

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**DOCKET NO. 160009-EI
FLORIDA POWER & LIGHT COMPANY**

MARCH 1, 2016

**IN RE: NUCLEAR POWER PLANT COST RECOVERY
FOR THE YEAR ENDING
DECEMBER 2015**

TESTIMONY & EXHIBITS OF:

JENNIFER GRANT-KEENE

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **DIRECT TESTIMONY OF JENNIFER GRANT-KEENE**

4 **DOCKET NO. 160009-EI**

5 **March 1, 2016**

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

7 A. My name is Jennifer Grant-Keene. My business address is 700 Universe Boulevard,
8 Juno Beach, FL 33408.

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

10 A. I am employed by Florida Power & Light Company (FPL or the Company). My
11 current title is Accounting Project Manager, Clause Accounting.

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

13 A. I am responsible for ensuring the accounting for the Company's Turkey Point 6 & 7
14 Project ("TP 6 & 7" or "the Project") is properly represented on FPL's books and
15 records. In addition, I ensure that the costs for the Project are accurately reflected in
16 the filings made in the Nuclear Cost Recovery (NCR) docket, including the Nuclear
17 Filing Requirements (NFR) Schedules. I am also responsible for ensuring the proper
18 accounting for FPL's over/under recoveries associated with FPL's other cost recovery
19 clauses (i.e. Fuel and Purchased Power Cost Recovery Clause, Capacity Clause,
20 Environmental Cost Recovery Clause, and Energy Conservation Cost Recovery
21 Clause).

22 **Q. Please describe your educational background and professional experience.**

1 I graduated from Concordia University, Montreal, Canada with a Bachelor of Arts in
2 1978 and Rutgers University, New Jersey in 1984 with a Masters of Business
3 Administration degree, with a Concentration in Accounting. That same year, I was
4 employed by Peat Marwick Mitchell & Company, in Short Hills, New Jersey.
5 Between 1990 and 2000, I lectured in the Accounting Departments of North Carolina
6 Central University, Durham, North Carolina and Lynn University, Boca Raton,
7 Florida. Since 2001 and prior to joining FPL, I have held various Corporate
8 Accounting positions in the state of Florida. In 2009, I joined FPL as an Accounting
9 Manager responsible for Fossil and Nuclear Fuel Accounting, Storm Accounting and
10 Reporting and Analysis. In January 2014, I assumed the role of New Nuclear
11 Accounting Project Manager and in 2015 I assumed additional responsibilities for all
12 other retail cost recovery clauses. I am a Certified Public Accountant (CPA) licensed
13 in the State of New Jersey and a member of the American Institute of CPAs.

14 **Q. Are you sponsoring or co-sponsoring any exhibits in this case?**

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

- 16 • Exhibit JGK-1, Final True-Up of 2015 Revenue Requirements which details the
17 components of the 2015 Turkey Point 6 & 7 revenue requirements reflected in the
18 NFR True-Up (T) Schedules, by year and by category of costs being recovered.
- 19 • Exhibit SDS-1 consists of the 2015 “T-Schedules” that provide the final true-up of
20 2015 Turkey Point 6 & 7 costs. Exhibit SDS-1 contains a table of contents which
21 lists the T-Schedules sponsored and co-sponsored by FPL Witness Scroggs and by
22 me, respectively.

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

1 A. The purpose of my testimony is to present the final true-up calculation of the 2015
2 revenue requirements for TP 6 & 7. I provide an overview of the components of the
3 revenue requirements included in FPL's filing and demonstrate that the filing complies
4 with the Florida Public Service Commission's ("FPSC" or "Commission") Rule No.
5 25-6.0423, Nuclear or Integrated Gasification Combined Cycle Power Plant Cost
6 Recovery (NCR Rule). I also discuss the accounting controls FPL relies upon to
7 ensure only appropriate costs are charged to the Project. Unless otherwise noted, the
8 costs I discuss are retail jurisdictional costs.

9 **Q. Please summarize your testimony.**

10 A. FPL is requesting that the Commission approve FPL's 2015 Project costs and the
11 resulting over-recovery of revenue requirements of \$1,313,666, which will reduce the
12 Capacity Cost Recovery Clause (CCRC) charge to customers in 2017. As shown in
13 my Exhibit JGK-1, these revenue requirements are comprised of the difference
14 between \$24,130,857 Actual 2015 revenue requirements versus \$25,444,523
15 Actual/Estimated 2015 revenue requirements filed in Docket No. 150009-EI. My
16 testimony includes the exhibits and NFR Schedules needed to support the true-up of
17 2015 revenue requirements.

18
19 FPL is complying with the NCR Rule and has in place robust and comprehensive
20 corporate and overlapping business unit controls for incurring and validating costs and
21 recording transactions associated with the Project. I describe these controls and
22 outline the documentation, assessment and auditing process for these overlapping
23 control activities.

1 **Q. Please describe the NFR Schedules FPL is filing in this docket.**

2 A. FPL is filing its 2015 T-Schedules, consistent with the requirements of the NCR Rule,
3 to provide an overview of the financial aspects of TP 6 & 7, outline the categories of
4 costs represented, and provide the calculation of detailed project revenue
5 requirements.

6

7 **2015 REVENUE REQUIREMENTS TRUE-UP**

8

9 **Q. Is FPL filing any NFR Schedules related to TP 6 & 7 Site Selection costs?**

10 A. Yes. As described by FPL Witness Scroggs in his testimony, FPL is filing NFR
11 Schedules T-1, T-2 and T-3A for TP 6 & 7 Site Selection costs.

12 **Q. What are FPL's Actual 2015 TP 6 & 7 Site Selection costs compared to the 2015
13 Actual/Estimated costs?**

14 A. FPL's TP 6 & 7 Site Selection costs ceased with the filing of its need petition on
15 October 16, 2007. All recoveries of Site Selection costs and resulting true-ups have
16 been reflected in prior Nuclear Cost Recovery filings. Accordingly, the true-up of
17 costs and resulting revenue requirements each equal zero.

18 **Q. What are FPL's Actual 2015 TP 6 & 7 Site Selection carrying costs compared to
19 the 2015 Actual/Estimated carrying costs and any resulting (over)/under
20 recovery?**

21 A. Site Selection carrying costs are primarily related to the deferred tax assets. The
22 deferred tax asset is created by the recovery of Site Selection costs and the payment of
23 income taxes before a deduction for the costs is allowed for income tax purposes. The

1 calculation of FPL's 2015 Actual TP 6 & 7 Site Selection carrying costs on the
2 deferred tax asset are \$159,930 as shown in Exhibit JGK-1 and Exhibit SDS-1, NFR
3 Schedule T-3A. FPL's 2015 Actual/Estimated carrying costs on the deferred tax asset
4 were \$159,586, resulting in an under-recovery of \$344, which FPL is requesting to
5 include in its 2017 CCRC charge.

6 **Q. Is FPL filing any NFR Schedules related to 2015 TP 6 & 7 Pre-construction**
7 **costs?**

8 A. Yes. As described by FPL Witness Scroggs in his testimony, FPL is filing NFR
9 Schedules T-1 through T-7B for the final true-up of 2015 TP 6 & 7 Pre-construction
10 costs.

11 **Q. What revenue requirement amount is FPL requesting for recovery to reflect the**
12 **final true-up of its 2015 TP 6 & 7 Pre-construction costs?**

13 A. FPL is requesting to include in its 2017 CCRC charge an over-recovery of \$1,314,010
14 in revenue requirements, which represents an over-recovery of Pre-construction costs
15 of \$1,328,727, and an under-recovery of carrying costs of \$14,716 as shown on
16 Exhibit JGK-1 and in the calculations in Exhibit SDS-1, NFR Schedules T-2 and T-
17 3A.

18 **Q. What are FPL's 2015 Actual TP 6 & 7 Pre-construction costs compared to 2015**
19 **Actual/Estimated costs and any resulting (over)/under recoveries?**

20 A. FPL's Actual TP 6 & 7 Pre-construction costs for the period January through
21 December 2015 are \$17,309,494 excluding initial assessment costs, as provided in
22 Exhibit SDS-1, NFR Schedule T-6. FPL's Actual/Estimated 2015 Pre-construction

1 costs were \$18,638,220. The result is an over-recovery of Pre-construction revenue
2 requirements of \$1,328,727.

3 **Q. What are FPL's Actual 2015 TP 6 & 7 Pre-construction carrying costs compared**
4 **to 2015 Actual/Estimated carrying costs and any resulting (over)/under**
5 **recoveries?**

6 A. FPL's Actual 2015 TP 6 & 7 Pre-construction carrying costs are \$6,661,275. FPL's
7 previous Actual/Estimated carrying costs were \$6,646,558, resulting in an under-
8 recovery of revenue requirements of \$14,716. The calculations of the carrying costs
9 can be found in Exhibit SDS-1, NFR Schedules T-2 and T-3A.

10 **Q. What is the total Company amount of Initial Assessment costs FPL incurred in**
11 **2015 and deferred for future recovery?**

12 A. The total Company (i.e., not jurisdictional) Initial Assessment costs incurred in 2015 is
13 \$1,480,242 as discussed by FPL Witness Scroggs and shown on Exhibit SDS-1, NFR
14 Schedule T-6. FPL also accrued AFUDC of \$33,398. Both Initial Assessment costs
15 and AFUDC are currently deferred for future recovery.

16
17 **ACCOUNTING CONTROLS**
18

19 **Q. Please describe the accounting controls FPL relied upon to ensure proper cost**
20 **recording and reporting for the Company's Project.**

21 A. FPL relied on its comprehensive corporate and overlapping business unit controls for
22 recording and reporting transactions. These comprehensive and overlapping controls
23 include:

- 1 • FPL’s Accounting Policies and Procedures;
- 2 • Financial systems and related controls including FPL’s general ledger (SAP) and
- 3 construction asset tracking system (“PowerPlan”); and
- 4 • Business Unit specific controls and processes.

5 The project controls are discussed in the testimony of FPL Witness Scroggs.

6 **Q. How did FPL’s policies and procedures ensure accurate recording and reporting**
7 **treatment of project costs?**

8 A. In order to ensure accurate recording and reporting of project costs incurred, FPL
9 relied on a framework of corporate procedures and accounting policies, which are used
10 in conjunction with the uniform system of accounts. The uniform system of accounts,
11 as prescribed in the Code of Federal Regulations, 18 CFR Chapter 1, Part 101,
12 provides FPL with guidance in determining whether or not an activity and the cost
13 incurred for that activity will result in capitalization or otherwise be treated as an
14 expense. This prescribed CFR treatment has been adopted by the Commission.
15 Capital costs were recorded by the Nuclear Business Unit in PowerPlan, which is
16 FPL’s fixed asset subsidiary ledger, in accordance with Company policies and
17 procedures. Capital transactions in PowerPlan were interfaced with the SAP general
18 ledger system during each month. Monthly regulatory reporting was achieved by
19 accessing detailed information from PowerPlan which was reconciled with data in
20 SAP.

21 **Q. How do FPL’s internal controls support accurate financial reporting of project**
22 **costs?**

23 A. The application of FPL’s corporate and accounting policies and procedures are

1 supported by an interconnected system of internal controls as required by Sarbanes-
2 Oxley Act of 2002, Section 404 (SOX). Under SOX, management identifies,
3 documents, administers and certifies as to the effectiveness of control activities.
4 Segments or subprocesses of a business process are documented in SOX narratives,
5 which describes specific controls necessary to ensure accurate financial reporting of
6 transactions produced by a particular subprocess. Additionally, upstream and down
7 stream subprocesses that feed information into and out of a particular subprocess are
8 identified. This control structure allows management and owners of the processes to
9 have visibility to the overlapping and overall business processes and how the controls
10 helped to achieve accurate financial reporting.

11 **Q. Were these controls documented, assessed and audited and/or tested?**

12 A. Yes. The FPL corporate accounting policies and procedures were documented and
13 published on the Company's internal website, Employee Web. In addition, accounting
14 management provided formal representation as to the continued compliance with those
15 policies and procedures. Sarbanes-Oxley processes were updated, documented, tested
16 and maintained, including specific processes for planning and executing capital
17 internal orders, as well as acquiring and developing fixed assets. Certain key financial
18 processes were tested during the Company's annual internal test cycle. The
19 Company's external auditor, Deloitte & Touché, LLP, conducted an annual audit,
20 which included assessing the Company's internal controls over financial reporting and
21 testing of general computer controls.

22 **Q. Please describe the responsibilities and accounting controls of the New Nuclear**
23 **Accounting Project Group in 2015.**

1 A. The primary responsibility of the New Nuclear Accounting Project Group is to
2 provide financial accounting guidance for the recording and recovery of costs under
3 the NCR Rule. This includes working closely with the Nuclear Business Unit to
4 ensure proper accounting for costs related to the Project. Additional responsibilities
5 included the preparation and maintenance of the NFR Schedules and, on a monthly
6 basis, ensuring the costs included in the NFR Schedules reflect the financial records of
7 the Company. The TP 6 & 7 project utilized unique internal orders to capture costs
8 directly related to the project. After ensuring accurate costs were recorded,
9 adjustments were made to reflect jurisdictionalized costs, and other adjustments
10 required in the NFR Schedules. Monthly journal entries were prepared to reflect the
11 effects of the recovery of costs and monthly reconciliations of the project general
12 ledger accounts were performed. The resulting NFR Schedules are included in FPL's
13 Nuclear Cost Recovery filings and described in testimony.

14 **Q. Please describe how the Nuclear Business Unit accounting controls operate to**
15 **provide assurance that the costs included in the filing were reasonable and**
16 **properly captured.**

17 A. Business Unit accounting control activities are founded on existing corporate policies
18 and procedures. These policies and procedures provide guidance to the Nuclear
19 Business Unit as to the accounting processing and recording of new nuclear project
20 costs. Specifically, the Nuclear Business Unit relied upon the following accounting-
21 related control activities in 2015:

- 22 • Initiate and maintain unique project internal orders and account coding
23 structure;

- 1 • Conduct monthly detail transaction reviews to ensure that labor costs recorded
- 2 to the project are only for those FPL personnel authorized to charge time to the
- 3 project;
- 4 • Review, approve, and record monthly accruals;
- 5 • Reconcile project costs in the General Ledger with project costs provided by
- 6 the New Nuclear Accounting Group from the subsidiary system;
- 7 • Perform analyses of the costs being incurred by the project to ensure that costs
- 8 are appropriately allocated to the correct internal orders;
- 9 • Work closely with FPL’s Accounting Departments to determine which project
- 10 costs are capital and O&M;
- 11 • Conduct monthly variance analysis of actual and budgeted expenditures; and
- 12 • Manage internal and external financial audit requests.

13

14 **ADDITIONAL NUCLEAR PROJECT ACCOUNTING OVERSIGHT**

15

16 **Q. Is there any other accounting oversight associated with the TP 6 & 7 Project?**

17 A. Yes. Annually, FPL’s Internal Audit business unit hires Experis to conduct an audit of

18 the TP 6 & 7 costs. Additionally, the NCR process itself provides an additional layer

19 of review and oversight.

20 **Q. What is the purpose of the annual audit conducted for FPL on the TP 6 & 7**

21 **Project?**

22 A. The purpose of the audit is to test the propriety of expenses charged to NCR to ensure

23 they are recoverable project expenses and to ensure compliance with the NCR Rule.

1 Any potential process improvements identified during the audit are communicated to
2 management to further enhance internal controls. The audit of the 2015 costs related
3 to the TP 6 & 7 Project is currently underway and is expected to be completed in the
4 second quarter of 2016. The audit provides assurance that the internal controls
5 surrounding transactions and processes are well established, maintained and
6 communicated to employees, and provide additional assurance that the financial and
7 operating information generated within the Company is accurate and reliable.

8 **Q. Please comment on the overall level of control and oversight of the NCR process.**

9 A. The ongoing cycles of cost collection, aggregation, analysis, and review which lead to
10 the filing of NFR Schedules provide for a level of detailed review that is
11 unprecedented. For example, in the preparation of the NFR Schedules, transactional
12 expenditures are projected by activity and an immediate review of projections to
13 actuals, in many cases at the transactional level, is conducted. The nature of the data
14 collection and aggregation process, along with the calculation of carrying costs
15 provides an increased level of detailed review. The requirements of the NCR Rule
16 have, by design, significantly increased the transparency of the costs.

17 **Q. Does this conclude your testimony?**

18 A. Yes.

Florida Power & Light Company
Final True-Up of 2015 Revenue Requirements
 (Jurisdictional Dollars)
 Exhibit JGK-1

March 1, 2016 True-up filing (Docket No. 160009-EI)			
	(A) 2015 AE	(B) 2015 T	(C)
Line No.	2015 Actual/Estimated Costs Docket No. 150009-EI	2015 Actual Costs Docket No. 160009-EI	(Over)/Under Recovery
1			
2	Turkey Point 6 & 7 Project		
3	<u>Site Selection Costs</u>		
	\$0	\$0	\$0
4	Carrying Costs		
	\$158	\$158	\$0
5	Carrying Costs on Deferred Tax Asset/(Deferred Tax Liability)		
	\$159,586	\$159,930	\$344
6	Total Carrying Costs		
	\$159,744	\$160,088	\$345
7	Total Site Selection		
	\$159,744	\$160,088	\$345
8			
9	<u>Pre-construction Costs</u>		
	\$18,638,220	\$17,309,494	(\$1,328,727)
10	Carrying Costs		
	(\$62,774)	(\$57,109)	\$5,665
11	Carrying Costs on Deferred Tax Asset/(Deferred Tax Liability)		
	\$6,709,332	\$6,718,383	\$9,051
12	Total Carrying Costs		
	\$6,646,558	\$6,661,275	\$14,716
13	Total Pre-construction		
	\$25,284,779	\$23,970,769	(\$1,314,010)
14	Total Turkey Point 6 & 7 Project		
	\$25,444,523	\$24,130,857	(\$1,313,666)

15 Totals may not add due to rounding

**CERTIFICATE OF SERVICE
DOCKET NO. 160009-EI**

I HEREBY CERTIFY that a true and correct copy of the testimony and exhibits of Jennifer Grant-Keene was served electronically this 1st day of March, 2016, to the following:

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