interest during construction) are not included. Further, recognizing many things could influence the overnight cost, additional analysis is conducted on each component of the overnight cost to explore how much it could vary, resulting in a cost estimate range. The overnight cost provides an indication of the cost per kilowatt ($/kW) for the project in a given year reference. The 2010 cost estimate range was $3,397/kW to $4,940/kW in 2010 dollars. Updating the cost estimate range to 2011 dollars, using a net 2.5% escalation rate, results in a cost estimate range of $3,482/kW to $5,063/kW. A breakeven cost analysis is developed by FPL's Resource Assessment and Planning department, and is further discussed by FPL Witness Sim. This breakeven cost is provided as an overnight cost and is directly compared to the cost estimate range to assess the economic feasibility of the project.

Q. Have there been any revisions to project features or design in the past year that would suggest a need to revise the cost estimate range?

A. No. A review was conducted to capture any potential changes and estimate the potential cost impact. No significant changes or developments have occurred in the past year that would indicate any revisions are necessary to the project cost estimate range.

Q. What factors impact the overall project cost estimate when time-related costs such as price escalation and carrying costs are included?

A. As one would expect, the actual cost escalation influencing the final cost of the project will be the result of macroeconomic and industry specific economic factors present during the Preparation and Construction periods. The pace of expenditure, escalation and carrying costs may be estimated to provide an understanding of their relative contribution to the overall project cost. The time-related factor most influential on the total project cost is expected to be the actual pace of expenditures experienced during the procurement and construction period. If the period is prolonged, these time-related costs will have a proportionally higher effect on the overall project cost. This is why it is critical to have a fully vetted project execution plan with high predictability in cost, schedule and project controls prior to initiating construction. A well-designed execution plan will stage major procurement expenditures to occur as late as possible without affecting the construction schedule in order to minimize carrying costs. Further, the optimal execution plan will provide for clockwork sequential execution of major project construction events to maximize efficiency of financial, material and labor resources.

Q. What is the effect on the estimated total project costs if this scenario were the actual schedule?

A. As described above, there are a number of assumptions made to arrive at this estimate. Under the current 2022/2023 in-service date schedule, and using the

2011 overnight cost estimate range, the total project cost range becomes $12.8 billion to $18.7 billion for the 2,200 MW project. The increase to the estimated total project cost is solely a result of the effect the assumed cost escalation (2.5% per year) has on expenditures that will be made later than planned in the original schedule. The actual escalation may be higher or lower than the assumption.

Q. What are the most current Turkey Point 6 & 7 economic feasibility analysis results?

A. As discussed by FPL Witness Sim, the most current feasibility analysis affirms the cost effectiveness and benefits associated with the Turkey Point 6 & 7 project using the same approach applied in the Need Determination Proceeding for the project and the two prior NCRC filings. The analysis calculated a projected "break-even" cost for new nuclear; a cost that would result in the same life cycle costs (or cumulative present value of revenue requirements) as an alternative plan relying on natural gas combined cycle units. The analysis was conducted for seven scenarios comprised of three fuel and three emission cost scenarios. The projected break-even costs were higher than FPL's non-binding cost estimate range in six of seven scenarios. The seventh scenario, which assumed low natural gas and low CO2 costs for approximately half a century: i.e., through the year 2010, indicates a breakeven cost that is economically comparable to the high end of the cost estimate range. Recognize that if the combined cycle option were selected over the Turkey Point 6 & 7 project based on equivalent economics, that

selection would not deliver the qualitative benefits of fuel diversity, energy security and zero green house gas emissions that are offered by new nuclear generation.

Q. In February 2010, FPSC Staff provided a list of factors for consideration in the Feasibility Analysis. Have those factors been considered?

A. Yes. FPL Witness Sim discusses the economic factors and I discuss the non-economic factors.

Q. What non-economic factors affect the projects long term feasibility?

A. Non-economic factors include the feasibility of obtaining all necessary approvals (permits, licenses, etc.), the ability to obtain financing for the project at reasonable cost and supportive state and federal energy policy.

Significant federal, state and local approvals are required to allow for the construction and operation of the project. Due diligence activities and ongoing agency reviews continue to affirm the long-term feasibility of the project. The intense review process currently underway will result in each agency identifying its perspective on the project and describing conditions upon which the project approvals may be granted. While the review process has taken longer than originally anticipated compared to our experience with Turkey Point Unit 5 and other recent development activity, the process is proceeding substantively as expected.

Financing will be determined as the project proceeds through approvals to construction. Activity on other U.S. projects shows a strong interest in the investment community to participate in new nuclear financing. For instance, Municipal Electric Authority of Georgia conducted a successful solicitation for $2.7 billion of project bonds for its share of the Vogtle Units 3 & 4 AP1000 project. More interest was displayed than was required for the solicitation and the net Build America Bonds Rate for the three categories of bonds were 4.33%, 4.31% and 4.59%, respectively. However, the impacts of the nuclear events in Japan may influence the financial community's view on financing new nuclear projects.

As discussed earlier in this testimony, state and federal energy policy continues to be supportive of new nuclear generation for a host of reasons. The high reliability, low and stable cost and zero greenhouse gas emission profile of the technology is highly compatible with key energy policy objectives.

Q. How are the impacts to customers recognized and addressed in a decision to continue or stop the project?

A. Customer impacts resulting from project decisions are addressed inherently in the initiating Need Order and the annual economic feasibility analysis accomplished as a part of the NCRC docket. The initiating Need Order takes into account the need for electric system reliability and integrity, the need for adequate electricity at a reasonable cost, the need for fuel diversity and supply

reliability, and whether the plant is the most cost-effective alternative. Each year the feasibility analysis addresses changes in system and project-related factors to determine if the project remains cost-effective for customers. The analysis looks at a range of potential future economic and regulatory scenarios to ensure the project viability is robustly demonstrated.

Moreover, the management of project risk using a stepwise decision making process inherently recognizes the impacts to customers in each decision. For example, the decision to manage project risk by deferring design and procurement activities recognizes an outcome of the decision is the postponement of the benefits offered by new nuclear generation for some undetermined amount of time. However, the long term incremental benefit is weighed against the alternative of proceeding at this stage. Under the latter strategy, to proceed with those activities now assumes cost and schedule risks that could severely degrade or negate the incremental benefits of delivering the project a year or two earlier. Further, assuming unmitigated cost and schedule risk early in the project jeopardizes the project as a whole, potentially precluding the delivery of any of the benefits of new nuclear generation if the option is not created.

Q. Does this conclude your direct testimony?

A. Yes.

BY MS. CANO:

Q Mr. Scroggs, would you please provide an oral summary of your testimony to the Commission.

A Yes.

Good afternoon, Chairman and Commissioners. I appreciate the opportunity to speak to you today.

The purpose of my testimony is to describe the activities associated with FPL's management of the Turkey Point 6 and 7 project from January 2009 to present, and the activities that are planned for the project through 2012.

The Turkey Point 6 and 7 project was developed in response to Federal Energy Policy and the Florida Energy Act of 2006, whose mutual objective was to promote utility investment in nuclear energy for the benefit of customers. FPL began the effort in 2006, and in 2008 received a need order from this Commission that authorized pursuit of the Turkey Point 6 and 7 project.

From the outset, FPL chose an approach that would adjust the actual development and construction path in light of additional information, knowing that each year the Commission will have the ability to review and evaluate the decisions contemporaneously. FPL has continuously worked with the NRC -- or the Commission Staff through the nuclear cost recovery clause to

routinely review the expenditures and decisions that comprise the initial licensing phase of the project.

The content of my testimony and the accompanying exhibits and nuclear filing requirements I sponsor once again provide the Commission with the information necessary to validate that FPL's actual costs through 2010 have been prudently incurred and that FPL's actual estimated costs for 2011 and projected costs for 2012 are reasonable.

Key decisions made in the past two years demonstrate how FPL is actively managing the project pace as the best means of managing risk. As foreshadowed in 2009, the level of predictability in scheduling costs necessary to maintain the original project schedule did not appear by 2010. In response to that, FPL chose to defer certain planned expenditures and extend the project schedule. FPL's commitment to new nuclear has not changed.

Simply put, the project adapts to the pace of regulatory and market changes to maintain progress and manage risk. FPL plans to proceed in this deliberate fashion because we know the clarity of schedule and predictability of costs can only come from continued diligent pursuit of this project.

My testimony also explains the nonbinding cost

estimate, then supports the conclusions of the annual feasibility analysis. That annual feasibility analysis identifies that the project continues to be cost-effective for customers and offers the benefits of fuel diversity and emission-free generation that led to the Commission's original affirmative need order.

The Turkey Point 6 and 7 project provides an extraordinary opportunity to address three critical issues: Supply reliability through fuel diversity; reasonableness of costs through low cost, stably priced generation; and meaningful greenhouse gas emission reductions through baseload generation with no emissions.

FPL's customers have enjoyed the benefits of nuclear power from decisions that were made over 40 years ago. We expect that they will -- through continued application of the nuclear cost recovery clause they'll be able to enjoy increased amount of these benefits in the future.

That concludes my summary.

CHAIRMAN GRAHAM: Thank you, sir.

MS. CANO: Thank you. FPL tenders the witness for cross-examination.

CHAIRMAN GRAHAM: Okay. The witness is up for cross-exam. Who's going to be first?

MS. KAUFMAN: I think I've been designated.

CHAIRMAN GRAHAM: Now let me just make sure I understand. As we go through all these FPL witnesses, you will always be first and OPC will always be second?

MS. KAUFMAN: No. I think I'm going to be first on this, this witness, if that's all right.

CHAIRMAN GRAHAM: That's fine.

MS. KAUFMAN: I think Ms. Christensen was just going to -- wanted to make a comment.

MS. CHRISTENSEN: If you wanted to establish an order, that's fine.

CHAIRMAN GRAHAM: No. No. I was just trying to figure it out. I'll just look at you and you guys decide who's going next.

MS. CHRISTENSEN: Okay.

MS. KAUFMAN: Thank you.

MS. CHRISTENSEN: Thank you.

CROSS EXAMINATION

BY MS. KAUFMAN:

Q Goodness. Good afternoon, Mr. Scroggs. How are you?

A Good afternoon.

Q I'm Vicki Kaufman. I'm here on behalf of the Florida Industrial Power Users Group.

You are Senior Director of Project Development

at FPL; correct?

A That's correct.

Q And you're responsible for all power generation projects; is that right?

A I'm in the development business unit that is responsible for all power projects for the utility. My particular assignment is this project, the Turkey Point 6 and 7 project.

Q And is it correct that you have been involved with the Turkey Point 6 and 7 project really since its inception?

A That's correct.

Q And you were a witness, weren't you, in the determination of need case before the Commission?

A That's correct. I was one of the witnesses.

Q Okay. If you would turn to your testimony, I think this is your March testimony, to page 12, please.

A I'm there.

Q Okay. And if you look at the question that begins on line 3, it says: "What national level issues are being monitored for the potential impact to cost and schedule of the Turkey Point 6 and 7 project?"

And then you have three different categories of issues that are being monitored. The first one that you've got there is the economy; correct?

A That's correct.

Q What kinds of issues are you looking at in the economy that might impact the costs and schedule of the units?

A Particularly the economy affects the annual feasibility analysis, and the annual feasibility analysis is used to determine the feasibility of the project. The economic issues involved in that analysis are reviewed by the Commission through the Ten-Year Site Plan and again through this docket and are consistent with our long-term approach for planning generation assets for the, for the company.

Q For example, is one of the issues that you look at on the national level, does it have to do with the cost of debt?

A There's not a -- to my understanding, Witness Sim would be more appropriate to answer specific questions about the annual feasibility analysis.

Q Well, when you told the Commission in this question and answer that you look at developments in the economy, were there specific items that you had in mind?

A As -- yes. In the annual feasibility analysis we look at fuel forecasts, we look at demand forecasts, we look at the wide range of specific entries into that annual feasibility analysis.

Q Do you look at, for -- I'm sorry. I didn't mean to interrupt you.

A But that as an entity itself is not a specific input into the annual feasibility analysis.

Q Well, when you're deciding on the feasibility of the project, and particularly its costs, do you look at, for example, the credit downgrade that the United States just experienced?

A That's not a direct input, to my knowledge, to our annual feasibility analysis.

Q So are you saying that you do not look at national economic conditions when you're considering the cost of feasibility of the project?

A That's not what I said.

Q Okay.

A In answer to your question, do we look at the debt ratings of the United States as a specific input into our annual feasibility analysis, the answer is no. What we do look at is the overall business environment and the effect that has on commodity prices, demand, and our expectation for the need for the project. Those are all incorporated in the annual feasibility analysis as presented.

Q Okay. Thank you for that clarification.

Would you agree with me that developments in

the economy, particularly perhaps the developments that we've seen recently, have the potential to increase the costs of the project?

A Again, I'd not be the best witness to answer questions about, specifically about the annual feasibility analysis. I can tell you that we see variations in commodities and prices and, and economic behavior throughout the long history of this project, and that is why the Commission relies on a very long-term and vetted process for determining the annual feasibility.

Q Well, let me ask you this, Mr. Scroggs. Do you, do you think that the current economic climate has the potential to increase the cost of the project? If you don't have an opinion, you can say so.

A It would be too difficult for me to address all the various things that could happen from the current. We've seen, through the economic downturn we've seen commodity prices come down. We've seen labor prices come down. So there are opportunities for prices to moderate, as well as other prices or costs to increase.

Q There's also certainly potential for the costs of the project to increase; would you agree?

A There's potential for increase as well as

decrease.

Q The second item that you talk about that might impact the cost and the schedule is energy policy at a national, at national and regional levels. I guess let's start with the national level. What kind of national level issues are you monitoring related to energy policy?

A Well, certainly we look at the energy mix that the Federal Government is promoting through energy policy. Recent statements from the Administration have been very strong in support of continuing the support of nuclear energy as a vital component to make meaningful greenhouse gas reductions, as well as increase fuel diversity and energy security. So we look at, at those broad policy statements as well as individual programs, such as the Loan Guarantee Program that has been proposed to be, receive additional funding by the Administration this year, and we look to that as a potential opportunity to help our customers.

Q When you talk about national energy policy, have you taken a look at the nuclear incident that occurred in Japan as to how that might impact national energy policy?

A Absolutely. That is a seminal event in the nuclear industry. It will certainly have an effect on

how the project and the energy policy of the nation goes forward. But, you know, the recent indications are that things remain on track. The Nuclear Regulatory Commission in the past week have continued the process for approving the AP1000 by issuing a final safety evaluation report, and similarly issued a final safety evaluation report for the Vogtle projects in Georgia, which are the reference COLA for this project.

Q Do you think that as the NRC and other national agencies continue to, to study the, the incident in Japan, that that has a potential to delay the project?

A There's a potential for that. And just like after 9/11, there will be lessons learned and we'll incorporate those lessons learned and we'll have a more robust process that follows.

Q Would you also agree that the continued analysis of the event in Japan have the potential to increase the costs of the project if additional requirements were put on the project, either at the federal or state level?

A Yes, that's possible.

Q Now you also talked about the progress of international and domestic projects, that they have the potential to affect the project. I think we've talked

about the Japan issue. Domestic projects, what does that refer to?

A Specifically we're looking at the Southern Vogtle project and the SCANA V.C. Summer projects, which are the lead AP1000 projects in the United States.

Q And as you take a look at those projects, to the extent they experience delays or cost increases, you would take that into account with the Turkey Point projects?

A That's correct. In fact, that's very specifically why we chose to be at the lead of the second wave of nuclear projects, so that we can observe and learn from the lead projects and incorporate those appropriately to have a less risky, more precise project when we choose to execute.

Q And you'd agree that the lessons that might be learned from those projects also have the potential to delay the start date of the Turkey Point projects?

A That's a possibility.

Q I'm sorry to jump around, but if you could turn to your May testimony, page 5.

A I'm there.

Q And actually this is part of your summary that begins on the prior page, but I want to talk to you about your testimony that begins on line 5. You say,

"FPL will be monitoring several major milestones expected to occur in 2011 and 2012 that will have influence on the predictability of the Turkey Point 6 and 7 project cost and schedule." What milestones are you monitoring that you refer to on line 6?

A Specifically the milestones associated with the AP1000 certification and the Southern Vogtle reference COLA, two of which I mentioned earlier, the on-time publication of the final safety analysis or safety evaluation reports from the NRC.

Q So the major milestones you're referencing are what happens to those two projects?

A Correct.

Q And in line 8 you talk about "The unfolding industry and regulatory response to the events in Japan." So you would agree with me that, as we sit here today, we don't, we don't have certainty as to what additional requirements are going to be required as a result of the incident in Japan?

A Correct. We don't have certainty. But in the recent activities at the NRC, they've maintained the progress that they made on the AP1000 and Southern Vogtle projects, and are anticipating that those projects will complete on time by the end of this year or beginning of next year.

Q But certainly you'd agree that the NRC and other regulatory agencies have not finished their review of what may be required in light of the Fukushima event.

A That's correct. And Witness Diaz would be the proper witness to expound on what those actions might be.

Q And you certainly would agree that the unfolding industry and regulatory response has the potential to delay the project and increase its costs.

A That's a possibility.

Q If you would turn to page 15, still in your May testimony.

A I'm there.

Q Okay. And, again, the question that begins at line 3 and continues, your answer continues about halfway done -- down, excuse me. You're talking about international, national, and regional indicators that you're monitoring for their effect on the project; correct?

A That's correct.

Q And we've already discussed some of those. If you would look at line 8, you say: "The impacts of these events," and you're referring to the event in Japan, "will likely have operational, regulatory and political ramifications for the U.S. nuclear industry."

Is that right?

A That's correct.

Q And, and would you guess that those ramifications would likely result in an increase in the project costs?

A I can't draw any conclusions at this stage.

Q Okay. Do you think they're going to result in a decrease?

A I can't draw a conclusion at this stage.

Q Wouldn't you think that the events in Japan would result in additional regulations and safety requirements on future nuclear projects?

A That's --

MS. CANO: Excuse me. I'm sorry, Mr. Chairman. I'm going to object at this point. That same question has been asked several times now, so it's getting a little repetitive.

CHAIRMAN GRAHAM: I agree with your objection.

BY MS. KAUFMAN:

Q Okay. I'll move on.

Let's talk about the in-service date, Mr. Scroggs. You said that you were a witness in the determination of need case?

A That's correct, ma'am.

Q What was the in-service date that the

Commission was told would, would be, would occur for this project in the determination of need case?

A Based on the assumptions and the time of the need determination, we projected 2018 for Unit 6 and 2020 for Unit 7.

Q Okay. And you've revised that schedule, or FPL has revised that schedule; correct?

A That's correct.

Q Okay. And what does FPL now propose the in-service date to be for Unit 6?

A Unit 6 is estimated to be in service in 2022.

Q Okay. So, so four years beyond what the Commission was originally told; correct?

A That's correct.

Q And what about Unit 7?

A 2023.

Q Okay. So that's three years beyond what the Commission was told; correct?

A That's correct.

Q And certainly there's the potential for further delay; correct?

A That's correct.

Q Okay. And the last area I want to talk to you about, or maybe second to last, is the cost. In your May testimony at page 39, I think, if you want to turn

to there. At the top of the page, what have you told the Commission that the range, total range for this project is going to be, cost range?

A In this year's testimony, 12.8 billion to 18.7.

Q Do you recall what costs FPL told the Commission the price range would be in the determination of need?

A Approximately 12 to 17.8 billion, subject to check.

Q Of course. I think we're going to flip back to your other testimony, your March testimony, on page 62, line 4.

A I'm there.

Q And the question is: "Does FPL intend to pursue completion of the Turkey Point 6 and 7 project?"

And you say: "Yes. The most important near term activity is creating the option by obtaining licenses and approvals necessary to construct and operate." Do you see that?

A Yes.

Q Okay. As we sit here today, is it Florida Power & Light's intent to construct these units?

A Yes, it is.

Q When you use the term "option," what did you

mean by that, you were creating the option by obtaining these licenses?

A Well, at present time, the potential to build new nuclear units in Florida doesn't exist because we don't have the requisite licenses or approvals to do that. So the first thing we need to do is create that option. I think there's some misconception that option is a selection of whether or not to build. It's really about when to build. And when to build means when is it in the best interest of the customers.

Our belief is that by pursuing the option through getting the licenses, we define the project, we define the conditions of certification of the project, and we're much closer to the time that we would execute contracts to build that project. That allows us to learn from what's happened with the Southern project and the SCANA project and incorporate those into our decision-making.

So I think the option has been perhaps twisted to determine -- to make it sound as if we would or wouldn't choose to. We intend to. We wouldn't be engaged in the licensing process if we didn't intend to. And it's really a question about when is the appropriate time to initiate the construction expenditures.

Q So when you use the term "option," you're not

talking about whether or not you're going to do it, you just aren't able to tell us when you would actually complete the project?

A That's, that's correct.

Q Do you know if FPL has been engaged in attempting to secure any partners to participate in the project?

A Annually I meet with a group of municipals from OUC, FMPA, other interested utilities around the state, and bring them up to speed on where the project is. Because of where we are in the process, it wouldn't be the appropriate time to enter into any agreements, so our goal has been to continue to meet with these interested parties, understand their questions, answer their questions. This year we spoke a lot about the Fukushima incident and how we see the events unfolded from that, and help them understand, without a lot of their own nuclear experience, what we're seeing at Fukushima.

Q So could I -- can I take from your comments that you certainly don't have any commitments from anybody to participate in the project with you?

A Nor have we asked for any.

Q Let me just ask you this. You have a lot of experience in the utility industry. Have you ever seen

a nuclear project come in under budget?

A There hasn't been a new nuclear project in some years, so I wouldn't -- in my experience, there has not been a new nuclear project.

Q And how about a project coming on earlier than the utility had told regulators?

A I've seen many projects come in early and under budget.

Q Nuclear projects?

A No.

Q Okay. Have you ever --

A Again, within my experience in this industry, I haven't seen a new nuclear project initiated.

MS. KAUFMAN: Thank you, Mr. Scroggs.

Thank you, Chairman Graham.

MS. CHRISTENSEN: I just want to put in an appearance. Patty Christensen on behalf of the Office of Public Counsel. I think that was unfortunately overlooked when we were doing the initial appearances.

And, that said, we have no questions for this witness.

CHAIRMAN GRAHAM: Okay.

MR. WHITLOCK: Thank you, Mr. Chairman. Would you like me to proceed now?

CHAIRMAN GRAHAM: Yes.

MR. WHITLOCK: I'm prepared to.

CHAIRMAN GRAHAM: Yes.

MR. WHITLOCK: Thank you.

CROSS EXAMINATION

BY MR. WHITLOCK:

Q Good morning -- afternoon, Mr. Scroggs. I'm not sure exactly where we are. How are you this morning?

A Good afternoon.

Q If you would, turn to the beginning of your March 1st testimony for me, please, sir. Specifically page 4. And the question that was posed to you there at line 2 is what are the purpose -- "What is the purpose of your testimony?" Are you with me?

A I'm there.

Q Could you read the first two sentences, please, of your answer? Out loud, please.

A "The purpose of my testimony is to describe the activities involved in the Turkey Point 6 and 7 project throughout 2009 and '10. Specifically, my testimony will describe the deliberate, stepwise process FPL is employing to create an option to provide new nuclear generation for our customers and how that process is being managed and controlled to ensure prudent expenditures and the best outcome possible."

Q Okay. And as we sit here today, that was the purpose of your March 1st testimony; correct?

A That's correct.

Q Okay. Is that the same testimony you filed in the docket last year?

A No, it is not.

Q It's not? Okay. Could you turn over to, now to your May 2nd testimony for me, please. And again at page 3 you're asked, at line 6, "What is the purpose of your testimony?" And if you'll just read the first sentence of your answer out loud, please, sir.

A "The purpose of my testimony is to provide a description of how the Turkey Point 6 and 7 project is being developed, managed and controlled to create the option for more reliable, cost-effective and fuel diverse nuclear generation to benefit FPL's customers under the earliest practical deployment schedule."

Q So as we, as we take both sets of your testimony here together, each time when asked what the purpose of your testimony was, you've made reference to creating the option for new nuclear generation; correct?

A That's correct. And for the earliest practical deployment schedule.

Q Okay. So you'd agree with me, you'd agree with me that that would be an accurate description of

Florida Power & Light's 2010 as well as the current activities as they relate to Turkey Point 6 and 7; correct?

A That's correct.

Q Okay. And, in fact, the Turkey Point 6 and 7 project was originally developed to create an option for new nuclear generation; is that accurate?

A I'm not sure of your reference, but, as I explained in an earlier response, the option is about when we exercise our intent to construct. So I believe that's an accurate statement of our, our position.

Q Okay. If you would, back on your March testimony, if you could turn to Exhibit SDS-11, page 15 of 21. That's a Turkey Point 6 and 7 project memorandum. The subject is the 2010 project schedule revision. Just let me know when you're there.

A I'm there.

Q Okay. You see the first section there, Background. Would you read that first sentence out loud for me, please, sir.

A "The Turkey Point 6 and 7 project was developed to create the option for new nuclear generation so that FPL customers would benefit from unique economic, environmental, reliability, fuel diversity and energy security attributes offered by

nuclear generation."

Q Now nowhere in these last three statements of purpose or in this statement in this memorandum do you talk about the issue being when the project is going to be constructed, do you?

A I believe in the May testimony statement it is clear that it's about the earliest practicable deployment schedule.

Q Okay. If you'll look back at your May 2nd testimony with me, at page 4.

A Page 4, you say?

Q Correct.

A Okay.

Q And if you would, starting on line 11, if you would just read the sentence following the sentence I just asked you to read, starting with "In doing."

A "In doing so, FPL is creating a valuable option that can be exercised at the most opportune time for the benefit of FPL customers."

Q And that says "that can be exercised." Correct?

A That's what it says.

Q It doesn't say that it will be exercised, does it?

A No. It says can.

Q And you were, you were asked by your attorney when you entered your testimony in the record if you wanted to correct anything, and you said, you said that you didn't; correct?

A That's correct.

Q Okay. Do you recall submitting rebuttal testimony last year to the testimony of SACE witnesses Gundersen and Cooper?

A I recall submitting rebuttal testimony. I don't know the status of that testimony.

Q Okay.

MS. CANO: Excuse me. Again, I'm going to object as this being outside the scope of the witness's testimony. The rebuttal that he filed last year is not a part of this proceeding this year.

CHAIRMAN GRAHAM: Staff?

MR. YOUNG: They are correct. The rebuttal that he filed last year is not a part of the proceeding this year.

Also, I would remind SACE that the Prehearing Officer excluded Mr., Mr. Gundersen and Mr. Cooper's testimony, so any questions relating to that is not a part of this proceeding.

CHAIRMAN GRAHAM: I agree with the objection, and you heard what was said from the Prehearing Officer.

MR. WHITLOCK: Okay. And just to be clear, I'm not trying to somehow put the Gundersen or Cooper testimony into the record --

CHAIRMAN GRAHAM: That's fine.

MR. WHITLOCK: -- in, in contravention to the Prehearing Officer's order. I was just asking a question.

May I ask the witness a question about his rebuttal testimony? I'm prepared to show him the rebuttal testimony.

CHAIRMAN GRAHAM: I think you probably need to hand him the rebuttal testimony.

MR. WHITLOCK: Oh, absolutely. Thank you, Chairman.

MR. YOUNG: Mr. Chairman?

CHAIRMAN GRAHAM: Yes.

MR. YOUNG: Mr. Chairman, I just want to clarify.

Are you saying that you're going to ask him about the rebuttal testimony he filed last year?

MR. WHITLOCK: That's correct.

MR. YOUNG: Okay. I think that we have a standing objection from FPL that the rebuttal testimony, that the witness's rebuttal testimony from last year is not included in this year's prefiled direct testimony.

Therefore, it's outside the scope of the prefiled direct testimony, thus crossing, crossing the line on the questions.

MR. WHITLOCK: Mr. Chairman, with all due respect to Staff, I mean, this is Mr. Scroggs' testimony that was filed last year. I understand it's not a part of this year's docket. I'm attempting to cross-examine him based on his, his, what he said in this testimony. It's certainly relevant under the rules of evidence, and I can't think of any basis to keep it out.

MR. YOUNG: If he's offering it, if he's trying to use it for impeachment purposes, then Staff is comfortable with that because it's a prior sworn testimony that the witness has provided. But I would suggest that the counsel walk very, very lightly on terms of how he proceeds, because I think FPL would be willing to object.

MS. CANO: Excuse me. I'm sorry. FPL maintains its objection. I think Mr. Whitlock basically stated why, and that's that he intends to ask him about rebuttal testimony filed last year. And the purpose of this time is to cross-examine the witness on his direct testimony filed this year. So the questions are outside the scope of his testimony.

CHAIRMAN GRAHAM: I understand the objection

about it being outside the scope, and I guess I, I look towards our legal for direction more than anything else, that if it's to impeach something that's outside of the scope, is that still permittable?

MS. HELTON: Mr. Chairman, maybe if I can take a stab at it. If -- I agree with Mr. Young's suggestion to Mr. Whitlock that he needs to walk carefully here. However, if he is using his rebuttal testimony to impeach testimony he has filed in this record or to show some inconsistency or some credibility issues, I do believe that that's appropriate here. And I guess until we hear the question, we really don't know what train he's, he's going down, or what path he's going down.

So I would suggest that we let Mr. Whitlock ask his question. Before the witness answers, give Florida Power & Light an opportunity to object or not, then we can go from there.

MR. YOUNG: Mr. Chairman, also, I just want to note, I said prior sworn testimony. The witness's testimony yesterday -- last year was not entered into the record and it was not sworn. I just want to clarify that.

CHAIRMAN GRAHAM: One more time.

MR. YOUNG: I misspoke when I said prior sworn testimony. It was not prior sworn testimony, because

last year FPL's portion of the docket, no testimony was entered into the record. I just wanted to clarify the record on that.

CHAIRMAN GRAHAM: Okay.

MR. WHITLOCK: Mr. Chairman, if I could. Mr. Scroggs has testified in response to questions from Ms. Kaufman in regards to his opinion that this, that the Intervenors are somehow spinning his testimony of creating an option, and it's a question of when, not a question of if. And I think I'd like to be able to point to his, his rebuttal testimony as well as his testimony in this year's docket and see where he has stated that besides verbally today, just to give you an idea of what I'm getting at.

CHAIRMAN GRAHAM: Let's proceed.

MR. WHITLOCK: Thank you.

CHAIRMAN GRAHAM: Can we get someone from Staff to pass this stuff out?

MS. HELTON: Mr. Whitlock, were you planning on marking this for identification purposes for the record?

MR. WHITLOCK: I would like to. Thank you.

CHAIRMAN GRAHAM: Well, I guess the question I have is are we going to mark this for the record before we agree that we can even go down this path?

MR. YOUNG: It's for identification purposes only, as it, as it stands right now.

CHAIRMAN GRAHAM: Okay. So for identification purposes we mark this as Exhibit 194; is that correct?

MR. YOUNG: Yes, sir.

(Exhibit 194 marked for identification.)

MR. WHITLOCK: Thank you, Mr. Chairman.

Thank you, Staff.

May I proceed, Mr. Chairman?

CHAIRMAN GRAHAM: Yes, sir.

MR. WHITLOCK: Thank you.

BY MR. WHITLOCK:

Q Mr. Scroggs, do you see on page 9, line 3, you were asked the question: "Do all of FPL's activities related to Turkey Point Units 6 and 7 for which NCRC cost recovery is sought qualify as the siting, design, licensing, and construction of a nuclear power plant as contemplated by Section 366.93, *Florida Statutes*?" Do you see that question?

A I do.

Q Okay. Could you read me your answer, please, sir.

MR. WHITLOCK: Mr. Chairman, I think it's clear when I ask the witness to read an answer that I'm asking him to read it out loud.

MR. ANDERSON: Let me speak to this. FPL maintains its objection. Reading this, this is not impeachment at all. This is entirely consistent testimony from the prior year, it is not part of this year's proceeding, and there should be no further questioning on, on a prior year docket of this type.

MR. WHITLOCK: Mr. Chairman, this is --

CHAIRMAN GRAHAM: Hold, hold it.

Staff?

MS. HELTON: Mr. Chairman, I do think it would be appropriate for Mr. Whitlock to respond at this time.

MR. WHITLOCK: Mr. Chairman, I just -- and FPL has articulated no reason why this evidence is not relevant for purposes of this year's proceeding.

MR. ANDERSON: It's outside the scope of the testimony.

CHAIRMAN GRAHAM: Staff?

MR. WHITLOCK: And I would also, if I could, just point out the question that I'm asking Mr. Scroggs about is, in fact, an issue in this year's docket.

CHAIRMAN GRAHAM: I tell you what, this sounds like a good, sounds like a good time to take a lunch break. So I'll give our legal Staff some time to mull over this stuff, and we will take a recess and we'll reconvene at -- how about 1:45.

(Recess taken.)

(Transcript continues in sequence with Volume 3.)

STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, LINDA BOLES, RPR, CRR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 15th day of August, 2011.

Linda Boles

LINDA BOLES, RPR, CRR
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