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December 9, 2015

VIA HAND DELIVERY

Ms. Carlotta Stauffer
Commission Clerk
Florida Public Service Commission
Betty Easley Conference Center
2540 Shumard Oak Boulevard, Room 110
Tallahassee, FL 32399-0850

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COMMISSION
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Re: Docket No. 150009-EI; Nuclear Cost Recovery Clause

Dear Ms. Stauffer:

Enclosed for filing on behalf of Florida Power & Light Company ("FPL") is a First Request for Extension of Confidential Classification of Audit 11-01-001 Work Papers, including Revisions to Exhibit A (CONFIDENTIAL), Revisions to Exhibit B, Revised Exhibit C and Revised Exhibit D.

Please contact me if there are any questions regarding this filing.

Sincerely,

Jessica A. Cano
Fla. Bar No. 0037372

Enclosures
cc: Counsel for Parties of Record

- COM _____
- AFD _____
- APA _____
- ECO _____
- ENG _____
- GCL _____
- TDM _____
- TEL _____
- CLK _____

Redacted

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear Cost)
Recovery Clause)

Docket No. 150009-EI
Filed: December 9, 2015

**FLORIDA POWER & LIGHT COMPANY'S
FIRST REQUEST FOR EXTENSION OF CONFIDENTIAL CLASSIFICATION
OF AUDIT 11-01-001 WORK PAPERS**

Pursuant to Section 366.093, Florida Statutes, and Rule 25-22.006, Florida Administrative Code, Florida Power & Light Company ("FPL") requests continued confidential classification of certain material provided to the Staff of the Florida Public Service Commission ("Staff") pursuant to Audit Control No. 11-01-001 ("the Audit") and reflected in Staff's work papers. In support of its request, FPL states as follows:

1. On July 1, 2011, in Docket No. 110009-EI, FPL filed a Request for Confidential Classification of the Audit work papers (Confidential Document No. 04567-11). By Order No. PSC-14-0295-CFO-EI, issued June 9, 2014, the Commission granted FPL's request. The period of confidential treatment granted by Order No. PSC-14-0295-CFO-EI will soon expire. FPL has determined that most of the information that was the subject of Order No. PSC-14-0295-CFO-EI warrants continued treatment as proprietary and confidential business information within the meaning of Section 366.093(3), Florida Statutes, while information is no longer confidential. Accordingly, FPL hereby submits its First Request for Extension of Confidential Classification. Exhibits A and B from FPL's July 1, 2011 filing are incorporated herein by reference. Included herewith are Revisions to Exhibits A and B, Revised Exhibit C, and Revised Exhibit D.

2. The Revisions to Exhibits A and B only include the pages from FPL's original Exhibits A and B that contain information that is no longer considered to be confidential. Revised Exhibit C is a table containing the specific line, column and page references to the confidential information, and references to the specific statutory basis or bases for the claim of

confidentiality and to the affidavit in support of the continued confidential classification. Changes to the material classified as confidential have been noted in bold font. Revised Exhibit D includes the affidavits of Stephanie Castaneda and Brenda Thompson in support of FPL's request.

3. The information that was granted confidential treatment by Order No. PSC-14-0295-CFO-EI, and that continues to be designated as confidential on Revised Exhibit C, continues to be confidential business information within the meaning of Section 366.093(3), Florida Statutes. This information is intended to be and is treated by FPL as private in that the disclosure of the information would cause harm to customers or FPL's business operations, and its confidentiality has been maintained. Pursuant to Section 366.093, such information is entitled to confidential treatment and it is exempt from the disclosure provisions of the public records law. Thus, once the Commission determines that the information in question is proprietary confidential business information, the Commission is not required to engage in any further analysis or review such as weighing the harm of disclosure against the public interest in access to the information.

4. As the affidavits included in Revised Exhibit D indicate, the information included in Exhibit A (except for the revised pages and lines/columns attached hereto) continues to be proprietary, confidential business information. Certain information contained in the Audit work papers is information related to bids or contractual data, such as pricing or other terms, the public disclosure of which would violate nondisclosure provisions of FPL's contracts with certain vendors and impair FPL's ability to contract for goods or services on favorable terms in the future. Such information is protected from public disclosure by Section 366.093(3)(d), Florida Statutes. The work papers also include competitively sensitive information which, if disclosed,

could impair the competitive interests of the provider of the information. Such information is protected from public disclosure by Section 366.093(3)(e), Florida Statutes.

5. Nothing has changed since the issuance of Order No. PSC-14-0295-CFO-EI to render the confidential information (i.e., information that continues to be designated as confidential) stale or public, such that continued confidential treatment would not be appropriate. Moreover, this information will remain confidential for a period longer than the 18 months typically provided for confidential treatment, and it is anticipated that Staff will retain these documents for more than 18 months. Accordingly, FPL requests that confidential treatment be extended for a period of not less than five years. The Commission has previously granted similar requests for extended periods of confidential treatment. *See, e.g.*, Docket No. 140009-EI, Order No. PSC-14-0649-CFO-EI, p. 2 (issued Nov. 4, 2014).

6. Upon a finding by the Commission that the information referenced in Revised Exhibit C continues to be proprietary confidential business information, the information should not be declassified for a period of at least an additional five years and should be returned to FPL as soon as the information is no longer necessary for the Commission to conduct its business. *See* § 366.093(4), Fla. Stat.

WHEREFORE, for the above and foregoing reasons, as supported by the materials and affidavits included herewith, Florida Power & Light Company respectfully requests that its First Request for Extension of Confidential Classification be granted.

Respectfully submitted,

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By:

Jessica Cano
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Fla. Bar No. 0037372

**CERTIFICATE OF SERVICE
DOCKET NO. 150009-EI**

I HEREBY CERTIFY that a true and correct copy of the foregoing First Request for Extension of Confidential Classification of Audit 11-01-001 Work Papers* was served by electronic mail this 9th day of December, 2015 to the following:

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*Exhibits are not included with the service copies, but Revised Exhibits C and D are available upon request.

REVISIONS TO EXHIBIT B

	<p>(with contingency removed) was \$455M. Add increases of \$295M (engineering, material, implementation), \$99M (overruns), \$114M (scope increases), and \$24M (escalation); minus \$39M (underruns) and \$115M (scope deletions), arrive at an \$833M forecast against the then-current \$749M budget.</p> <ul style="list-style-type: none"> - 000096-000099_OPC's 1st POD No. 6 – CONFIDENTIAL – 4 pg (Port St. Lucie) Condition Report No 2008-37753. The report has been closed. Originated by Richard Sciscente who notified “PSL Senior Leadership at PSL MRC on 11/6/2008”. However, the CR indicates an “Origination Date” of 12/10/2008. The CR noted that there were currently six (6) PSL Condition Reports active and that there should be a Change Mgmt Plan (CMP) to tie them all together, per NAP-200, Change Management. It was determined that a CMP for the project existed and that the project was being implemented under an approved process (NAP-401). No further action was deemed appropriate. The record was closed. - 000100-000100_OPC's 1st POD No. 7 – CONFIDENTIAL – 1 pg. “PSL EPU Project – Total” – a spreadsheet of actual and projected expenditures for PSL, January 2008 through December 2012. Total is nearly \$783M. - 000103-000132_OPC's 1st POD No. 9 – CONFIDENTIAL – 30 pg. Extended Power Uprates. Executive Steering Committee Update, St. Lucie & Turkey Point, dated May 2009. Pg 6 identifies that Bechtel proposed staffing is greater than originally proposed; a review was in progress. Part of pushback effort? - 000133-000190_OPC's 1st POD No. 10 – CONFIDENTIAL – Two documents. Document #1 - 32 pg. Turkey Point Nuclear Plant. EPU Scope Review, June 2009. Document #2 - 26 pg. St. Lucie Nuclear Plant Modification Scope Review, June 16, 2009. - 000191-000219_OPC's 1st POD No. 11 – CONFIDENTIAL – 29 pg Extended Power Uprates. Executive Steering Committee Meeting, Saint Lucie & Turkey Point, June 23, 2009; staffing estimates over indicative bids. FPL has plan to eliminate redundancies. To be completed by June 30. - 000220-000220_OPC's 1st POD No. 17 – CONFIDENTIAL – 1 pg Annual Cash Flow, PSL EPU Project (2009) as of August 2009. The chart lists prior year actuals, 2009 to day, 2010 (under review), and 2011 projections (under review), future year projections (under review) and a total for each category (Engineering, Material, Implementation, FP&L, Contingency, and a total). Actual expenditures are trending below the actual Budget. - 000221-000279_OPC's 1st POD No. 20 – CONFIDENTIAL – 59 pg Extended Power Uprates, Executive Steering Committee, St. Lucie & Turkey Point, by Steve Reuwer, Implementation Owner – South, dtd September 9, 2009. LAR challenges. Cost certainty must be established with Bechtel – on track to complete by 12/09. The way ahead is (1) achieve cost certainty with Bechtel, (2) third party review by Highbridge, and (3) LAR reevaluation / staffing. - 000281-000288_OPC's 1st POD No. 31 – CONFIDENTIAL 8 pg. [REDACTED] etter and FPL (Ross) correspondence to Concentric (Reed) requesting a review. - 000424-000475_OPC's 1st POD No. 12 – CONFIDENTIAL – 52 pg. (DRAFT) Extended Power Uprate, Project Update, Saint Lucie, July 25, 2009. Same brief received from FPL previously – this appears to be the one presented to the ESC on
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	<p>that same date.</p> <ul style="list-style-type: none"> - 000480-000480_OPC's 1st POD No. 21 – CONFIDENTIAL – 1 pg. (1 of 18 pages). Turkey Point EPU Project Forecast Estimate Summary. No indication of intended audience or preparer/presenter/forum. Document file name (lower L/H corner) indicates it is the April 29, 2009 Forecast Estimate Summary Sheet. "Scope Clarification Hours" and "Added Scope Hours" add 290,416 and 373,772 hours respectively to the indicative hours bid. The total hours estimated to increase from 2,028,888 to 2,693,077 hours, and costs from original \$212.9M to \$333.6M. - 000482-000502_OPC's 1st POD No. 23 – CONFIDENTIAL – 21 pg. Turkey Point 3 & 4, St. Lucie 1 & 2, FPL Extended Power Uprate Project, Engineering and Other Home Office Personnel, Indicative Staffing Levels; Bechtel proprietary document. - 000504-000873_OPC's 1st POD No. 24 – CONFIDENTIAL – 370 pg. Bechtel proprietary documents. email correspondence between Bechtel to FPL, and forecast estimates for both St. Lucie and Turkey Point. Pg 1-59 is FPL-EPU Project, Bechtel Project Forecast for St. Lucie 1 & 2, dated May 12, 2009; Pg 60-90 is the Outage Optimization Forecast Estimate for St. Lucie 1 & 2, dated September 4, 2009. Pg 91 to 222 is the FPL Extended Power Uprate Forecast Estimate, St. Lucie Project, Management Review Package, dated June 29, 2009. Pg 223-370 is the Extended Power Uprate Forecast Estimate for Turkey Point Project, units 3 & 4, dated September 9, 2009 - 000876-000909_OPC's 1st POD No. 29 – CONFIDENTIAL – two folders. Key document in each is a 1-page manhour estimate summary. Manhour estimates are as of 5/11/09 and include actuals up through end-April 2009. Similar to 000480-000480_OPC's 1st POD No. 21, above; see explanation of that document). Folder #1: "Bechtel to FPL May 09 PSL Manhour Estimates.pdf". Page 2 (of 17) is entitled <i>Saint Lucie – 25486 FPL/EPU Project Forecast Estimate Summary</i>. Original indicative estimates for St. Lucie are derived from the subcategories of field home office, non-manual labor, craft, and mgmt services. The total from the indicative total estimate of September 2008 was [redacted] hours. Scope clarification [redacted] hours) and additional scope [redacted] hours) increased the forecasted estimate to [redacted] hours. Folder #2: "Bechtel to FPL May 09 PTN Manhour Estimates.pdf". See page 2 of 17, entitled, <i>Turkey Point 25489, FPL/EPU Project Forecast Estimate Summary</i>. Same categories and the estimated total manhours from the original indicative estimate was [redacted] hours. Scope clarification [redacted] hrs) and additional scope [redacted] hrs) increased the forecasted estimate to [redacted] hours. - 000911-003155_OPC's 1st POD No. 30 – CONFIDENTIAL (41.3Mb, 1557 pg file) Detailed analysis of feedwater heaters and whether to replace them. TEI examined the impact of an increase in steam and water flows and pressures corresponding to an EPU of 2652 MWt for the PTN Nuclear Power Plant Feedwater Heaters. Examination / evaluation cover effects on the different zones of the feedwater heater and its thermal performance as well as an assessment of vibration and potential for accelerated erosion/corrosion. The study concluded that feedwater heaters should be replaced. - 003157-003185_OPC's 1st POD No. 13 – CONFIDENTIAL – 188 pg. Pages 1 thru 175: <i>St. Lucie Extended Power Uprate – Scope Change Log</i>, current through November 30, 2010. Shows nature of the change, scope change number (pointing to further documentation), responsible manager, initiation date, cost, schedule impact if any, applicable unit(s), risk register entry number, and explanatory comments. Pages 176-188: <i>EPU PTN Trend Register</i>. Contains much the same information as noted for PSL Scope Change Log, but also provides name of approver and a status column for current status. Note: Forms are not the same – why? PTN doesn't list unit(s) for which the change is applicable. PSL
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- Jim Conolly was made the EPU LAR Manager – St. Lucie
- Chris Wasloek assumed role as EPU LAR Manager – St. Lucie after PSL-1 LAR submittal
- Babar Suleman is now Project Controls Supervisor - PTN

h. (pg 12) Increasing unstable NRC environment. FPL contends that NRC is using the LAR process to challenge elements of *existing* licensing basis, invoking new requirements and this is extending the review. FPL operates on a belief the NRC will follow their guidelines. But, NRC is requiring add'l engineering on previously submitted items, things already been asked/answered. Add'l technical review requests also mean added costs – \$700K for added engineering. FPL, EEL, and other electric utilities are meeting with NRC Exec Dir of Licensing. FPL believes NRC has inexperienced reviewers unaware that certain issues raised have been asked/answered and that senior NRC management is not engaged, resulting in NRC requests causing regulatory process delays and that translate to additional effort/costs for FPL.

Point Saint Lucie

- PSL-1 LAR resubmitted November 22, 2010
- Approval will occur after Fall 2011 outage, resulting in mid-operating cycle uprate
- PSL-2 LAR is expected to be submitted in February 2011
- PSL-2 approval may not occur prior to start of 2012 outage

Turkey Point

- EPU LAR submitted October 21, 2010
- Acceptance dependent on approval of Alternate Source Term LAR
- NRC has extended the review of the AST LAR
- FPL received approximately 50 RAIs and is providing timely responses
- EPU LAR approval unlikely to occur prior to PTN-3 Spring 2012 outage.

i. (pg 16) Overall, project is in the design phase, approximately 23% complete:

	Currently ID'd	Initiated	30%	90%	Finalized
St. Lucie	95	68	58	29	21
Turkey Point	112	99	41	29	27
Total	207	167	99	58	48
Percent		81%	48%	28%	23%

Initiated – Permit 14 scope issued
 30% - Conceptual Design Package
 90% - Implementation Review Packages
 Final – Reviews completed and approved by Plant General Mgr for issuance

j. (pg 17) Design for Fall 2011 outage remains behind schedule, but FPL has a catch-up plan in place. Bulk of remaining mods to be issued 01/11 for the lead unit. Half (21 of 42) design packages are late to this for the lead unit (PTN-3, Jan 2012 outage).

k. (pg 19) Bechtel is performing at Cost Performance Index (CPI) or 0.98 (a measure of efficiently an entity is using resources; burned over actual; 1 is on target, below 1 is better than above 1), and a Schedule Performance Index (SPI) of 0.98 (this is a gauge of whether a project is ahead or behind schedule – 1 is on schedule, over 1 is ahead schedule, under 1 is behind schedule)

l. (pg 20) **Outages:** PSL-1 (4/5/10 to 5/14/10, 70 days) and PTN-3 (9/27/10 to 11/10/10, 43 days) first outages are complete. PSL-2 (1/3/11 to 3/26/11, 82 days) and PTN-4 (3/19/11 to 5/13/11, 55 days) first outages are on track.

m. (pg 20) **Implementation Schedules:** PSL-1 (8/29/11 to 12/17/11, 120 days), PTN-3 (1/9/12 to 5/8/12, 120 days), PSL-2 (4/19/12 to 7/23/12, 95 days), and PTN-4 (10/1/12 to 1/29/13, 120 days) EPU Implementation schedules are on track.

n. (pg 21) there exists potential for schedule and cost impacts depending on NRC approval of LAR. Worst case scenarios:

Schedule Risks: PSL-1 likely mid operating cycle uprate; PSL-2 potential mid operating cycle uprate. Turkey Point potential to shift implementation one operating cycle depending on NRC review/approval of licensing amendments. FPL has not begun contingency planning on this yet.

Cost Risk: Resolution of Spent Fuel Pool criticality issue (significant cost impact)

m. (pg 27) Project costs have increased primarily from inclusion of Bechtel trends and resolution of add'l NRC requirements. FPL has conducted its annual contingency analysis (an annual adjustment) and included \$129M for Undefined Scope. Current cost

forecast for Engineering and Construction is \$2.065B. Cost forecast remains within the 2010 non-binding cost estimate range.

n. (pg 28-29 - Project); (pg 40-41 - PSL); (pg 42-43 - PTN) Project cost and man-hour analysis – CONFIDENTIAL The 2010 budget (2 outages) was approximately \$330M (actual cost is forecasted to be approximately \$316M); the 2011 budget (3 outages) is \$702M. 1
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o. (pg 32) Challenges for 2011:

- Obtain NRC approval of Turkey Point's AST – must have it *before* NRC can approve the LAR
- NRC acceptance of the PSL-1, PSL-2, and PTN EPU license amendments
- Complete remaining Engineering Design work
- Plan / prepare for upcoming outages
- Successful execution of outages (PSL-2 spring 2011, PTN-4 spring 2011, PSL-1 fall 2011)

(3) Conclusions:

a.

(4) Data Request(s) Generated:

No. _____

No. _____

No. _____

(5) Follow-up Required:

Project Manager

Bureau of Performance Analysis Interview Summary

<p>Florida Power & Light Company 2010 Nuclear Controls Review- Follow-up Auditors: Rich, Vinson</p>	<p>Interview Number: IVS-1a File Name:</p>
<p>Name: Terry Jones, Steve Reuwer, Don Fleetwood, Bruce Belsler, and Tiffany Cohen present for FPL.</p>	<p>Date of Interview: 12/14/10 Location: Juno Beach Headquarters Telephone Number: Call-in (561) 691-7333</p>
<p>(1) Purpose of Interview: To receive an update of the progress made on PSL Units 1&2 and PTN Units 3&4 since April 2010; further to better understand whether there were additional or duplicate costs for uprate work performed during 2009.</p>	
<p>(2) Interview Summary:</p> <ol style="list-style-type: none"> 1. Steve Reuwer provided summaries of the PSL and PTN uprates since April 2010: He said the projects were progressing through the four phases of project work, finalizing procurements, etc; completed PSL and PTN first outages this fall (2010); The forecast remains w/in the non-binding estimate range of approx. 2.3 B; the PSL 1 EPU LAR was resubmitted last quarter 2010 and PSL EPU LAR is expected to be filed 2/11; The NRC is challenging current Unit designs and requiring additional information; pages 6-8 of the presentation provides completion and man-hour projections; a couple of organizational changes occurred for EPU; Mike DeLowery is EPU Site Manager for PSL and (he was steam generator manager at PSL previously) George Granum was asked to leave the company for reasons other than the EPU project; Alan Fata is the PTN EPU Director (moved from PSL); Chris Wassick (PSL EPU Director or Project Controls Supervisor ??); 2. On page 12 of presentation discussion regarding the License Amendment being increasingly unstable due to NRC environment; based on NRC Review Standard RP001 FPL operates on the belief that the NRC will follow their normal procedural process; increasingly the NRC is asking for more detail information to assure themselves that all approved historical Unit changes will not impact operation under EPU conditions; Mr. Jones mentioned Generic Safety Issue 191 re: the steam generator margin that the NRC is asking FPL to supply additional detail that will add to schedule delays and costs; he also mentioned to answer NRC LOCA questions regarding hydrogen mixing FPL has to provide additional engineering that has already been asked and answered in the past, regarding unit design basis; at PSL 1 the NRC previously approved FPL actions for a rod withdrawal accident; These additional NRC Technical Review Requests injected additional costs greater than \$700,000 for engineering; FPL, BEI, and other electric companies are meeting w/NRC executives (Executive Director of Licensing) to address the condition; the NRC has inexperienced personnel in the Licensing Division as reviewers that are not aware that certain technical issues being raised have been previously asked and answered; FPL believes NRC Senior Management is not engaged w/personnel and companies are getting NRC requests for additional work causing delays and additional costs; the normal period for review is 2 mos. and 12 months for approval; however if the NRC continues to request extra information for issues already resolved the utilities may start cutting back on uprate projects; 3. Page 12 of presentation provided a high level review of what this means _____?; PSL Unit 2 EPU LAR on schedule for February 2011; FPL has receive 50 RAIs for PTN EPU LAR and believe the approval will not happen as planned; on page 13 of presentation, FPL will have to complete the second outage and do a mid-term outage to complete PSL1; must complete generator rewind, replace the LP turbine rotor; work can be completed and the unit can be operated at the new EPU levels if LAR is approved in time; however the fallback position is that the unit can be operated at current levels until the LAR approval can be received; FPL has communicated with the NRC and they agree FPL's position to be reasonable; 4. Page 16 provides an engineering status for the project; engineered mods completed are at 23% with 98 engineers working on the project now; leveling manpower as needed for outages rather than all engineering at once; using Zachary and other outside engineering for small stuff as well as the EPC (Bechtel); ongoing daily balancing of ____?; Bechtel is measured on CPI and SPI and FPL reports performance measures monthly; Page 17 shows the status of PSL mods while page 18 shows PTN mods total; page 20 discusses overall execution for the mod work 5. Page 21 discusses future cost impacts relative to PSL1 &2 Spent Fuel Pool Criticality is a potential additional cost to the project; PSL 1&2 will probably need a mid course outage to complete work; PTN would possibly be the next operating cycle for finishing (worst case); Page 22 mentions 20 additional MWs of output??? i.e. putting a better prop on outboard engine (Terry Jones); Page 24 mentions PSL1 in Fall 2011 balance of packages for PSL1 should be complete tasks by next Christmas; 6. Page 27 of presentation discussed Bechtel trends and additional risks from the NRC; as depleted undefined scope contingency was re-examined and re-allocated ???; annual type of adjustment; as things are identified they are added to Risk Registers and vetted for potential costs; trending of project risks are in unresolved Risk Registers; Page 28 describes PSL and PTN Cost Analysis and costs vs. forecast discussion and "amount completed" and "amount to go"; FPL uses a bounding view of where costs will be to anticipate increases; 7. Page 29 provides a Job Hour Analysis vs. man hrs expended view to determine work completed and where the project is against 	

- f. Mr. Stamm's team conducts independent reviews of project costs, scope, variances, cashflow, etc.
- g. Forecast variance tries to capture those things not related to scope. These variances become one of the biggest parts of "pushback" with all contractors, and has been true with Bechtel.
- h. SPI and CPI EPPR –(Engineering Progress and Performance Report)
- i. Nuclear Business Office (NBO) is responsible to provide timely nuclear fleet financial operating information to standardize and effectively execute processes in the areas of planning, reporting, forecasting, and accounting/cost controls.
- j. Mr. Stamm explained the annual process of nuclear business planning (see pg 6 of the handout). NBO's piece of this process ends in October; the entire process ends in December each year. Responsibility is to insure that all of nuclear fits into the corporate plan (including EPU)
- k. A big part of his job is Gap Analysis – which he described as "tactical, not strategic", what is being done in the present year to close gaps in performance/cost identified in the past year.
- l. Budget he deals with is approximately [REDACTED] of which about [REDACTED] is FPL.
- m. For the budget process overview (reporting & oversight), NBO uses EPU's forecasts/reforecasts, Monthly Operating Performance Report (MOPR), Management Review Meeting (MRM), financial summaries, End-of-Year report, and Final Business Plan.
- n. EPU goes through a multi-stage budgeting process:
- * Budget Preparation – a process of taking all known info derived from the forecasting process and establishing the annual budget. This is the 'snapped line'. Actual expenditures are measured against the budget and variances are monitored.
 - * Budget Review – Project Controls presents the budget which contains all current available information and reviews it with EPU Project Management.
 - * Financial System Budget Load – After agreement by EPU Mgmt, the info is transmitted to NBO for entry into the company's financial system.
 - * EPU Site Project Controls provide NBO the forecast by outage (4 each site)
 - * NBO extracts and categorized the raw data as Removal (equip & cost of removal), Retirement, Capital or O&M, and Incremental or Non-Incremental.
 - * NBO performs (limited) cash flow shaping
 - * NBO layers on limited risk adjustments such as the incremental costs related to outage extension as directed by EPY Project Implementation Owner.
- o. See EPU performance vs. annual budgets 2008-2010 and projected budget for 2011. At the time of this interview, the 2010 Actuals on the chart below, was a year-end forecast based on the then-current November Variance Report.

PERFORMANCE AGAINST ANNUAL BUDGET			
Year	EPU Budget	EPU Actual	Difference
2008	\$79M	\$103.1M	\$24.1M over
2009	\$279.3M	\$236.1M	\$43.2M under
2010	\$329.5M	\$316.3M	\$13.2M under
2011	\$702.2M	ongoing	-

- p. NBO is on the EPU Sites -- reps sit directly with (Mr. Fleetwood's) EPU Controls people as another check on the system and procedures. Mr. Fleetwood described the NBO people as "mostly backward looking" while his (Controls) are "forward looking". this reflects the core competencies (training / expertise) of both groups. He stated this is documented in Ms. Powers' testimony.
- q. (Risk Assessment) EPU Project Team meets on weekly basis to capture recently ID'd project risks, documenting and discussing possible mitigation strategies. EPPI #340 drives this action and process so that everyone is on the same page.
- r. (Metric Performance) Daily, weekly, and monthly metric reviews (a thorough vetting of metric packages and included mods/mod

Bureau of Performance Analysis Interview Summary

<p>Company: Florida Power & Light Company Area: Follow-up to 2010 Nuclear Controls Audit Auditor(s): D. Rich, C. Vinson</p>	<p>Interview Number: 5 File Name: "Interview Sum 5 (Reed).doc" (I-drive, 2010 FPL review)</p>
<p>Interviewees: (Primary) John Reed Other Attendees (FPL): Tiffany Cohen, Regulatory Affairs (FPSC) Lynn Fisher, Government Analyst, via teleconference</p>	<p>Date of Interview: 12/15/10 (1000-1200) Location: FPL, Juno Beach, Rm D-4014</p>
<p>(1) Purpose of Interview: To review the Concentric report, its findings, and whether any imprudence attaches</p>	
<p>(2) Interview Summary:</p> <p>a. Concentric reviewed the overall FPL management and leadership processes by which mgmt decisions are made. If something were to fall out as imprudent, the costs incurred should be reviewed. TSSD was an example of imprudent decision-making in which we (Concentric) found that activities violated FPL procedures/protocol – therefore, the costs approved (incurred) were imprudent.</p> <p>b. Concentric also conducted a broad review of FPL contract compliance practices, procedures, and protocols.</p> <p>c. Concentric reviewed all project costs – looking at monthly expenditure reports to scrutinize all major purchases, tracking the process and examining details from source documentation all the way through the process. Concentric also examined modifications (change orders) for any contracts that occurred during the particular month being reviewed. They were on site for 3 months. If problems had been discovered, a specialized audit would have been conducted. However, Concentric did not find anything that needed further investigation.</p> <p>d. In all those, no improper management actions or decisions were noted. Concentric believes FPL to have adequate and proper practices and procedures.</p> <p>e. The (FPL initiated) Midcourse Review was initiated by Mr. Kundalkar. It looked at cost estimation associated with Bechtel. FPL used this to 'push back' vis-à-vis Bechtel and was able to whittle down the estimate. Mr. Reed opined that FPL responded "...appropriately and got control of project costs."</p> <p>f. The ultimate decision making authority is at the VP level, so Concentric did not have questions for (nor did they concentrate on) the executive level of management. Concentric did not believe that Exec-level management needed to be interviewed for their review.</p> <p>g. Mr. Reed believes a more formal approval for cost estimation is warranted; in mid-2009 there was confusion in the estimate. He feels a formal sign-off would improve the identification of the approved project estimate.</p> <p>h. Concentric has no issues with the FPL budget forecast but pronouncements by Mr. Kundalkar that EPU was "...on time and on budget." may have been subject to misinterpretation at all levels because of the general lack of precise understanding of the such terms and how they applied to FPL (see interview – Stamm).</p> <p>i. (see pg 21, Concentric report) Mr. Reed reiterated that EPU did not adequately or across-the-board comply with internal (EPU) or company (FPL) standard procedures for developing, estimating, approving, and/or tracking of changes to cost estimates and/or budget prior to July 2009. The process required for releasing funds was not followed. All revisions to the cost estimates were not tracked through the trend program. All these resulted in widespread confusion about the approved budget or cost estimate at any specific point in time. He believed this was a conduct issue (of being lax) and that mostly attributable to inadequate implementation of or adherence to (existing EPU and FPL) project controls. Similar issues were experienced at Point Beach.</p> <p>j. Concentric looked at costs associated with the LAR (License Amendment Request) because it was affecting both budget and estimates. Tracked info coming into new estimate for LAR, looking at internal and external issues and the 'prime mover' behind the issues. Drilled down and found that part of the Shaw/WEC analysis had to be redone – but at no cost to FPL.</p> <p>k. Regarding the LAR, Concentric team did not see any costs incurred due to mgmt failures or decisions.</p>	

l. Concentric investigated whether there was evidence of poor performance (relating to timing of estimates and the pushback toward Bechtel). The perception of others on EPU was that the changes were partially due to performance or caused by (poor) performance. Though the perception might have been that performance was a factor, Concentric found no evidence of performance as a cause.

m. Mr. Reed opined that when Mr. Kundalkar told his direct reports to push back and drill down to verify changes to the estimates, it may have led him to decide not to give the new, preliminary cost estimates for PTN to exec right until the estimates had been further or fully vetted. From February through May, Mr. Kundalkar indicated to the ESC that all was on the proper glide slope for cost. In the June ESC, he indicated that a > \$100M increase in the estimate was coming. The ESC was cut short and he was instructed to come back to the July ESC with a line-by-line estimate.

n. Staff inquired whether Concentric has done any follow-up regarding its report findings / recommendations since the hearings. Mr. Reed said that FPL has been very deliberate in their approach to the recommendations contained in the Concentric report. Most Concentric recommendations have been addressed by FPL and several remedial actions are already in place. FPL wanted Concentric to consider their (FPL's) position. Reed opined that Concentric did carefully consider the FPL position regarding each finding/recommendation and Concentric was frustrated at times by the FPL review process. But, Concentric does not believe there was any intent by FPL to delay the report. The Concentric opinions remained firmly what appeared in the final report. FPL took exception in some responses but Concentric was not concerned.

(3) Conclusions:

a.

(4) Date Request(s) Generated:

No. _____

No. _____

No. _____

(5) Follow-up Required:

Project Manager

**Bureau of Performance Analysis
Finding Summary**

Company: Florida Power & Light
Area: EPU
Auditor(s): Rich / Fisher

Item No:
File Name: EPU – 2009 Management Change
WLC#:

(1) Issue (Is there a point of discussion, debate or dispute?)

Did the 2009 EPU management changes cause or directly lead to cost overruns, unnecessary work, or rework? Was the EPU management changeover the result of mismanagement?

(2) Condition (What is happening?)

In concluding days of the 2010 hearings, several Commissioners had questions they felt were not adequately addressed by FPL during the proceedings. These formed the basis of a follow-on review conducted in late 2010. The majority of questions were directly investigated and answered by a thorough review of circumstances and events leading up to and following the changeover.

Document Request / Interviews

Five document requests were issued. Six on-site or phone interviews were conducted with FPL personnel. Mr. John Reed, CEO of Concentric Energy Advisors, was also interviewed in person. Concentric had performed an audit of EPU for FPL. The audit report contained findings critical of FPL's handling of the EPU changeover and lack of full disclosure about rising cost estimates.

While the documentary evidence and interviews in many places strongly support the Concentric findings, there was no direct or compelling evidence discovered of unnecessary rework, overpayments or overcharging, or mismanagement on the part of the former EPU management team. Staff would opine that FPL missed a golden opportunity to be fully forthcoming with the Commission and the public about anticipated cost increases but was not compelled to divulge more information than they did under current Commission orders or Florida statutes.

Contract Review

A representative random sample of contracts from the five largest EPU vendors (Areva, Bechtel, Siemens, Shaw/SWEC, and Westinghouse) was reviewed. This sample covered the three-month period prior to the EPU changeover (Apr-Jun 2009; see DocSum DR-5.1, 2010, EPU Follow-up). Contracts covering long lead items were also reviewed for the same three-month period. The total value of contracts reviewed exceeded \$17M and represented nearly 66 percent of the total invoiced value of all contracts during that three-month period. The total of contracts inspected for each company was at least [redacted] percent (Bechtel) of the total invoiced for the period. The total for Areva exceeded [redacted] percent and the total for Siemens was more than [redacted] percent.

Similarly, a representative sample of contracts from the same five vendors was randomly selected from the changeover month (July) and the three following the management change (Aug-Oct 2009; see DocSum DR-5.2, 2010 EPU Follow-up). Long lead item contracts were also reviewed from the same period. The total value of contracts reviewed exceeded \$11M and represented more than 40 percent of the invoiced value of all contracts during that period. Those inspected ranged from [redacted] percent (Areva) to [redacted] percent (Siemens) of the total amount invoiced by each company during the period.

Staff believes that the body of contracts reviewed, the number of major vendors involved, and proportion of total value investigated combine to represent a comprehensive sample. Amounts tracked and invoices and justifications were completed in accordance with FPL procedures. Staff found no evidence of impropriety regarding the contracts, companies involved, the amounts invoiced to FPL or paid to vendors, or in the procedures used in contract processing or justification. No examples of overpayments, overcharging, or mismanagement on the part of the former EPU management team was discovered.

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**Performance Analysis Section
2011 Work Plan
FPL's Turkey Pt. and St. Lucie Uprates**

		Pump Testing of Group A pumps was issued on March 30, 2011.	
	<p>4. Review and update the tracking of the project's schedule and costs.</p> <p>Document the status of long-load equipment acquisition timeline and its impact on the project schedule</p>	<p>In early 2011, FPL made changes to three of the four remaining outages scheduled to start in 2011 and 2012. The St. Lucie Unit 1 Fall outage (110 days) was changed to start in November 2011 and complete in March 2012. The St. Lucie Unit 2 Summer outage (95 days) was changed to begin in June 2012 and end in September 2012. Most long load equipment was ordered and expected to be delivered to meet the implementation phase of the project.</p>	1 2
	<p>5. Update and describe project <i>planning</i> made since the last review for the project and its effect on the project schedule and costs.</p> <p>Obtain and document any external reviews performed relative to <i>planning</i> since the last review.</p> <p>Review any detailed internal feasibility studies completed relative to project/<i>planning</i> scope changes.</p> <p>Review and update the status of project planning, engineering, equipment modification, and phasing of work schedules to complete the project, and identify any potential delays to the project.</p>	<p>In early 2011, FPL made changes to three of the four remaining outages scheduled to start in 2011 and 2012. The St. Lucie Unit 1 Fall outage (110 days) was changed to start in November 2011 and complete in March 2012. The St. Lucie Unit 2 Summer outage (95 days) was changed to begin in June 2012 and end in September 2012.</p> <p>FPL moved the Turkey Point Unit 3 Spring outage (120 days), to begin in February 2012 and complete in June 2012.</p>	3 4 5

**Performance Analysis Section
2011 Work Plan
FPL's Turkey Pt. and St. Lucie Upgrades**

The Turkey Point Unit 4 Fall outage (120 days) scheduled to begin in October 2012 and complete in January 2013 was not changed.

Risks to Scheduling and Costs

1. Review project management reports for any potential risks to project scheduling and costs
2. Review company assessments and mitigation planning for project associated risks
3. Identify any potential project risks associated with ITAAC documentation, revision, and completion, and any associated company risk mitigation efforts
4. Identify any procurement and long lead equipment that may impact project scheduling or costs
5. Provide a forward looking timeline of events related to project risk assessment and mitigation

1. Document the ongoing risk analyses being performed on the project and identify any changes to the process. Determine whether the company expects any impact on LAR approval process from the Fukushima accident.

Review and update any changes made to the site Project Management and reporting process since the last review.

Document current processes for senior management oversight responsibilities and reporting.

FPL identifies and reports significant EPU project risks monthly in the project Risk Registers. The probability of each identified risk occurring and the estimated potential cost impact determine the weighted cost value assigned. Mitigation activities and strategies are developed and assigned to specific project team individuals for risk resolution. Once the risk is satisfactorily mitigated it is closed in the Risk Registers and removed from the total risk potential estimated for the project.

Project risks are updated and vetted in quarterly Vendor Integration meetings that include vendor management, FPL executive management, and EPU project management representatives. FPL conducts weekly Executive Vice President,

**Performance Analysis Section
2011 Work Plan
FPL's Turkey Pt. and St. Lucie Upgrades**

<p>4. Review and evaluate contractor KPI and contract performance compliance during the year 5. Review all contract change orders issued by the company and requested by the contractor 6. Track change orders and work authorizations and identify any associated project risks 7. Summarize contract change orders made in perspective to total project changes and costs</p>	<p>Document current contractor oversight and performance responsibilities of support services, such as purchasing and procurement, after the contractor completes work on the project.</p> <p>Document current QA/Audit responsibilities for contractor oversight and performance while on the project.</p> <p>Obtain and review company procedures for verifying contractor work performed and amounts payable.</p> <p>Review and document contract structure and provisions to protect the company from substandard contractor performance.</p> <p>Determine whether the company includes risk sharing within contracts, and how effective risk sharing has been to help manage contractor costs and overruns on the project.</p> <p>Determine how the company evaluates contractor costs before/after the project work is completed.</p>	<p>site to ensure safety-related and other work quality is completed to spec;</p>	
	<p>2. Determine whether company performance incentives for meeting or exceeding contract provisions have changed since the last review.</p> <p>Determine whether the company policy for completing vendor performance evaluations after major projects has changed since the last review and document any changes.</p> <p>Determine how the company has changed its contract structure and provisions since the last review to further prevent contractor overruns and substandard performance.</p>	<p>Performance incentives are the same except that Target pricing is implemented at FPL. FPL plans to implement target pricing for PTN in 2011. Target pricing provides a monetary incentive for the EPC contractor to complete each outage on schedule or before.</p>	
	<p>3. Document current QA/Audit responsibilities for contractor oversight and performance while on the project.</p> <p>Review FPL contractor audit plan and rationale for audits.</p> <p>Determine when future audits are scheduled/planned but not currently scheduled.</p> <p>Obtain and review any Quality Assurance contractor evaluations completed since the last review.</p>	<p>The Project Implementation Plan (PIP) outlines the FPL and Bechtel responsibilities for EPC QA. Activities must be performed in accordance with the Bechtel QA Program that complies with requirements found in 10</p>	

DR-12
ICDR 1.2 EPU Cover
PSL Risk Register 1/6/11
PTN Risk Register 1/6/11

Lucie and Turkey Point upgrade projects and those actions planned during 2011. j) Please provide a current timeline of events and estimated costs necessary to complete NRC RALs and the LAR submissions. k) Please provide a written summary of increased LAR submission costs for the St. Lucie and Turkey Point upgrade projects since April 2010. l) Please provide a written summary of anticipated increased LAR submission costs for the St. Lucie and Turkey Point upgrade projects for 2011. m) Please provide a written description of any other conditions or requirements that remain as possible challenges to the St. Lucie and Turkey Point upgrade project's schedule and cost? n) Provide a status of the progress for upgrading the Gandy Cranes at each upgrade unit, since April 2010, including the equipment being changed, timelines for completion, salvageable materials and estimated costs for each crane upgrade.

Summary of Contents: a) St. Lucie (PSL): 1) FPL submitted the PSL Unit 1 EPU License Amendment Request (LAR) to the NRC on November 2010. The NRC review schedule is approximately 14 months following substantial (2 months for acceptance review and 12 months for detailed review). Please see also FPL's response to data request No. 1.1a. PSL Unit 2 EPU LAR is planned for submission to the NRC in February 2011. The NRC review schedule is approximately 14 months following substantial. FPL applied to the Florida Department of Environmental Protection (FDEP) for authorization to modify the discharge temperature limits for St. Lucie as necessary for the power upgrade condition. The FDEP issued the revised Industrial Wastewater permit in December 2010. Turkey Point (PTN): The PTN Alternative Source Term (AST) LAR was submitted in June 2009. NRC approval of the PTN AST LAR is expected in February 2011. In 2010, FPL agreed to provide a PTN Spent Fuel Offsite LAR. That LAR was submitted in August 2010. The NRC review schedule is approximately 12 months. The PTN EPU LAR review and approval is complete. Upon approval of the PTN AST LAR, the NRC should accept the PTN EPU LAR and commence the detailed review. The NRC review schedule is approximately 12 months following acceptance of the EPU LAR. In 2010, FPL agreed to provide a PTN Core Operating Limits Report (COLR) LAR. That LAR is planned for submission in March 2011. The NRC review schedule is approximately 12 months.

b) The EPU risk assessments and risk mitigation plans are documented in the EPU Risk Register. See the PSL and PTN Risk Registers provided in response to DR-1.6d.

c) FPL completed installation of the Turkey Point monitoring wells and associated infrastructure in October 2010. Sampling of the monitoring stations began in June 2010. Sampling is expected to continue for at least two years after upgrade is achieved. Currently, the monitoring program is on schedule and there are no expected impacts on the cost or schedule for the Turkey Point upgrade project since funding for the monitoring program is being funded through the environmental cost recovery clause (ECRC).

d) See FPL's response to DR-1.2c for details regarding the Turkey Point monitoring program. FPL is in compliance with the DEP site "certification conditions" for Turkey Point.

e) The current estimated cost of additional crocodile monitoring required by the "certification conditions", approximately \$85k per year, is included in the existing Turkey Point upgrade project budget. There are no other identified potential impacts of the "certification conditions" on the schedule or costs of the Turkey Point 3 & 4 upgrade projects.

f) St. Lucie: Currently, there are no known cooling water conditions or requirements that remain as possible challenges to the St. Lucie 1 & 2 upgrade projects. An amendment to the St. Lucie Industrial Wastewater permit, issued in December 2010, requires FPL to perform ambient monitoring, thermal monitoring, and biological monitoring in the Atlantic Ocean. The impact on the St. Lucie EPU cost is estimated to be approximately \$200k to prepare a score for the biological status of study. It is anticipated that the costs for the ambient and thermal monitoring plans and the implementation costs in all three monitoring plans will be funded through the environmental cost recovery clause (ECRC). There are no expected impacts on the EPU schedule.

Turkey Point:

Currently, there are no known cooling water conditions or requirements that remain as possible challenges to the Turkey Point Unit 3 & 4 upgrade projects. FPL is continuing to monitor the Turkey Point cooling canal as part of the PSL Turkey Point River Plant Groundwater Surface Water, and Ecological Monitoring Plan, in accordance with Condition X of the site "certification conditions". There are no expected impacts on the Turkey Point EPU cost or schedule.

g) From a transmission planning perspective, FPL has not identified any specific transmission conditions or requirements at

	<p>but one manufacturer increased the loading on the building which would have required design and installation of additional building structural supports. One manufacturer increased the capacity of the crane by 20 tons while simultaneously reducing the weight of the trolley by 20 tons. This resulting net-zero weight increase in the design was chosen which minimized the need to analyze or reinforce the building. This vendor also was the best commercial submittal and the subcontract has been issued to vendor "Whiting Services Inc" by Bechtel.</p> <p>Preliminary design of the new trolley has been submitted by the manufacturer and is in review by the project team. Additional inspection activities are in progress on the crane rails, wheels, axles, bearings and other components to ensure reliable operation of the crane following the crane capacity increase. The crane capacity increase consists of changes to the following equipment:</p> <ul style="list-style-type: none"> - Crane structure component reinforcement. - Replacement of the existing motors and drives system to ensure reliable operation during EPU outages, with an infinitely variable speed control capability; - The existing trolley and load block are being replaced by a new lighter trolley with an infinitely variable speed control capability. - Increased travel speed for the bridge and hoists to improve material handling events to ensure reliable operation during EPU outages with an infinitely variable speed control capability. - Upgraded drive control system to minimize potential "crabbing" of the bridge with an infinitely variable speed control capability. - Replacement of the control operators cab and controls with an infinitely variable speed control capability. <p>Engineering inspection & analysis completed to support the upgrade:</p> <ul style="list-style-type: none"> - Inspection of rails - Inspection of girders - Inspection of welds and materials of existing structure <p>1. Third party review and recommendations for upgrading the electrical and control systems Estimated Cost for Crane Upgrade: \$3,250,000 Salvageable Material: All disposable Scrap with the estimate value to be determined.</p> <p>Schedule of remaining activities:</p> <ul style="list-style-type: none"> - Manufacturer complete final design of new components - January 2011 - Design package completion - May 2011 - Work package development completion - June 2011 - Component Fabrication completion - June 2011 - Component delivery - June 2011 - Installation and testing completion - July 2011 <p>PSL Risk Register 1/6/11- 10 very likely significant ratings in 33 items w/MCE of \$98.055M and WRE of \$67.270M</p> <p>PTN Risk Register 1/6/11- 3 very likely significant ratings in 9 items w/MCE of \$64.979M and WRE of \$44.700M</p> <p>Conclusions:</p> <p>Data Request(s) Generated:</p> <p>No. _____ Description:</p> <p>No. _____ Description:</p> <p>Follow-up Required:</p>
<p>Document #: EPU DR-1.3 Date Requested: Date Received: Comments: (i.e., Confidential)</p>	<p>Document Title and Purpose of Review: a) Please describe any changes made to project planning for the St. Lucie and Turkey Point uprates since April 2010, due to potential project risks or other project management concerns b) Please describe any new changes, challenges, project delays, or work stoppages, impacting project planning for the St. Lucie and Turkey Point uprates, since April 2010; examples include, but are not limited to, economic conditions, demand projections, capital market conditions, vendor/contractor issues, site logistics, and regulatory issues c) Identify the corrective actions undertaken, the timeframes involved,</p>

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	<p>Data Request(s) Generated: No. _____ Description: No. _____ Description:</p> <p>Follow-up Required:</p>
<p>Document #: EPU DR-1.6 Date Requested: Date Received: Comments: (i.e., Confidential) CONFIDENTIAL</p> <p>DR-1.6a Adhoc Updates: (* = important; ** = very important) 7/9/10 Nuclear Board Meeting** 8/18/10 NRC Meeting* 7/9/10 Nuclear Committee Meeting Minutes* PSL Daily Reports for: (* = important; ** = very important) 5/3/10 and 5/27/10 6/4/10 and 6/28/10* 7/2/10* and 7/26/10* 8/2/10* and 8/27/10* 9/2/10* and 9/28/10* 10/4/10 and 10/27/10 11/2/10 and 11/22/10 12/2/10 and 12/27/10* PTN Daily Reports for: (* = important; ** = very important) 5/3/10* and 5/27/10* 6/3/10* and 6/28/10 7/2/10 and 7/26/10* 8/3/10** and 8/27/10* 9/3/10 and 9/28/10* 10/4/10* and 10/28/10** 11/3/10* and 11/29/10* 12/2/10* and 12/27/10**</p>	<p>Document Title and Purpose of Review: a) Please provide copies of all periodic or adhoc St. Lucie and Turkey Point status updates provided to FPL Board of Directors, executive, or project management, since April 2010, including but not limited to briefings, minutes, findings, handouts, and Power Point slides b) Please provide copies of the following EPU project and management reports since April 2010:</p> <ol style="list-style-type: none"> 1. EPU Monthly Operating Report 2. Internal and external audit engagements 3. FPL Executive Steering Committee reports 4. Monthly EPU Project Risk Matrix 5. Monthly Risk Mitigation Plan Review 6. Project Steering Committee Report 7. EPU Executive Steering Committee Report 8. EPU Technical Steering Committee Report 9. Bi-Weekly Updates PSL & PTN 10. EPU Project and Individual Unit Cost Data 11. Disciplinary actions against contractors 12. Provide copies of the Weekly Contract Compliance Matrix <p>c) Please identify any new St. Lucie and Turkey Point project management controls placed since April 2010, or planned for 2011 d) Please provide a copy of the Key Performance Indicators management uses to monitor the status of the uprate projects for the period January 2010 to date.</p> <p>Summary of Contents: 1.6 a) The following documents are attached: Nuclear Board EPU Presentations, Nuclear Board Meeting Minutes, NRC Briefing, and Daily Reports (2 per plant per month are provided).</p> <p>b1) Copies of the EPU Monthly Operating Reports for PSL and PTN since April 2010 are attached.</p> <p>b2) The 2009 EPU internal audit was completed by Jefferson Wells, at the direction of FPL Internal Audit on May 10, 2010. <u>The audit report is available for review in FPL's Tallahassee office. There were no other internal or external audit engagements.</u></p> <p>b3) Copies of the FPL Executive Steering Committee presentations since April 2010 are attached. <u>In July 2010, the frequency of the Executive Steering Committee meeting was changed from monthly to quarterly.</u></p> <p>b4) Copies of the EPU Project Risk Matrix since April 2010 for PSL and PTN are attached (typically two per month for each site).</p> <p>PSL Project Risk Matrix 5/6/10 - 44 active items; 15 Very Likely Significant High ; Cost Exposure Max. \$140,008 M and Weighted is \$56,952 M 5/13/10 - 45 active items; 16 Very Likely Significant High ; Cost Exposure Max. \$144,178 M and Weighted is \$59,331 M 6/03/10 - 45 active items; 16 Very Likely Significant High ; Cost Exposure Max. \$141,928 M and Weighted is \$58,899 M 6/24/10 - 39 active items; 13 Very Likely Significant High ; Cost Exposure Max. \$168,944 M and Weighted is \$70,191 M 7/15/10 - 41 active items; 15 Very Likely Significant High ; Cost Exposure Max. \$209,278 M and Weighted is \$81,489 M 8/05/10 - 37 active items; 16 Very Likely Significant High ; Cost Exposure Max. \$152,428 M and Weighted is \$62,888 M 8/26/10 - 36 active items; 16 Very Likely Significant High ; Cost Exposure Max. \$152,904 M and Weighted is \$63,316 M</p>

**Bureau of Performance Analysis
Finding Summary**

Company: Florida Power & Light
Area: New Nuclear - PTN 6&7
Auditor(s): Rich / Fisher

Item No:
File Name: PTN 6&7 - Long Lead Forging Agreement
WLC#:

(1) Issue (Is there a point of discussion, debate or dispute?)

Forging agreement extended [no turning metal until at least 1Q2015]

(2) Condition (What is happening?)

FPL's long lead forging reservation agreement with Westinghouse was set to expire on March 15, 2011. It has been extended again, this time until June 15, 2011. Eventual cancellation could cause FPL to lose a portion of its \$10.8 million reservation fee. Scroggs described the negotiations as "...close to an agreement." and expects resolution before the current June 15th deadline. He stated that everything is on the table regarding the agreement – terms and conditions, the deposit, and disposition of the deposit if the contract expires. Scroggs expects, "no turning metal until at least 2015." When pressed, he said NLT 1Q2015.

Background: The original agreement was signed in 2008, reserving manufacturing capacity for specialized, ultra-heavy forgings for the API1000. The contract included a reservation fee (\$10.8M) and expiration in December 2009. Parties agreed to a six-month extension to June 2010, without changes or costs. An FPL white paper (March 2010) stated that project reviews provided FPL clarity of two key factors impacting long lead forgings – the FPL decision not to initiate a construction contract in the near term and a reduction in worldwide demand for specialized forgings of this type. The parties agreed to another extension, preserving original terms and specifications, and extending the expiration to March 2011.

FPL believes that preserving the agreement is in its current best interest, providing the company flexibility and cost certainty while holding their place in line. The company also recognizes risk that at some point the agreement could be dissolved instead of extended. Terms specify a refund of the reservation fee, less ██████████ if Westinghouse can remarket the manufacturing slot. The amount if Westinghouse is unable to remarket the slot is not specified. In that case, FPL could lose a greater portion of its reservation fee.

(3) Standard/Criteria (How is it supposed to work?)

(4) Cause (What has happened or could happen due to variance between 2 & 3?)

- ✦ The original FPL and Shaw scoping studies provided the basis for FPL's decision to proceed with the EPU Projects in 2007.
- ✦ Project management was alerted to the potential for the forecast to increase as early as April 2008 through (condition report) CR-2008-11443.
- ✦ The EPU senior project management reviewed a preliminary, revised forecast for PSL as early as December 2008 and a more refined version of this analysis in February 2009.
- ✦ The EPU senior management prepared the July 25, 2009 ESC presentations with the intent of providing a detailed, line-by-line review of the changes to the forecast.
- ✦ As of July 25, 2009, FPL believed the EPU Projects continued to be economic based on the revised forecast and projected incremental output.
- ✦ The VP of Power Uprate was aware of and had assisted in the presentation of a revised cost estimate to FPL's executive managers on July 25, 2009.

Concentric conducted a number of employee interviews and reviewed numerous EPU documents to test the complaint concerns expressed. The investigation confirmed many of the concerns. On June 21, 2010 Concentric provided a final report with its conclusions. Concentric concluded the following:

- ✦ FPL's decision to continue pursuing the EPU Project in 2009 was prudent and was expected to be beneficial to FPL's customers; FPL properly considered an updated cost estimate in its updated feasibility analysis in July 2009, which reinforced the conclusion that significant benefits were expected from the Project.
- ✦ All of FPL's expenditures on the EPU Project have been prudently incurred.
- ✦ Certain information provided by FPL in the 2009 NCRC was out-of-date and did not represent the best information available at the time; FPL is currently taking steps that Concentric believes will address this concern for the future.
- ✦ EPU Project management did not consistently follow certain procedures that were intended to govern this project in 2009; in addition, the Project's senior management in the first half of 2009 was slow to respond to concerns that were raised regarding project cost estimates; these issues are currently being addressed by the senior management team installed in the second half of 2009.
- ✦ FPL should consider taking certain actions that are discussed in the body of this report to strengthen the Project Controls organization and to better ensure compliance with existing procedures.

The Concentric investigation also examined the 2009 Nuclear Cost Recovery Clause proceedings to evaluate whether information provided to the FPSC during the proceedings was "accurate and consistent with the standards expected for testimony before, and submissions made to, a regulatory agency". Concentric identified that budget estimate information provided by the Vice President Uprates in his May 2009 testimony had changed and the change was not discussed in the hearing. Concentric stated in its report that:

While Concentric agrees that the new analyses confirmed the conclusions in Mr. Kundajkar's testimony, we believe that a \$300 million, or 27%, increase in the projected cost of the EPU Project should have been discussed in the live testimony on September 8, 2009.

In an interview with Concentric, FPSC audit staff determined that FPL witnesses are prepared by their attorneys for potential questions that might be asked during the hearing, as most witnesses are. During the interview, Concentric agreed that Mr. Kundajkar had participated in a 2

line-by-line budget discussion with FPL's Executive Steering Committee in July 2009, and therefore, understood that the budget information provided in May 2009 was indeed incorrect by the time of the hearing on September 8, 2009. Yet, when asked by FPL attorney Anderson, "If I asked you the same questions contained in your prefiled direct testimony, would your answers be the same?" Mr. Kundalkar answered "Yes, they would be".

FPSC audit staff and Concentric agree that Mr. Kundalkar knew the budget estimate was being reviewed and likely would change. In fact, Concentric states in the investigation report:

On September 9, 2009, the ESC was presented with a newly revised forecast that further increased the cost [of] the EPU Projects by approximately \$104 million total for both sites. This presentation stated that approximately 30% of the total project costs have "high certainty".

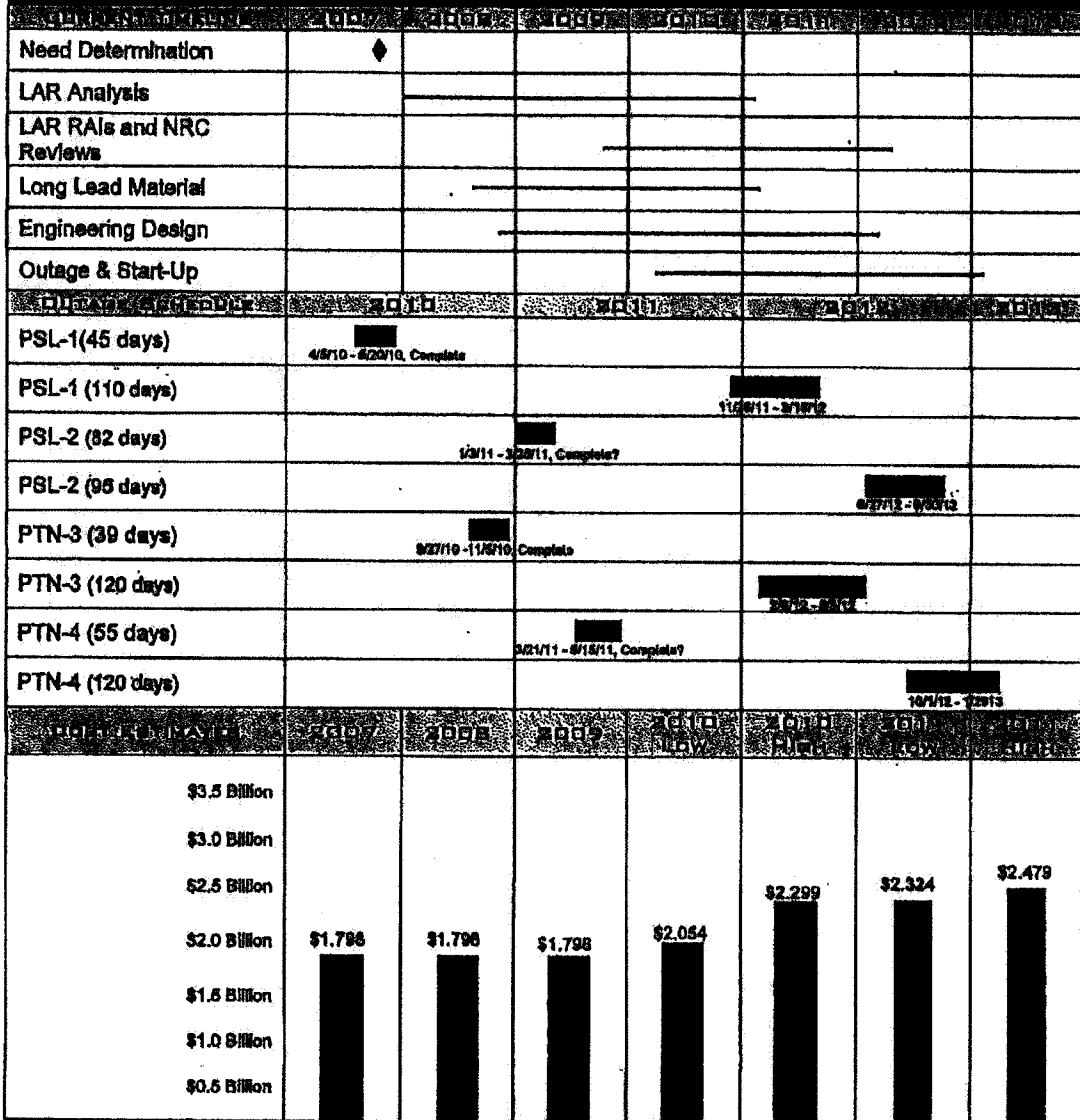
Upon completing its investigation, Concentric provided FPL with four recommendations intended to "improve the distribution of information within FPL, the NCRC docket team and to the FL PSC". These recommendations are:

- Concentric recommends that the process be changed in order to provide timely and ongoing information within the NCRC docket team throughout each NCRC review cycle. This will help to ensure that any updated information is fully discussed within the NCRC docket team and prevent future concerns related to flow of information to the FL PSC. Concentric has been informed that this change has already been implemented.
- Similar to the recommendation above, FPL and the FL PSC staff should revisit the issue of intra/inter-cycle document production. The ongoing production of a limited number of key project documents could enhance the FL PSC staff's understanding of the projects and how they are developing on an on-going basis.
- The NCRC docket team has included and continues to include a number of first time witnesses or witnesses with limited experience serving in this role. As a result, it is vitally important that FPL's Law and Regulatory Affairs Departments continue to provide explicit instruction and guidance to these individuals. It is our understanding that the importance of updating one's pre-filed testimony and exhibits is an explicit part of the witness training program, which we believe should be conveyed through written instructions.
- As part of our investigation Concentric reviewed the list of invitees to the ESC presentations. Noticeably absent from these lists of invitees in 2009 was a representative from FPL's Regulatory Affairs and Law Departments. Given the importance and scale of the EPU Projects, and the alternative cost recovery treatment being afforded to these projects, a relatively senior member of Regulatory Affairs Department should attend each future ESC presentation. It is our understanding that this change has recently been implemented.

Concentric noted in its report that some of these recommendations have been addressed by changes made to the EPU Projects since July 2009. However, the recommendations are addressing issues raised in the report and Concentric wants to be sure all the recommendations are adequately addressed.

A draft report of the investigation was issued to FPL on April 22, 2010. After several meetings and calls to discuss and refine the draft report, FPL management response

EXTENDED POWER UPRATE DASHBOARD



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Revised Exhibit C

Company: Florida Power and Light Company
Title: List of Confidential Workpapers for Staff's Review of the Project Management Internal Controls For Nuclear Power Uprate and New Nuclear Projects
Docket No.: 110009-EI

***Bold Denotes Revision**

Work Paper Page No. (s)	Description	No. of Pages	Conf. Y/N	Line No./Col. No.	Florida Statute 366.093 (3) Subsection	Affiant
	Work Plan	448	N	Pages 1-37, 39-44, 48-54, 60-75, 79-80, 84-85, 87-88, 90-93, 96, 98-135, 138-148, 149-211, 214-217, 219-223, 228-233, 235-238, 241-242, 245-253, 258-259, 262-265, 269, 273-274, 277-278, 282-284, 286-293, 295-296, 298-303, 305-311, 314, 316-317, 319-332, 334-340, 342-347, 349-350, 352-368, 370-377, 379-388, 389, 393-400, 402, 404-405, 408-409, 412-417, 419-424, 423, 426-429, 432-439, 444-445, 447-448 Page 38 Lines 1-4 Page 45 Line 5 Page 46 Lines 3-6	(d), (e) (d), (e) (d), (e)	Stephanie Castaneda " "

Work Paper Page No. (s)	Description	No. of Pages	Conf. Y/N	Line No./Col. No.	Florida Statute 366.093 (3) Subsection	Affiant
				Page 47 Lines 1-2	(d), (e)	"
				Pages 55-56 Lines 1-3 & Columns 1-7	(d), (e)	"
				Page 57 Lines 1-9 & Columns 1-7	(d), (e)	"
				Page 58 Lines 1-6 & Columns 1-7	(d), (e)	"
				Page 59 Line 1 & Columns 1-7	(d), (e)	"
			N	Page 76	NA	NA
			N	Page 77	NA	NA
			N	Page 78	NA	NA
				Page 81 Line 1	(e)	Stephanie Castaneda
				Page 82 Lines 1-9	(e)	"
				Page 83 Lines 1-5	(e)	"
				Page 86 Line 1	(e)	"
			N	Page 88	NA	NA
			N	Page 89	NA	NA
				Page 94 Lines 1-12	(d), (e)	Stephanie Castaneda
				Page 95 Lines 1-19	(d), (e)	"
				Page 97 Lines 2,3,5	(d), (e)	"
			N	Page 136	NA	NA
			N	Page 137	NA	NA

Work Paper Page No. (s)	Description	No. of Pages	Conf. Y/N	Line No./Col. No.	Florida Statute 366.093 (3) Subsecti on	Affiant
			N	Page 149	NA	NA
				Page 184 Lines 1-7	(e)	Stephanie Castaneda
				Page 212 Lines 1-9	(e)	Brenda Thompson
				Page 213 Lines 1-10	(e)	"
				Page 218 Lines 1-4	(e)	"
				Page 224 Lines 1-10	(d), (e)	"
				Page 225 Lines 1-11	(d), (e)	"
				Page 226 Lines 1-21	(d), (e)	"
				Page 227 Line 1	(d), (e)	"
				Page 234 Lines 1-3	(d), (e)	"
				Page 239 Lines 1-13	(d), (e)	"
				Page 240 Lines 1-3	(d), (e)	"
				Page 243 Lines 1-15	(e)	"
				Page 244 Lines 1-13	(e)	"
				Page 254 Lines 1-5	(e)	Stephanie Castaneda
				Page 255 Lines 1-4	(d), (e)	"
				Page 256 Lines 1-2	(d), (e)	"

Work Paper Page No. (s)	Description	No. of Pages	Conf. Y/N	Line No./Col. No.	Florida Statute 366.093 (3) Subsecti on	Affiant
			N	Page 257	NA	NA
			N	Page 260	NA	NA
				Page 261 Lines 1-13	(e)	Stephanie Castaneda
			N	Page 265	N	NA
				Page 266 Lines 24-25	(e)	Stephanie Castaneda
				Page 267 Lines 1-4	(e)	"
				Page 268 Line 1	(e)	"
				Page 270 Lines 1-4	(e)	"
				Page 271 Lines 1-3	(e)	"
				Page 272 Lines 1-5	(d), (e)	"
				Page 275 Line 1	(d), (e)	"
				Page 276 Lines 1-6	(d), (e)	"
				Page 279 Lines 1-15	(e)	"
				Page 280 Lines 1-2	(e)	"
				Page 281 Line 1	(e)	"
				Pages 282 Lines 1-16	(e)	"
				Page 283 Lines 1-9	(e)	"
				Page 284 Lines 1-11	(e)	"

Work Paper Page No. (s)	Description	No. of Pages	Conf. Y/N	Line No./Col. No.	Florida Statute 366.093 (3) Subsecti on	Affiant
				Page 285 Lines 1-8	(e)	"
				Page 286 Lines 1-9	(e)	"
				Page 287 & 288, Lines 1-15	(e)	"
				Page 289 Lines 1-14	(e)	"
				Page 290 Lines 1-6	(e)	"
				Page 291 & 292, Lines 1-15	(e)	"
				Page 293 Lines 1-12	(e)	"
				Page 294 Lines 1-6	(e)	"
				Page 297 Line 1	(e)	"
				Page 299 Line 1	(e)	"
				Page 304 Line 1	(e)	"
				Page 310 Lines 1-6	(e)	"
				Page 311 Lines 1-5	(e)	"
				Page 312 Lines 1-3	(d), (e)	"
				Page 313 Lines 1-7	(d), (e)	"
				Page 315 Line 1	(d), (e)	"
				Page 318 Lines 1-12	(d), (e)	"
				Page 333 Lines 1-2	(d), (e)	"

Work Paper Page No. (s)	Description	No. of Pages	Conf. Y/N	Line No./Col. No.	Florida Statute 366.093 (3) Subsection	Affiant
				Page 341 Lines 1-3	(e)	"
				Page 348 Line 1	(d), (e)	"
				Page 350 Line 1	(e)	"
				Page 351 Lines 1-6	(e)	"
				Page 369 Line 1	(d), (e)	Brenda Thompson
				Page 378 Line 1	(e)	Stephanie Castaneda
				Page 388 Line 1	(e)	"
				Page 390 Lines 1-25	(e)	"
				Page 391 Lines 1-36	(e)	"
				Page 392 Lines 1-9	(e)	"
				Page 401 Lines 1-3	(d), (e)	"
				Page 403 Lines 1-5	(e)	"
				Page 406 Lines 1-5	(d), (e)	"
				Page 407 Lines 1-2	(e)	"
				Pages 410-411 Columns 1-3	(d), (e)	"
				Page 418 Line 3	(d), (e)	Brenda Thompson
				Page 425 Lines 1-3	(d), (e)	"

Work Paper Page No. (s)	Description	No. of Pages	Conf. Y/N	Line No./Col. No.	Florida Statute 366.093 (3) Subsecti on	Affiant
				Page 429 ALL	(e)	Stephanie Castaneda
				Pages 430-431 Line 1	(e)	"
				Page 440 Line 1	(e)	"
			N	Page 441	NA	NA
				Page 442 Lines 3-4	(e)	Stephanie Castaneda
			N	Page 446	NA	NA

REVISED EXHIBIT D

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear Cost)
Recovery Clause)

DOCKET NO. 150009-EI

STATE OF FLORIDA)
)
PALM BEACH COUNTY)

AFFIDAVIT OF STEPHANIE CASTANEDA

BEFORE ME, the undersigned authority, personally appeared Stephanie Castaneda who, being first duly sworn, deposes and says:

1. My name is Stephanie Castaneda. I am currently employed by Florida Power & Light Company ("FPL") as Nuclear Business Operations, Fleet Accounting and Regulatory Compliance. I have personal knowledge of the matters stated in this affidavit.

2. I have reviewed the documents that are the subject of FPL's First Request for Extension of Confidential Classification of Audit PA-11-01-001 Work Papers, for which I am identified on Revised Exhibit C as the affiant. The documents that I have reviewed contain proprietary confidential business information, including contractual data and competitively sensitive data. Disclosure of this information would violate FPL's contracts with its vendors, work to the detriment of FPL's competitive interests, impair the competitive interests of its vendors and/or impair FPL's efforts to enter into contracts on commercially favorable terms. To the best of my knowledge, FPL has maintained the confidentiality of these documents and materials.

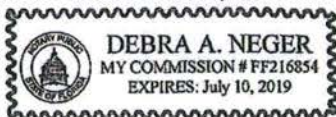
3. No significant changes have occurred since the issuance of Order No. PSC-14-0295-CFO-EI to render the information identified in Revised Exhibit C stale or public such that continued confidential treatment would not be appropriate. Additionally, this information will continue to be confidential for more than the next 18 months. Accordingly, this information should continue to be maintained as confidential for an additional period of not less than five years. These materials should be returned to FPL as soon as the information is no longer necessary for the Commission to conduct its business so that FPL can continue to maintain the confidentiality of these documents.

4. Affiant says nothing further.



Stephanie Castaneda

SWORN TO AND SUBSCRIBED before me this 7th day of December 2015, by Stephanie Castaneda, who is personally known to me or who has produced _____ (type of identification) as identification and who did take an oath.





Notary Public, State of Florida

My Commission Expires:

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Nuclear Cost)
Recovery Clause)

DOCKET NO. 150009-EI

STATE OF FLORIDA)
)
PALM BEACH COUNTY)

AFFIDAVIT OF BRENDA THOMPSON

BEFORE ME, the undersigned authority, personally appeared Brenda Thompson who, being first duly sworn, deposes and says:

1. My name is Brenda Thompson. I am currently employed by Florida Power & Light Company as Nuclear Project Controls Manager. I have personal knowledge of the matters stated in this affidavit.

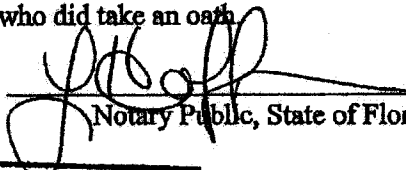
2. I have reviewed the documents that are the subject of FPL's First Request for Extension of Confidential Classification of Audit PA-11-01-001 Work Papers, for which I am identified on Revised Exhibit C as the affiant. The documents that I have reviewed contain proprietary confidential business information, including contractual data and competitively sensitive data. Disclosure of this information would violate FPL's contracts with its vendors, work to the detriment of FPL's competitive interests, impair the competitive interests of its vendors and/or impair FPL's efforts to enter into contracts on commercially favorable terms. To the best of my knowledge, FPL has maintained the confidentiality of these documents and materials.

3. No significant changes have occurred since the issuance of Order No. PSC-14-0295-CFO-EI to render the information identified in Revised Exhibit C stale or public such that continued confidential treatment would not be appropriate. Additionally, this information will continue to be confidential for more than the next 18 months. Accordingly, this information should continue to be maintained as confidential for an additional period of not less than five years. These materials should be returned to FPL as soon as the information is no longer necessary for the Commission to conduct its business so that FPL can continue to maintain the confidentiality of these documents.

4. Affiant says nothing further.


Brenda Thompson

SWORN TO AND SUBSCRIBED before me this 7th day of December 2015, by Brenda Thompson, who is personally known to me or who has produced _____ (type of identification) as identification and who did take an oath.


Notary Public, State of Florida

My Commission Expires:

