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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20170009-EI

NUCLEAR COST RECOVERY CLAUSE.
_____ /

VOLUME 2
PAGES 248 - 358

PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN JULIE I. BROWN
COMMISSIONER ART GRAHAM
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER DONALD J. POLMANN

DATE: Tuesday, August 15, 2017

TIME: Commenced at 5:06 p.m.
Concluded at 7:06 p.m.

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

REPORTED BY: Andrea Komaridis
Court Reporter

APPEARANCES: (As heretofore noted.)

PREMIER REPORTING
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NAME:

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1 P R O C E E D I N G

2 (Transcript follows in sequence from
3 Volume 1.)

4 CONTINUED CROSS EXAMINATION

5 BY MS. MAPP:

6 Q Does your prefiled testimony address this
7 topic?

8 A Give me a moment to -- (examining document).
9 No, I don't believe my testimony addresses this
10 directly.

11 Q And now, if you can, flip back to the page
12 labeled Interrogatory No. 2.

13 A Okay.

14 Q And please tell me the topic of this question.

15 A (Examining document.) These are asking about
16 project impacts to the Turkey Point 6 and 7 project
17 under the event that Vogtle or Summer decide to abandon
18 their projects.

19 Q And is this topic explored in your prefiled
20 testimony?

21 A It is not.

22 Q When you perform lessons learned from other
23 AP-1000 projects, do you look at whether the utilities
24 have been denied cost recovery?

25 A That's not -- no, that's not the lessons

1 learned we're talking about.

2 Q Do you think it's important to monitor what
3 regulatory cost recovery adjustments, if any, occur with
4 the first wave of AP-1000 projects?

5 A I think it's informational, but we live and
6 work in Florida and -- and we would work under the
7 Florida Public Service Commission rulings. I'm not sure
8 it's directly relevant.

9 Q Now, going back to the long-term feasibility
10 analysis, every year prior to 2015 that FPL has
11 participated in a Nuclear Cost Recovery docket, it has
12 filed a long-term feasibility analysis?

13 A Correct.

14 Q And in 2015, the last year in which FPL has
15 filed such an analysis, the Commission determined that
16 it was reasonable for FPL to continue with the Turkey
17 Point 6 and 7 project?

18 A Yes.

19 Q And the Commission has never made a
20 determination of reasonableness to continue with the
21 project without the benefit of a long-term feasibility
22 analysis?

23 A By fact, that's correct. My statement is that
24 we -- I'm not sure that the -- I think the Commission
25 was making a determination that recovery of costs was

1 reasonable in 2015 and those prior years.

2 In this particular instance, we're not seeking
3 recovery of costs. So, I wouldn't attach the
4 feasibility analysis to that specific decision.

5 **Q Does the absence of a long-term feasibility**
6 **analysis now mean that the project is not feasible?**

7 **A No.**

8 **Q FPL is asking the Commission in this**
9 **proceeding to find FPL's decision to complete the**
10 **process of receiving its combined operating license and**
11 **to find that reasonable, correct?**

12 **A That is correct.**

13 **Q But FPL is not, at this time, asking for cost**
14 **recovery of the activities associated with obtaining**
15 **this COL for 2017 and beyond, correct?**

16 **A That's correct.**

17 **Q Why is FPL asking for a reasonableness**
18 **determination regarding obtaining its COL at this time?**

19 **A Again, I -- I think we've discussed a bit in**
20 **this dialogue --**

21 **Q Okay. I -- I --**

22 **A "Reasonableness" would not be a term I would**
23 **be using here. I'm sorry.**

24 **Q Okay. Why is FPL asking the Commission to**
25 **find it reasonable to continue pursuing --**

1 **CHAIRMAN BROWN:** Ms. Mapp, just a second. I
2 want to make sure that we're still recording.

3 **Are --**

4 **THE COURT REPORTER:** We are.

5 **CHAIRMAN BROWN:** Okay. Thank you. I didn't
6 see -- hold the horn.

7 **(Laughter.)**

8 **THE WITNESS:** Yeah. So, I -- may I continue?

9 **CHAIRMAN BROWN:** Yes. Sorry.

10 **THE WITNESS:** Okay.

11 No, I -- I understand your question.

12 **BY MS. MAPP:**

13 **Q** **Okay.**

14 **A** And you know, this isn't -- this is a
15 different proceeding. This is a very complex project.
16 And we're making some very important decisions. And we
17 want to know what the -- the Commission feels with
18 respect to our decision: Is it a reasonable thing to
19 do. We absolutely believe it is. And we're seeking
20 that information from the Commission.

21 **Q** **What does FPL believe that getting such a**
22 **determination from the Commission that it's reasonable**
23 **to -- to continue the process of getting a COL -- what**
24 **does FPL believe that will accomplish?**

25 **A** I think it shows that -- and again, I'm

1 speaking as the project manager here -- that, you know,
2 they've -- they've reviewed our logic, the facts of the
3 case, and the -- and the situation we're in. And
4 they've -- are making a -- a statement as to whether or
5 not they think it's reasonable for us to continue the
6 incrementally-small amount of effort necessary to get us
7 to a place where we have an option that has a length of
8 time behind it rather than abandoning something when
9 you're on the two-yard line.

10 **Q So, why is FPL asking for that determination**
11 **now? Why not next year? Because as the time line runs**
12 **now, you stated earlier when you corrected your**
13 **testimony, that there is a hearing scheduled for**
14 **October 5th with the NRC, which I believe that may be**
15 **before an order is issued in this docket. So, at that**
16 **point, you would have already taken the final steps, if**
17 **the October 5th date remains, to obtain your license.**

18 **So, why ask the Commission for determination**
19 **of reasonableness now and not next year to maintain your**
20 **license?**

21 **A** Well, as you indicated, there are additional
22 things to complete with the site certification and the
23 Army Corps permits. And there are license amendments
24 that would be needed to be incorporated into the
25 combined operating license once received.

1 Those are activities that we think allow us to
2 maintain that credible opportunity to go forward, should
3 circumstances change. Circumstances changed
4 dramatically in the last three years and -- and we would
5 be remiss to think that they couldn't change in -- in
6 the future.

7 So, that's why we're pushing to have this
8 determination that what we're doing, what we're
9 thinking, what we're seeing is reasonable.

10 MS. MAPP: Thank you. No further questions.

11 CHAIRMAN BROWN: Thank you, Ms. Mapp.

12 All right, Commissioners. Commissioner Brisé?

13 COMMISSIONER BRISÉ: Thank you, Madam Chair.

14 And thank you, Mr. Scroggs, for your testimony
15 today. I have a few questions.

16 THE WITNESS: Yes, sir.

17 COMMISSIONER BRISÉ: So, the first question is
18 sort of a general question. What impact will
19 Westinghouse's recent bankruptcy have on this
20 project and on consumers?

21 THE WITNESS: The straight answer is we don't
22 know because it's still unfolding. The things that
23 we look to is that Westinghouse is a very large and
24 successful company outside of the nuclear
25 construction projects. They have ongoing contracts

1 with over a hundred operating reactors for fuel
2 supply, for equipment provision. It's an ongoing
3 business.

4 We think that there's an inevitable -- or
5 there's an opportunity for Westinghouse to emerge
6 from bankruptcy either independently or with
7 support of another party and that -- that means
8 that that design can still be a viable design in
9 the future.

10 COMMISSIONER BRISÉ: So, with that, as FPL is
11 engaged with activities at the NRC, does
12 Westing- -- Westinghouse's current situation impact
13 FPL's ability to complete getting the -- the
14 license at the NRC?

15 THE WITNESS: It has not. And we do not
16 expect it to. Speaking --

17 COMMISSIONER BRISÉ: Okay.

18 THE WITNESS: Speaking -- I'm sorry. I was
19 speaking --

20 COMMISSIONER BRISÉ: Sure.

21 THE WITNESS: -- more -- farther down the
22 road.

23 COMMISSIONER BRISÉ: Sure. So, relative to
24 the NRC, is there any value -- I'm sorry. Not to
25 the NRC -- to the license -- is there any value to

1 the license? I know you mentioned option value.

2 THE WITNESS: Uh-huh.

3 COMMISSIONER BRISÉ: But is there value as an
4 asset to the license?

5 THE WITNESS: I think the value to -- as an
6 asset would be the matter of estimation. Could it
7 be -- is it fungible? Could it be sold to another
8 party? There would be a list of things that the
9 other party would have to be able to qualify for in
10 order to do that, but we don't look at it as an
11 asset with a specific dollar value.

12 When we talk about value of that license, we
13 talk about avoiding the lengthy license-approval
14 process for any other project and being able to
15 move directly into preconstruction if the
16 circumstances suggest that's the right thing to do.

17 COMMISSIONER BRISÉ: So, contextually -- maybe
18 I wasn't fair with that question in terms of the
19 context that I have in my mind. Considering that
20 consumers are, in essence, paying for the
21 license -- right? Let's say five or six years come
22 and FPL decides, look, it's just not reasonable or
23 feasible to move forward with this project -- and
24 the license has a life, a shelf life, of up to 20
25 years, right?

1 THE WITNESS: Correct.

2 COMMISSIONER BRISÉ: And FPL does find a buyer
3 for the license -- is there value that could be
4 attributed to that for consumers as a result of a
5 potential transaction that way?

6 THE WITNESS: I believe potentially yes, but
7 that's a hypothetical that's probably beyond my
8 expertise.

9 COMMISSIONER BRISÉ: Okay. So, as we sit here
10 today, is FPL's position still that they will
11 receive the license by the end of this year?

12 THE WITNESS: Every sign points to that. Yes,
13 sir.

14 COMMISSIONER BRISÉ: Okay. Moving on to a
15 slightly different area, what is the nature of the
16 forging reservation agreement and what is the
17 impact of the bankruptcy on this agreement?

18 THE WITNESS: The forging reservation
19 currently has an expiration set for June of 2018.
20 The language of the reservation agreement does have
21 a clause that would allow Westinghouse to void
22 the -- the reservation agreement if they were to go
23 into bankruptcy, or when they go into bankruptcy.
24 They have not. We have a number of other contracts
25 and relationships with Westinghouse, and they

1 continue to honor those.

2 So, at this point, it's -- it's -- it retains
3 its same force and effect through June of 2018.
4 And then we would approach it as everything else,
5 you know, if there's value to renegotiate an
6 extension to it or some other change to it.

7 COMMISSIONER BRISÉ: Okay. So, final question
8 at this point. So, you have the owner's group and
9 the membership associated with that. What is the
10 value to consumers for that?

11 THE WITNESS: The value to consumers is of the
12 instructions and administrative work that that
13 group does. All of that cost would be something
14 that FPL customers would bear alone but for cost-
15 sharing with that group.

16 So, with the four active members of that
17 group, we are paying 25 percent of the costs of the
18 product that that group provides. So, we are
19 saving -- you know, it does offer cost savings
20 to -- to customers.

21 COMMISSIONER BRISÉ: Okay. So, earlier you
22 mentioned the number, about 1.5 million, but when I
23 look at the -- your exhibit, Exhibit 7, SDS-7 and
24 then following that with SDS-8, the actual figures
25 are 2.751,082 for '15, and then two -- two million

1 seven hundred five for 2016. Those are accurate
2 numbers --

3 THE WITNESS: Those are accurate numbers --

4 COMMISSIONER BRISÉ: -- for those
5 expenditures?

6 THE WITNESS: -- for those years. I think
7 when I mentioned the 1.5, we were talking further
8 out in time, specifically, the A- -- APO owners
9 group activity supporting the license amendments,
10 which is a lesser-intense activity than what we
11 were accomplishing in '15 and '16.

12 COMMISSIONER BRISÉ: Do you envision a
13 reduction in number of members moving forward?

14 THE WITNESS: Yes.

15 COMMISSIONER BRISÉ: So, then, that cost is
16 likely to go up.

17 THE WITNESS: Our cost share would go up.

18 COMMISSIONER BRISÉ: Oh, your cost share is
19 likely to go up.

20 THE WITNESS: So, it's --

21 COMMISSIONER BRISÉ: And then the actual cost
22 will actually go up.

23 THE WITNESS: Yes.

24 COMMISSIONER BRISÉ: Okay. Thank you.

25 CHAIRMAN BROWN: All right. I have just a

1 couple of follow-up questions from Commissioner
2 Brisé and from Ms. Mapp earlier. I mean,
3 obviously, a pause at this juncture makes great
4 sense, in my opinion, but I'm just trying to
5 understand if FPL actually needs a reasonableness
6 determination from this Commission in order to
7 continue pursuing the COL. That's a question.

8 THE WITNESS: Again -- again, we're -- we're
9 seeking to have confirmation that the Commission,
10 as a whole, believes we are making a reasonable
11 decision to proceed to obtain the COL and maintain
12 those licenses afterwards.

13 What I want to make sure we're not confusing
14 it with is we're not asking for a blank check of
15 the reasonableness of the specific costs. We will
16 come back to the Commission with the detail and
17 have that review at the appropriate time.

18 CHAIRMAN BROWN: You're -- but what you've --
19 what I've heard you testify to is you're at the --
20 almost at the finish line here. You're going to
21 get the COL at the end of the year, beginning of
22 Quarter 1 of 2018. And you don't want to waste
23 customers' money up until this point for pursuing
24 this --

25 THE WITNESS: Correct.

1 CHAIRMAN BROWN: -- this license; is that
2 right?

3 THE WITNESS: A decision to stop at this point
4 would be a decision to abandon the \$300 million
5 already recovered.

6 CHAIRMAN BROWN: Okay. So, hypothetically, if
7 the Commission agrees with the utility on this
8 issue, how do you see us proceeding for the next
9 year's cost recovery clause proceeding? Does FPL
10 intend to file a rule waiver for the feasibility
11 analysis? Is it going to -- how -- how do you see
12 this -- FPL handling it?

13 THE WITNESS: My understanding is that we have
14 talked about providing -- I believe it's the -- a
15 TOR filing that communicates the ongoing cost and
16 our expectations of those costs for the project and
17 that those -- that would be as -- as our read of
18 the rule, that would be what would be required to
19 be provided if an applicant is not seeking
20 contemporaneous cost recovery.

21 CHAIRMAN BROWN: And -- and you said TR- --
22 what -- what was that?

23 THE WITNESS: I believe it's -- I believe it's
24 the TOR-7, but I would --

25 CHAIRMAN BROWN: All right. And so, that

1 would provide scheduled information that the
2 Commission, you believe, needs and -- even though
3 FPL would not be seeking cost recovery during the
4 pause.

5 THE WITNESS: Yes, and that would be
6 consistent with the rule. I believe one of my
7 responses to an interrogatory addressed that.

8 CHAIRMAN BROWN: And I know you're not a
9 lawyer, so I -- I -- and I don't want to put you on
10 the spot, but in your project-management hat, can
11 you explain the need, the reason why you believe
12 that a waiver would not be needed under the rule?

13 THE WITNESS: If -- if we go to the clause
14 with the requirement for the long-term feasibility
15 analysis that is in, I believe, Section 3, and the
16 lead-in -- well, it's -- (examining document).
17 So, that is Section 5.

18 CHAIRMAN BROWN: Uh-huh. I'm reading it with
19 you.

20 THE WITNESS: And that is under Subsection C
21 which says: Cost recovery for nuclear or
22 integrated gasification combined cycle power plant
23 costs.

24 So, we -- again, you entered -- you get to
25 that clause or that paragraph through a request for

1 cost recovery. And because we are not seeking
2 contemporaneous cost recovery, we're not looking at
3 that paragraph requirement.

4 CHAIRMAN BROWN: Okay. So -- and -- and you
5 said that -- in your testimony, four-year pause; is
6 that right? Four -- four-year or six-year? Is
7 there --

8 THE WITNESS: Four-year -- four years is what
9 we think is -- is going to be the time necessary to
10 get the information and give us enough information
11 to make the next decision. I think in our -- my
12 discussion with the OPC, that could -- I said it
13 could be six years.

14 CHAIRMAN BROWN: Again, I think a wait-and-see
15 approach is -- is definitely the right way to go,
16 but I'm curious how we're going to be handling this
17 moving forward and if -- at the conclusion of the
18 six years, does FPL, then, intend to file a
19 feasibility study or would FPL file it whenever it
20 decides to seek cost recovery --

21 THE WITNESS: I -- the latter.

22 CHAIRMAN BROWN: The latter. Cost recovery --

23 THE WITNESS: -- to cost recovery.

24 CHAIRMAN BROWN: Okay. So, if the pause is
25 reset, but FPL does not pursue cost recovery,

1 you -- it's your testimony that you will not be
2 seeking to submit a feasibility study.

3 THE WITNESS: My lay understanding of the rule
4 is that's correct, but you're -- I wouldn't put
5 myself six years down the road and make a decision
6 for the company. I mean...

7 CHAIRMAN BROWN: Okay. But the argument that
8 FPL is making for --

9 THE WITNESS: That's correct.

10 CHAIRMAN BROWN: -- not complying with this
11 provision is that you're not seeking cost recovery
12 and that you've hit a pause.

13 THE WITNESS: Correct.

14 CHAIRMAN BROWN: Okay. I have no further
15 questions.

16 Commissioner Brisé.

17 COMMISSIONER BRISÉ: Make sure I -- I
18 understand. So, you are seeking recovery for the
19 25 million now.

20 THE WITNESS: No, sir.

21 COMMISSIONER BRISÉ: Okay. So -- so, in
22 theory, in essence, what is being asked is that we
23 provide a thumbs-up or thumbs-down for pursuing or
24 completing the -- the process to complete -- to get
25 the license and, at a later date, FPL is going to

1 come back in and -- based upon its ability to
2 actually complete the project -- and basically
3 re-amp up the pro- -- the process at -- at that
4 point.

5 THE WITNESS: That's essentially correct, yes,
6 sir.

7 COMMISSIONER BRISÉ: So, why wouldn't FPL wait
8 until that point; continue the process -- you would
9 have a license in hand -- and come in at that point
10 and just seek a waiver until then? Why is that not
11 rational?

12 THE WITNESS: Again, we're -- we're -- with my
13 engineer hat, right, I'm looking at the -- the
14 language, and I'm not seeking cost recovery. So,
15 I'm not into that section of the -- the rule.
16 And -- and what we're saying is -- is there's
17 enough uncertainty here that -- that we think is,
18 one, we don't go forward to preconstruction; two,
19 we wait for more information that will give us a
20 better basis for a decision.

21 Cranking out a feasibility analysis at this
22 stage with lack -- lacking information is not going
23 to help the decision. As I said, I -- if it turns
24 out, well, it doesn't mean we're going to run
25 forward -- if it turns out bad, we would still be

1 telling you it's a -- it's a smart thing to do to
2 obtain the license and keep that option open.

3 CHAIRMAN BROWN: Commissioner Graham followed
4 by Commissioner Polmann.

5 COMMISSIONER GRAHAM: Thank you, Madam Chair.

6 I just have one quick -- I don't know if it's
7 a quick question. You want to take the pause. And
8 you said four to six years. I guess my question
9 is: You anticipate the license coming in October,
10 maybe the very latest, first quarter of next year.

11 What if we're back in the same situation next
12 year and you still don't have the CL -- the
13 license? Do we -- do we continue the pause? Do we
14 dig more into why you don't have the license? I
15 mean, what's the next move after that?

16 THE WITNESS: We would have to evaluate it at
17 the time, but I would be telling you that something
18 material had changed. If that's the case and we
19 don't have -- and we're a year from now without the
20 COL, then something materially has changed and --
21 and -- that I can't anticipate at this point in
22 time.

23 So, it would be a very big surprise to us.
24 And I -- I think that would cause us to reflect on
25 everything we've done.

1 COMMISSIONER GRAHAM: Because you're talking
2 about all the uncertainty that's out there right
3 now. And -- and I fully understand. The big --
4 the big question right now is what's going to
5 happen with the other two that are further along
6 than we are. And I -- I think that having that
7 answered helps a lot.

8 But I just -- I hate to always keep on
9 reaching for something that keeps on going away and
10 keeps on slipping out of our hands. And at what
11 point do you decide enough is enough?

12 THE WITNESS: Yeah, let's -- let's make sure
13 that I'm clear. The uncertainty of the overall
14 project cost is -- is clearly a problem. The
15 uncertainty of the overall viability and
16 construction schedule is -- is uncertain.

17 The uncertainty of how much it's going to cost
18 us to get to the COL in the next three months is
19 not uncertain. We have a very precise forecast
20 that I've talked about in terms of what we expect
21 for the actual 2017 to be.

22 So, we have a very solid understanding. We've
23 passed all the major wickets. In other words,
24 we've gone through the advisory committee on
25 reactor safeguards. We've had people challenge the

1 application and -- with a single contention, and we
2 got that contention dismissed.

3 There are no more barriers to the NRC taking
4 this up and making a decision for approval. And
5 it's been recommended by their staff and by the
6 advisory committee.

7 COMMISSIONER GRAHAM: So, just short of
8 anything unforeseeable coming along, you don't see
9 going any more than \$25 million.

10 THE WITNESS: That's correct. Yes, sir.

11 COMMISSIONER GRAHAM: Now, you're also saying,
12 if we're -- let's just say we're going for a four-
13 year pause, you're talking about another \$10
14 million every year of that pause, correct?

15 THE WITNESS: Yes, sir.

16 COMMISSIONER GRAHAM: Okay. Thank you.

17 CHAIRMAN BROWN: Thank you, Commissioner
18 Graham.

19 Commissioner Polmann.

20 COMMISSIONER POLMANN: Thank you, Madam
21 Chairman.

22 I would like to look at your direct testimony.
23 I've got a few questions. I tried to eliminate
24 those that have already been asked. If we could,
25 look at your March 1st testimony, Page 22, Line 8.

1 THE WITNESS: I'm there.

2 COMMISSIONER POLMANN: I'm not.

3 (Laughter.)

4 COMMISSIONER POLMANN: Okay. I'll go off my
5 notes. Line 8, you say FPL is an industry leader
6 in nuclear generation. Do you see that?

7 THE WITNESS: Yes, sir.

8 COMMISSIONER POLMANN: Is FPL also an industry
9 leader in decision-making under risk and
10 uncertainty? Would that be your opinion?

11 THE WITNESS: Yes, sir. We apply risk-based
12 decision-making models and tools to a broad range
13 of generation and asset-management decisions.

14 COMMISSIONER POLMANN: Thank you.

15 Going to Page 24, Lines 16 to 18 --

16 THE WITNESS: Yes, sir.

17 COMMISSIONER POLMANN: The sentence that
18 starts, "In summary," -- could you read that out
19 loud, please.

20 THE WITNESS: "In summary, FPL had the right
21 people with the right tools and oversight making
22 decisions with the best-available information."

23 COMMISSIONER POLMANN: Thank you.

24 Is it your opinion that best-available
25 information is an accepted industry standard for

1 decision-making on critical infrastructure
2 projects?

3 THE WITNESS: Yes, sir.

4 COMMISSIONER POLMANN: Would you include
5 nuclear-powered electric-generating stations as
6 critical infrastructure where best-available
7 information is an accepted standard?

8 THE WITNESS: Yes. I -- there are different
9 definitions of critical infrastructure, some
10 applying specifically to transmission. But in the
11 broader sense, yes, critical infrastructure would
12 apply to nuclear plants.

13 COMMISSIONER POLMANN: So, my specific
14 question, then, really is: Best-available
15 information is an accepted standard for decision-
16 making in nuclear power plants. Is that your --

17 THE WITNESS: Yes, sir.

18 COMMISSIONER POLMANN: -- opinion?

19 THE WITNESS: Yes, sir.

20 COMMISSIONER POLMANN: Thank you.

21 Let's go to the May testimony. Let's see --

22 Page 3.

23 THE WITNESS: I'm there.

24 COMMISSIONER POLMANN: And this would be
25 Lines 14 to 18. And if you could, just look at

1 that. You don't need to read it. And this -- this
2 concerns generally the lack of clarity referenced
3 to the first-wave projects. And there's been a lot
4 of discussion here about customer benefits and
5 moving forward with the licensing steps.

6 And so, my question is that we -- we've talked
7 about the notion of this best-available
8 information. So, in the context of risk and
9 uncertainty, a lot of things about these other
10 projects and so forth -- what is it exactly, if you
11 can, that's going to trigger the company moving
12 forward with the decision to enter the
13 preconstruction phase?

14 And I'm not talking about a time frame.

15 THE WITNESS: Uh-huh.

16 COMMISSIONER POLMANN: But with everything
17 that's changing, which you've referenced in
18 response to many things, what is -- what's the
19 circumstance under which you're going to move
20 forward to preconstruction?

21 THE WITNESS: Good question. I appreciate it.
22 The -- following the 2013 amendment to the statute,
23 it's been broken into kind of a two-step process.
24 The first step is complete the license and then
25 look with the best information you have available

1 at what the costs and -- and likelihood of success
2 would be before you move into the preconstruction
3 period.

4 So, we would need a good understanding of what
5 were the issues in the first-wave projects that
6 caused them to exceed their initial cost estimates.
7 Are those issues manageable or mitigate-able by
8 other actions or other contract arrangements. What
9 is the updated material, labor, and costs,
10 schedule, construction estimates put together and
11 specialized for Turkey Point's unique project,
12 specific items, transmission lines, water
13 infrastructure.

14 Putting all that together, we then say, let's
15 put that into the economic analysis, run that
16 against the natural-gas combined cycle, which is
17 presumed to be the next-most competitive and see
18 how that turns out.

19 If the combination tells us, you've got a --
20 you've got a winner, right, we would say go to
21 preconstruction. If the combination is something
22 in the middle, you would have to take a look at --
23 at under what scenarios: high emissions, high gas;
24 low emissions, low gas, which -- which allows you
25 to go forward. And if it's clearly a non-starter,

1 you -- you stay where you're at.

2 So, the gate into preconstruction is a better-
3 refined capital cost estimate and project-specific
4 cost estimate. That would, then, allow you to move
5 to preconstruction, obtain a better set of
6 contracts that would firm that price up. And you
7 would have to do that before you would move to
8 construction.

9 I hope I answered your question.

10 COMMISSIONER POLMANN: It does answer my
11 question, but it leads me -- it leads me into
12 another question, which is various parties have
13 asked about the time frame of the pause. You've
14 heard the Commissioners bring that up. And I've
15 heard ranges from four to six to eight to ten to
16 twenty years.

17 Your answer to my question -- the central part
18 that I've heard concerns costs, in many regards.
19 And then the -- a feasibility-analysis update on
20 the costs and the economics and so forth. But it
21 doesn't answer a time-frame issue. And I realize I
22 didn't ask it in the context of the time.

23 THE WITNESS: Okay.

24 COMMISSIONER POLMANN: But because of all the
25 other questions, it brings me back to: Where does

1 your answer overlay and what if it goes beyond --

2 THE WITNESS: Yeah.

3 COMMISSIONER POLMANN: -- the information-
4 gathering process -- what happens if it goes beyond
5 the four years or the six or the eight? And you --
6 and -- and the COL loses value?

7 THE WITNESS: Yeah.

8 COMMISSIONER POLMANN: So, then the follow-on
9 question that I -- that I would ask is: What is
10 the trigger that causes you -- the company to come
11 in and seek recovery of the costs? There's two
12 triggers; one, you go into preconstruction. Does
13 that necessarily bring you back seeking recovery
14 regardless of the time frame?

15 THE WITNESS: Yeah. We have, through the
16 course of the dialogue today, kind of simplified
17 the four years because we believe four years is a
18 time frame where we're going to learn a lot about
19 the summer experience, assuming that they do
20 abandon their project and that information becomes
21 more available and we're going to see the southern
22 Vogtle project move very close to finish.

23 Those -- those pieces of information are
24 critical for us to understand to develop that cost.
25 That may be at four years. It may be at six years.

1 And that's -- so, in -- implicit in our default to
2 four to six years is an assumption that we're going
3 to have that more-informed information out of the
4 first-wave projects.

5 And then we -- the second assumption there is
6 that that would be the point in time that we would
7 be making the decision about preconstruction and,
8 associated with that, cost recovery.

9 CHAIRMAN BROWN: I understand what you said.
10 And you -- and you're restating what you've said in
11 answer to other questions. And I'm not arguing
12 that point. You're confirming what you've said.
13 And I appreciate that.

14 But it highlights the uncertainty of the time
15 frame, the types of information that's coming
16 forward. Your reliance upon factors that are
17 currently unknown. I have no issue with that. You
18 don't know everything today that weighs into this
19 important, significant decision-making process on a
20 very large, expensive effort.

21 What concerns me is that, as a Commission,
22 we're sitting here today without all the
23 information that I believe is appropriate to make
24 the decision that will come later.

25 So, I don't want to say that we can't

1 understand your question, but let me -- let me say,
2 what I do understand is the company is coming
3 forward on one hand seeking -- and -- and I'll use
4 your words now -- an opinion, a statement, a
5 confirmation, or some finding on a decision about
6 the management of the project, essentially. You
7 know, the company has made a decision to pause.
8 And you've asked us to provide something -- not a
9 reasonableness determination, but give you
10 feedback.

11 Now, we all know that that is going to cause a
12 cost. That is what's being discussed. There will
13 be activities that you'll move forward with, going
14 to incur a cost. You're not seeking a, quote,
15 determination on that. And you're going to come
16 back and ask for that later, but we don't know what
17 it is.

18 So, the question, then -- have you -- can you
19 identify any place in your testimony that makes
20 that logical separation? I mean, I -- I haven't
21 seen it. I haven't heard any explanation other
22 than the one that says, you know, we're not asking
23 to recover costs; so, therefore we're not asking
24 for a reasonable determination -- a reasonableness
25 determination.

1 Is there any other explanation? Or is that
2 it?

3 THE WITNESS: I think -- again, I -- I
4 struggle that I haven't made this clear, but yes,
5 this is a very complex project.

6 COMMISSIONER POLMANN: I get that.

7 THE WITNESS: And there are a lot of external
8 factors. We are in the middle of that project.
9 And we believe the course of action that we've
10 charted, the course of action that we've requested
11 the Commission to confirm is the right course of
12 action. And I apologize if we haven't laid that
13 out in a way that helps you with -- with that.

14 COMMISSIONER POLMANN: Oh, no, I -- I
15 understand what you've said. You just restated
16 what you've already stated and what I stated, but
17 it's -- one more question.

18 CHAIRMAN BROWN: Sure. Take your time,
19 Commissioner Polmann.

20 COMMISSIONER POLMANN: I'll -- I'll try.

21 I think I know the answer to this, but -- it's
22 been offered by some of the parties to this docket
23 that Turkey Point 6 and 7 is essentially dead due
24 to industry issues, costs, and a variety of things.

25 Does the company agree with that?

1 THE WITNESS: No.

2 COMMISSIONER POLMANN: So, why do you --
3 briefly, why do you take the position, with all
4 that you've learned, that the project is not dead,
5 based on where you sit today? I mean, you don't
6 have what you need. You don't know what you need
7 to know. Why -- why is it not dead?

8 THE WITNESS: Factors have -- the factors that
9 have put such a strain on the situation right now
10 have occurred largely in the last three to four
11 years. We started this project in 2004 and 2005
12 when hurricanes shut down gas production in the
13 Gulf and put our people, our customers, at risk of
14 not having sufficient generation because of the
15 over-dependence on natural gas.

16 The Legislature responded. This -- you know,
17 I'm not providing a lesson. I'm trying not to
18 provide a history lesson here. I'm just saying
19 that the factors that brought this Nuclear Cost
20 Recovery and the whole support for new nuclear
21 generation about happened rapidly and were dramatic
22 and offered a real threat to our customers.

23 The factors that have occurred in the last
24 several years that have seen the demise of one U.S.
25 AP-1000 project and severely threatens the other

1 one are -- are equally dramatic and quick-
2 returning.

3 Is it possible that, in the next ten years,
4 factors change just as dramatically to the other
5 side? We think yes. And we think that, at the
6 brink of obtaining an option that would give you
7 another choice in that future decade or decades,
8 abandoning that at this point is not the right
9 thing to do.

10 So, that's the nature of our request.

11 COMMISSIONER POLMANN: Madam Chairman, I have
12 one more line of questioning.

13 CHAIRMAN BROWN: Sure.

14 COMMISSIONER POLMANN: And to the company in
15 general, I hope it's clear -- and Mr. Scroggs has
16 made -- conceded this fact, I think. Other than
17 being a difficult project, difficult circumstances,
18 and the industry's conditions right now being
19 difficult, for this Commission, I think the
20 evolution over the past few years, around the
21 feasibility report has put us in a difficult spot.

22 You just indicated you've been working on this
23 project for 12, 13 years. The company has been
24 tracking the nuclear power industry and is up to
25 date on the first wave of projects. You've already

1 stated that, is that correct, throughout the --

2 THE WITNESS: To the extent possible, yes,
3 sir.

4 COMMISSIONER POLMANN: Yeah. And is it fair
5 to say the company has significant and substantive
6 information that led to your decision to pause?
7 Significant, substantive.

8 THE WITNESS: Yes.

9 COMMISSIONER POLMANN: You didn't take that
10 lightly. You indicated in answers previously that
11 there were a lot of information, a lot of people
12 involved in that.

13 THE WITNESS: That's correct.

14 COMMISSIONER POLMANN: Having that
15 information, did the company consider updating its
16 2015 feasibility report to explain to the
17 Commission the circumstances that led to that
18 decision; updating your feasibility report and
19 submitting that?

20 THE WITNESS: What we've said -- what I've
21 tried to convey is that we don't have the
22 information that would be an accurate, relevant
23 update of that feasibility analysis. So, any
24 feasibility analysis that we would create at this
25 point would necessarily have a flaw in it and is

1 not -- moreover, not necessary for the decision
2 that we are making to pause.

3 COMMISSIONER POLMANN: I -- I hear your
4 testimony that the feasibility report is not
5 necessary. That's the company's position.

6 As a professional, a person who has experience
7 with the concept of feasibility reports for
8 whatever person -- whatever purpose they're
9 generated for a project and the notion that you're
10 working with best-available information, and
11 recognizing that it's significant, substantive,
12 voluminous, and changing over time -- you had a
13 feasibility report. You've generated them over a
14 number of years. And I'm sure they were updated
15 with new information.

16 You had new information. It may not be
17 exactly the type of information that you would want
18 to have had to complete all of the issues within
19 the feasibility study, but it caused you to make a
20 decision.

21 It would have been helpful, in my opinion, to
22 update and submit the report and explain what
23 information you had, what information you didn't
24 have, and why you were pausing, and call that the
25 updated revised feasibility study because that's

1 where you were at the state at that time.

2 Did the company consider that, is my question.

3 THE WITNESS: No, sir.

4 COMMISSIONER POLMANN: Thank you.

5 THE WITNESS: I understand your question. No.

6 COMMISSIONER POLMANN: Thank you.

7 All right. So, my next -- kind of related.
8 You stated that it wasn't necessary. Was -- was
9 there any -- is there anything that precludes the
10 company from submitting a report, again, just based
11 on best-available information, even if you don't
12 think it's complete --

13 THE WITNESS: There --

14 COMMISSIONER POLMANN: -- to -- to continue --

15 THE WITNESS: Again --

16 COMMISSIONER POLMANN: -- meeting what others
17 might think or what we might think is required to
18 meet the intent of a role?

19 THE WITNESS: Again, no, there was nothing
20 that would preclude us from conducting an analysis
21 that would not use or recommend for a decision
22 basis.

23 COMMISSIONER POLMANN: Okay. I'm going to ask
24 just a straight-up question: Is there -- other
25 than the company's state- -- not that my others

1 aren't. I never do that, speaking to my -- my
2 fellow Commissioners.

3 (Laughter.)

4 CHAIRMAN BROWN: Go, Doc.

5 COMMISSIONER POLMANN: Thank you, Madam
6 Chairman.

7 Other than your stated position, the company's
8 stated position and the -- that the feasibility
9 report is not required, is there any other reason
10 the company chose to not submit the feasibility
11 report?

12 THE WITNESS: The only other reason is the
13 lack of insight at this time into the first-wave
14 project costs. We have the other side of the
15 equation. We don't have the capital-cost side.

16 COMMISSIONER POLMANN: Would you agree that
17 the information for the project and the cost does
18 not need to be perfect in order to submit a
19 feasibility report?

20 THE WITNESS: Again, we can do that. Whether
21 we would recommend relying upon that as a decision
22 basis is a different matter.

23 COMMISSIONER POLMANN: Okay. Thank you,
24 Mr. Scroggs.

25 That's all I have, Madam Chair.

1 CHAIRMAN BROWN: Thank --

2 COMMISSIONER POLMANN: I appreciate it.

3 CHAIRMAN BROWN: Thank you, Commissioner
4 Polmann.

5 COMMISSIONER POLMANN: Unless you need more
6 questions.

7 CHAIRMAN BROWN: No. No. No.

8 All right. Redirect?

9 MS. CANO: Yes, thank you.

10 REDIRECT EXAMINATION

11 BY MS. CANO:

12 Q Mr. Scroggs, OPC -- counsel for OPC and FIPUG
13 and, to a lesser extent, SACE, asked you some questions
14 regarding the current status of natural gas prices as
15 well as the current status of greenhouse gas emission
16 regulations.

17 How have those current economic factors played
18 into FPL's current project approach as of 2016?

19 A They -- they have not been factors.

20 Q You were provided a number of articles on the
21 Vogtle project and the Summer project and Westinghouse,
22 you know, projecting doom and gloom for those projects,
23 essentially.

24 What do those articles suggest regarding FPL's
25 approach to Turkey Point 6 and 7?

1 A I think they affirm that the decisions we're
2 making about taking a pause is the right decision.

3 Q And what bearing do the current events of
4 those other projects have on FPL's decision specifically
5 to complete licensing?

6 A I'm sorry. Could you say that again, please?

7 Q Yeah. What bearing do the recent events at
8 Vogtle and Summer have on FPL's decision to complete
9 obtaining its combined license?

10 A They don't have a bearing on our
11 recommendation to move forward and get that license, but
12 beyond that, yes, then, they do tell us to take a pause.

13 Q FI- -- counsel for FIPUG asked you some
14 questions regarding what the company had filed in 2016,
15 specifically a rule waiver, along with some indications
16 that the company planned to file a feasibility analysis
17 this year. And you responded that factors had changed.
18 What factors have changed as compared to last year?

19 A Principally the Westinghouse bankruptcy and
20 the evaluation of additional costs to complete Summer
21 and Vogtle by those utilities.

22 Q Has FPL's requested relief being sought in
23 front of this Commission also changed as compared to
24 last year?

25 A I'm sorry. I --

1 Q Sure. Has FPL's requested relief changed as
2 compared to what it was requesting last year in terms
3 of --

4 A No.

5 Q -- cost recovery?

6 A No.

7 Q FPL sought cost recovery in 2016, correct?

8 A For the year 2016. And we are still seeking
9 prudence recovery of that -- or prudence decision on
10 2016.

11 Q Mr. Moyle asked you some questions about the
12 importance of having real-time data in making a
13 decision. Do you recall that line of questioning?

14 A Yes.

15 Q And you responded that you need the
16 information that's necessary to make the decision in
17 front of you; do you recall that?

18 A Yes. Yes.

19 Q Did the company have the necessary information
20 to make a decision regarding completing licensing --

21 A Yes.

22 Q -- in 2017?

23 And did the company have the necessary
24 information to make a decision regarding implementing a
25 project -- project pause?

1 A Yes.

2 Q And what role did a feasibility study play in
3 making those decisions?

4 A It did not.

5 Q Mr. Moyle also asked you, in referring to a
6 news article, whether Westinghouse had provided FPL with
7 an aggressive estimate of cost and time for its project.
8 Do you recall that question?

9 A Yes, I do.

10 Q Has FPL entered into EPC negotiations to
11 obtain that type of information from Westinghouse?

12 A No.

13 Q Has FPL been supported in its decision to
14 refrain from entering into EPC negotiations?

15 A I believe the facts certainly support not
16 entering into an EPC contract with Westinghouse.

17 Q And the parties to this annual docket?

18 A I --

19 Q There's --

20 A Are you asking me to speak for them or --

21 Q In the past, has FPL faced opposition to its
22 decision not to enter into EPC negotiations?

23 A Yes, I believe in the past, Office of Public
24 Counsel Witness Jacobs had identified a -- an opinion
25 that we should be pursuing an EPC contract.

1 **Q** And had the company accepted that
2 **recommendation, and then, at this point in time decided,**
3 **as it has, to pause the project, what would the cost**
4 **exposure be to FPL's customers?**

5 MR. MOYLE: I'm going to -- it calls for
6 speculation, I think. And also, she's been leading
7 the witness throughout. I refrained from
8 objecting, but I'm inclined to object on the next
9 question.

10 CHAIRMAN BROWN: Well, I will say a lot of the
11 questions that the intervenors asked this witness
12 called for speculation. And there were -- and I
13 allowed them.

14 So, Ms. Cano, can you please restate your
15 question --

16 MS. CANO: Sure.

17 CHAIRMAN BROWN: -- without leading?

18 BY MS. CANO:

19 **Q** Could you please discuss what the implications
20 **would be had FPL entered into an EPC contract earlier in**
21 **the project?**

22 A In our initial discussions with Westinghouse,
23 understanding the spin curve for the project, upon
24 initiating an EPC contract, there would be a large
25 payment. And that large payment could be on the order

1 of half a billion dollars.

2 Q Mr. Moyle and Mr. Cavros asked you a number of
3 questions on FPL's current total non-binding cost-
4 estimate range. What bearing does that cost estimate
5 have on the requests made in this docket?

6 A Again, we weren't relying on that information
7 or the feasibility -- any feasibility analysis to make
8 that decision that we've put in our requests.

9 Q Do you have Exhibit 49 in front of you that
10 was provided by SACE?

11 CHAIRMAN BROWN: It is the Order PSC-08-0237
12 excerpt.

13 THE WITNESS: Yes, I have it.

14 BY MS. CANO:

15 Q And could you please return to the paragraph
16 that you were being asked about on Page 27 of that
17 order?

18 A Yes, I'm there.

19 Q In the first sentence of that paragraph that
20 you were asked questions about -- well, let me just ask,
21 can you please read the first sentence of that
22 paragraph.

23 A "FPL shall provide a long-term feasibility
24 analysis as part of its annual cost-recovery process,
25 which, in this case, shall also include updated fuel

1 forecasts, environmental forecasts, break-even costs,
2 and capital-cost estimates."

3 Q And according to this paragraph, what is the
4 feasibility analysis intended to monitor?

5 A Feasibility regarding continued construction
6 of Turkey Point 6 and 7.

7 Q Thank you.

8 Lastly, I'm going to try to help with the
9 distinction that, I believe, Commissioner Polmann was --
10 was looking for with respect to FPL's request to find
11 that its decision to complete licensing was reasonable
12 as compared to the reasonableness of costs, which
13 elicited quite a bit of discussion.

14 Could you please describe for the Commission
15 the types of activities and decisions and costs that
16 would be available for future review by the Commission
17 and available for challenge by all the parties here?

18 A Yes. The types of activities that we envision
19 occurring during a pause are related to license-
20 amendment requests being incorporated into the license
21 to make sure that that license is up to date and
22 actionable.

23 It would also relate to additional work on the
24 west consensus corridor, which is a condition of the
25 site certification. That's an alternate corridor that

1 was recommended through that process and is generally
2 accepted by the parties as -- as the right or preferred
3 corridor for the transmission on the western side.

4 That requires some additional development
5 activities, land exchanges with state and federal
6 agencies to acquire the land rights to make that a
7 working corridor.

8 That would be types of activities that we'd be
9 going through in the next several years.

10 MS. CANO: Thank you. I have no further
11 questions.

12 CHAIRMAN BROWN: All right. Thank you.

13 We will get to the exhibits now.

14 FPL, you've got 2 through 11 as well as 38
15 through 40 -- although, we do not have Exhibit 40.
16 Do you have a copy of that for dist- --

17 MS. CANO: We do now.

18 CHAIRMAN BROWN: All right. Staff, could you
19 please pass out -- assist FPL with passing out
20 Exhibit 40. Thank you.

21 (Staff distributing document.)

22 CHAIRMAN BROWN: All right. Okay. Ms. Cano.

23 MS. CANO: FPL moves Exhibits 2 through 11 and
24 40.

25 MR. SAYLER: Madam Chair?

1 CHAIRMAN BROWN: Yes.

2 MR. SAYLER: For Exhibits 2, 3, and 10, that
3 also requires the next witness, Ms. Keene. I don't
4 know if it's the time to move it now or later.
5 Just bringing that to your attention.

6 CHAIRMAN BROWN: Ms. Cano, would you like to
7 hold off until after Ms. --

8 MS. CANO: That would be fine --

9 CHAIRMAN BROWN: Okay.

10 MS. CANO: -- for two and three --

11 CHAIRMAN BROWN: -- and ten.

12 MS. CANO: -- and ten.

13 CHAIRMAN BROWN: So, four through nine and 11
14 as well as, pardon me, 40. Any objection? Seeing
15 none, we will go ahead and move those into the
16 record at this time.

17 (Whereupon, Exhibits Nos. 4 through 9, 11, and
18 40 were admitted into the record.)

19 CHAIRMAN BROWN: All right. OPC?

20 MS. CHRISTENSEN: OPC would move Exhibits 41
21 and 42.

22 CHAIRMAN BROWN: Okay. Any objection to
23 Exhibits 41 and 42, which are the articles? Seeing
24 none --

25 MS. CANO: No, F- -- FPL withdraws the

1 objection to previously -- previously made. The
2 witness put the articles into their proper context.
3 And we're happy to let the Commission give them the
4 weight they are due.

5 CHAIRMAN BROWN: Okay. I was going to make a
6 ruling, but okay. All right.

7 Then, seeing no objection from the parties, we
8 will go ahead and enter into evidence 41 and 42.

9 (Whereupon, Exhibit Nos. 41 and 42 were
10 admitted into the record.)

11 CHAIRMAN BROWN: And FIPUG, 43 and 44 -- would
12 you like those in?

13 MR. MOYLE: Right. We -- we would go ahead
14 and move -- move those in as well.

15 CHAIRMAN BROWN: Could you please put the mic
16 on?

17 MR. MOYLE: I'm sorry. We would go ahead and
18 move 43 and 44 as well.

19 45 was the rule. I don't think it hurts
20 anything to have the rule --

21 CHAIRMAN BROWN: It doesn't.

22 MR. MOYLE: -- in, but -- yeah -- so...

23 CHAIRMAN BROWN: All right. Seeing no
24 objection -- again, I was going to make a ruling,
25 but seeing no objection, we'll go ahead and move

1 into the record 43 and 44.

2 (Whereupon, Exhibit Nos. 43 and 44 were
3 admitted into the record.)

4 CHAIRMAN BROWN: SACE, you have 46 and 47 and
5 48. Do you have 49, too?

6 MR. CAVROS: 49.

7 CHAIRMAN BROWN: And 49?

8 MR. CAVROS: Yes, Madam Chair.

9 CHAIRMAN BROWN: Okay.

10 MR. CAVROS: We would move 46, 47, and 49
11 in -- into the record.

12 CHAIRMAN BROWN: 49 is an excerpt, I do want
13 to note. Typically, we like -- although it is one
14 of our orders, we would like the complete copy for
15 the record. Are you going to provide that?

16 MR. CAVROS: Yes.

17 CHAIRMAN BROWN: Is there any objection to
18 moving 46, 47, and 49? Anybody? None. We will go
19 ahead and move those into the record and give them
20 the weight that they are due.

21 (Whereupon, Exhibit Nos. 46, 47, and 49 were
22 admitted into the record.)

23 CHAIRMAN BROWN: And staff, you have few.

24 MS. MAPP: Yes, we have Exhibit 50 that we
25 would like to enter into the record.

1 CHAIRMAN BROWN: You also have -- I thought
2 you had 38 and 39.

3 MS. MAPP: Yes, 38 and 39 as well.

4 CHAIRMAN BROWN: So, you have 38, 39, and 50;
5 is that correct?

6 MS. MAPP: That's correct.

7 CHAIRMAN BROWN: Any objection? We'll go
8 ahead and move them into the record at this time.

9 (Whereupon, Exhibit Nos. 38, 39, and 50 were
10 admitted into the record.)

11 Would you like your witness excused?

12 MS. CANO: Yes, please.

13 CHAIRMAN BROWN: Mr. Scroggs, thank you for
14 your time today.

15 THE WITNESS: Thank you, Madam Chair and
16 Commissioners.

17 CHAIRMAN BROWN: You are excused.

18 All right. Let's take a five-minute break. I
19 know you all are wondering, are we going to eat.
20 What I would like to do is take a five-minute
21 break, get the next witness on the stand, see --
22 see how much we can get before done before 7:00 and
23 then adjourn for the evening. Okay? So, we will
24 reconvene here at 6:10.

25 Thank you.

1 (Brief recess.)

2 CHAIRMAN BROWN: All right. We are going to
3 begin in 30 seconds -- which means now.

4 FPL, would you like to call your next witness?

5 MR. DONALDSON: Yes, at this time, FPL calls
6 Ms. Jennifer Grant-Keene to the stand.

7 CHAIRMAN BROWN: All right. Ms. Grant-Keene?
8 Is she here?

9 MR. DONALDSON: Yes.

10 (Brief pause.)

11 CHAIRMAN BROWN: Does someone want to help
12 facilitate --

13 MR. DONALDSON: I'm going to go and get her.

14 CHAIRMAN BROWN: Okay.

15 MR. DONALDSON: She's used to me escorting her
16 around.

17 CHAIRMAN BROWN: Yes. Yes.

18 MR. DONALDSON: So, that's my fault.

19 (Laughter.)

20 CHAIRMAN BROWN: I like it.

21 Good evening, Ms. Grant-Keene.

22 THE WITNESS: Good evening.

23 MR. DONALDSON: May I proceed?

24 CHAIRMAN BROWN: Yes, please. And just turn
25 on the mic, please, when -- the button right in

1 front of you.

2 THE WITNESS: (Inaudible.)

3 CHAIRMAN BROWN: Yep. Now you're live.

4 We are reconvening the FPL hearing. And you
5 have the floor.

6 MR. DONALDSON: Thank you, Madam Chair.

7 DIRECT EXAMINATION

8 BY MR. DONALDSON:

9 Q Ms. Keene, you were here and sworn; is that
10 correct?

11 A Yes.

12 Q Okay. Would you please state your name and
13 business address.

14 A Jennifer Grant-Keene, 700 Universe Boulevard,
15 Juno Beach, Florida 33408.

16 Q By whom are you employed and in what capacity?

17 A Florida Power & Light Company as the
18 accounting project manager, clause accounting.

19 Q Have you prepared and caused to be filed 18
20 pages of prefiled direct testimony in this proceeding on
21 March 1st, 2017?

22 A Yes.

23 Q Have you also prepared and caused to be filed
24 seven pages of prefiled direct testimony in this
25 proceeding on May 1st of 2017?

1 A Yes.

2 Q Do you have any changes or revisions to your
3 prefiled direct testimony?

4 A No, I have none.

5 Q If I ask you the same questions contained in
6 your prefiled direct testimony, would your answers be
7 the same?

8 A Yes.

9 MR. DONALDSON: Chairman Brown, I ask that
10 Ms. Grant-Keene's prefiled direct testimony for
11 March and May be entered into the record as though
12 read.

13 CHAIRMAN BROWN: We will go ahead and enter
14 into the record Ms. Grant-Keene's prefiled
15 testimony March 1st as well as May 1st.

16 MR. DONALDSON: Thank you.

17 (Prefiled direct testimony inserted into the
18 record as though read.)

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

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

4 **DOCKET NO. 170009-EI**

5 **March 1, 2017**

6

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

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

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

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

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

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

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

1 A. 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. Between
5 1990 and 2000, I lectured in the Accounting Departments of North Carolina Central
6 University, Durham, North Carolina and Lynn University, Boca Raton, Florida. Since
7 2001 and prior to joining FPL, I have held various Corporate Accounting positions in the
8 state of Florida. In 2009, I joined FPL as an Accounting Manager responsible for Fossil
9 and Nuclear Fuel Accounting, Storm Accounting and Reporting and Analysis. In January
10 2014, I assumed the role of New Nuclear Accounting Project Manager and in 2015 I
11 assumed additional responsibilities for all other retail cost recovery clauses. I am a
12 Certified Public Accountant (CPA) licensed in the State of New Jersey and a member of
13 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 NFR
18 True-Up (T) Schedules, by year and by category of costs being recovered.
- 19 • Exhibit JGK-2, Final True-Up of 2016 Revenue Requirements which details the
20 components of the 2016 Turkey Point 6 & 7 revenue requirements reflected in the NFR
21 True-Up (T) Schedules, by year and by category of costs being recovered.
- 22 • Exhibit SDS-1 consists of the 2015 “T-Schedules” that provide the final true-up of
23 2015 Turkey Point 6 & 7 costs. Exhibit SDS-1 contains a table of contents which lists

1 the T-Schedules sponsored and co-sponsored by FPL Witness Scroggs and by me,
2 respectively.

- 3 • Exhibit SDS-2 consists of the 2016 “T-Schedules” that provide the final true-up of
4 2016 Turkey Point 6 & 7 costs. Exhibit SDS-2 contains a table of contents which lists
5 the T-Schedules sponsored and co-sponsored by FPL Witness Scroggs and by me,
6 respectively

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

8 A. The purpose of my testimony is to present the final true-up calculations of the 2015 and
9 2016 revenue requirements for TP 6 & 7. I provide an overview of the components of the
10 revenue requirements included in FPL’s filing and demonstrate that the filing complies
11 with the Florida Public Service Commission’s (“FPSC” or “Commission”) Rule No. 25-
12 6.0423, Nuclear or Integrated Gasification Combined Cycle Power Plant Cost Recovery
13 (NCR Rule). I also discuss the accounting controls FPL relies upon to ensure only
14 appropriate costs are charged to the Project. Unless otherwise noted, the costs I discuss
15 are retail jurisdictional costs.

16 **Q. Please summarize your testimony.**

17 A. FPL is requesting that the Commission approve FPL’s 2015 Project costs and the
18 resulting over-recovery of revenue requirements of \$1,306,211, which will reduce the
19 Capacity Cost Recovery Clause (CCRC) charge to customers in 2018. As shown in my
20 Exhibit JGK-1, these revenue requirements are comprised of the difference between
21 \$24,138,311 Actual 2015 revenue requirements versus \$25,444,523 Actual/Estimated
22 2015 revenue requirements approved in Docket No. 150009-EI.

23

1 FPL is also requesting that the Commission approve FPL's 2016 Project costs and the
2 resulting over-recovery of revenue requirements of \$5,998,991. As shown in my Exhibit
3 JGK-2, these revenue requirements are comprised of the difference between \$22,840,428
4 Actual 2016 revenue requirements versus \$28,839,419 Projected 2016 revenue
5 requirements approved in Docket No. 150009-EI. I have compared FPL's 2016
6 projections filed and approved in 2015 with actual 2016 costs because the 2016
7 actual/estimated partial year true-up, filed in Docket No. 160009-EI, did not receive a
8 final order approving those costs. Instead, by Order No. PSC-16-0266-PCO-EI, in
9 Docket No. 160009-EI, the Commission granted FPL's Motion to Defer its cost recovery
10 request "consistent with the requirements of Section 366.93, F.S. and NCR Rule 6.0423,
11 F.A.C. which afford a deferred accounting treatment and accrual of carrying charges
12 equal to FPL's most recently approved Allowance for Funds Used During Construction
13 (AFUDC) rate."

14 **Q. How does the NCR Rule describe the annual true-up filing requirements that a**
15 **utility is to make in support of a prudence determination?**

16 A. The Nuclear Cost Recovery Rule, 25-6.0423(6)(c) states:

17 "1. Each year . . . a utility shall submit, for Commission review and approval, as part of
18 its cost recovery filings...

19 True-Up for Previous Years. A utility shall submit its final true-up of pre-construction
20 expenditures, based on actual preconstruction expenditures for the prior year and
21 previously filed expenditures for such prior year and a description of the pre-construction
22 work actually performed during such year; or, once construction begins, its final true-up
23 of carrying costs on its construction expenditures, based on actual carrying costs on

1 construction expenditures for the prior year and previously filed carrying costs on
2 construction expenditures for such prior year and a description of the construction work
3 actually performed during such year.

4 **Q. Is FPL complying with these requirements with respect to its 2015 and 2016 Final**
5 **true-up project costs?**

6 A. Yes. FPL is complying with the NCR Rule by submitting for prudence review its 2015
7 and 2016 Final True-up expenditures. FPL has also put in place robust and
8 comprehensive corporate and overlapping business unit controls for incurring and
9 validating costs and recording transactions associated with the Project. I describe these
10 controls and outline the documentation, assessment and auditing process for these
11 overlapping control activities.

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

13 A. FPL is filing its 2015 and 2016 T-Schedules, consistent with the requirements of the
14 NCR Rule, to provide an overview of the financial aspects of TP 6 & 7, outline the
15 categories of costs represented, and provide the calculation of detailed project revenue
16 requirements.

17
18 **2015 REVENUE REQUIREMENTS TRUE-UP**
19

20 **Q. Is FPL filing any NFR Schedules related to TP 6 & 7 Site Selection costs for 2015?**

21 A. Yes. As described by FPL Witness Scroggs in his testimony, FPL is filing 2015 NFR
22 Schedules T-1, T-2 and T-3A for TP 6 & 7 Site Selection costs.

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

3 A. FPL's TP 6 & 7 Site Selection costs ceased with the filing of its need petition on October
4 16, 2007. All recoveries of Site Selection costs and resulting true-ups have been reflected
5 in prior Nuclear Cost Recovery filings. Accordingly, the true-up of costs and resulting
6 revenue requirements each equal zero.

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

9 A. Site Selection carrying costs are primarily related to the deferred tax asset (DTA). The
10 DTA is created by the recovery of Site Selection costs and the payment of income taxes
11 before a deduction for the costs is allowed for income tax purposes. The calculation of
12 FPL's Actual 2015 TP 6 & 7 Site Selection carrying costs are \$160,088 as shown in
13 Exhibit JGK-1, Line 5 and Exhibit SDS-1, NFR Schedule T-3A. FPL's Actual/Estimated
14 2015 carrying costs were \$159,744, resulting in an under-recovery of \$345, which FPL is
15 requesting to include in its 2018 CCRC charge.

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

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

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

22 A. FPL is requesting to include in its 2018 CCRC charge an over-recovery of \$1,306,556 in
23 revenue requirements, which represents an over-recovery of Pre-construction costs of

1 \$1,328,727, and an under-recovery of carrying costs of \$22,171 as shown on Exhibit
2 JGK-1 and in the calculations in Exhibit SDS-1, NFR Schedules T-2 and T-3A.

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

5 A. FPL's Actual TP 6 & 7 Pre-construction costs for the period January through December
6 2015 are \$17,309,494 excluding initial assessment costs, as provided in Exhibit SDS-1,
7 NFR Schedule T-6. FPL's Actual/Estimated 2015 Pre-construction costs were
8 \$18,638,220. The result is an over-recovery of Pre-construction revenue requirements of
9 \$1,328,727.

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

12 A. FPL's Actual 2015 TP 6 & 7 Pre-construction carrying costs are \$6,668,729. FPL's
13 previous Actual/Estimated carrying costs were \$6,646,558, resulting in an under-recovery
14 of revenue requirements of \$22,171. Like Site Selection carrying costs, Pre-construction
15 carrying costs are primarily related to the DTA. The calculations of the carrying costs
16 can be found in Exhibit SDS-1, NFR Schedules T-2 and T-3A.

17 **Q. What were the total Company amount of Initial Assessment costs FPL incurred in**
18 **2015 and deferred for future recovery?**

19 A. The total Company (i.e., not jurisdictional) Initial Assessment costs incurred in 2015 is
20 \$1,480,242 as discussed by FPL Witness Scroggs and shown on Exhibit SDS-1, NFR
21 Schedule T-6. FPL also accrued AFUDC of \$33,398. Both Initial Assessment costs and
22 AFUDC are currently deferred for future recovery pursuant to Order No. PSC-15-0521-
23 FOF-EI.

1

2 **2016 REVENUE REQUIREMENTS TRUE-UP**

3

4 **Q. Is FPL filing any NFR Schedules related to TP 6 & 7 Site Selection costs for 2016?**

5 A. Yes. As described by FPL Witness Scroggs in his testimony, FPL is filing 2016 NFR
6 Schedules T-1, T-2 and T-3A for TP 6 & 7 Site Selection costs.

7 **Q. What are FPL's Actual 2016 TP 6 & 7 Site Selection carrying costs compared to the**
8 **Projected 2016 Site Selection carrying costs and any resulting (over)/under**
9 **recovery?**

10 A. Site Selection carrying costs are primarily related to the DTA. The calculation of FPL's
11 Actual 2016 TP 6 & 7 Site Selection carrying costs are \$159,395 as shown in Exhibit
12 JGK-2, Line 5 and Exhibit SDS-2, NFR Schedule T-3A. FPL's Projected 2016 carrying
13 costs were \$159,588, resulting in an over-recovery of \$193, which FPL is requesting to
14 be included in its 2018 CCRC charge.

15 **Q. Has FPL filed any NFR Schedules related to 2016 TP 6 & 7 Pre-construction costs?**

16 A. Yes. As described by FPL Witness Scroggs in his testimony, FPL is filing NFR
17 Schedules T-1 through T-7B for the final true-up of 2016 TP 6 & 7 Pre-construction
18 costs.

19 **Q. What revenue requirement amount is FPL requesting for recovery to reflect the**
20 **final true-up of its 2016 TP 6 & 7 Pre-construction costs?**

21 A. FPL is requesting to include in its 2018 CCRC charge an over-recovery of \$5,998,797 in
22 revenue requirements, which represents an over-recovery of Pre-construction costs of

1 \$5,383,328 and an over-recovery of carrying costs of \$615,469 as shown on Exhibit
2 JGK-2 and in the calculations in Exhibit SDS-2, NFR Schedules T-2 and T-3A.

3 **Q. What are FPL's Actual 2016 TP 6 & 7 Pre-construction costs compared to**
4 **Projected 2016 costs and any resulting (over)/under recoveries?**

5 A. FPL's Actual TP 6 & 7 Pre-construction costs for the period January through December
6 2016 are \$15,673,982 excluding initial assessment costs, as provided in Exhibit SDS-2,
7 NFR Schedule T-6. FPL's Projected 2016 Pre-construction costs were \$21,057,310. The
8 result is an over-recovery of Pre-construction revenue requirements of \$5,383,328.

9 **Q. What are FPL's Actual 2016 TP 6 & 7 Pre-construction carrying costs as compared**
10 **to its Projected 2016 carrying costs and any resulting (over)/under recoveries**
11 **calculated?**

12 A. FPL's Actual 2016 TP 6 & 7 Pre-construction carrying costs are \$7,007,051. FPL's
13 previously Projected carrying costs were \$7,622,521, resulting in an over-recovery of
14 revenue requirements of \$615,469. Like Site Selection carrying costs, Pre-construction
15 carrying costs are primarily related to the DTA. The calculations of the carrying costs
16 can be found in Exhibit SDS-2, NFR Schedules T-2 and T-3A.

17 **Q. Did the Company incur any Initial Assessment costs in 2016, and if so, what amount**
18 **was deferred for future recovery?**

19 A. The total Company (i.e., not jurisdictional) Initial Assessment costs incurred in 2016 is
20 \$809,801 as discussed by FPL Witness Scroggs and shown on Exhibit SDS-2, NFR
21 Schedule T-6. FPL also accrued AFUDC in 2016 on project to date Initial Assessment
22 costs of \$200,841. Both Initial Assessment costs and AFUDC are currently deferred for
23 future recovery pursuant to Order No. PSC-15-0521-FOF-EI.

1 **Q. What is the 2015 and 2016 Final True-Up amounts requested to be reflected in its**
2 **2018 CCRC charge?**

3 A. As discussed above, the 2015 final true-up revenue requirements resulted in an over-
4 recovery of \$1,306,211. The 2016 final true-up revenue requirements resulted in an over-
5 recovery of \$5,998,991. Thus, the total amount requested to be refunded in 2018 CCRC
6 charge is \$7,305,202.

7

8 ACCOUNTING CONTROLS

9

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

12 A. FPL relied on its comprehensive corporate and overlapping business unit controls for
13 recording and reporting transactions. These comprehensive and overlapping controls
14 include:

- 15 • FPL's Accounting Policies and Procedures;
- 16 • Financial systems and related controls including FPL's general ledger (SAP) and
17 construction asset tracking system ("PowerPlan"); and
- 18 • Business Unit specific controls and processes.

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

20 **Q. How did FPL's policies and procedures ensure accurate recording and reporting**
21 **treatment of project costs?**

22 A. In order to ensure accurate recording and reporting of project costs incurred, FPL relied
23 on a framework of corporate procedures and accounting policies, which are used in

1 conjunction with the uniform system of accounts. The uniform system of accounts, as
2 prescribed in the Code of Federal Regulations, 18 CFR Chapter 1, Part 101, provides
3 FPL with guidance in determining whether or not an activity and the cost incurred for
4 that activity will result in capitalization or otherwise be treated as an expense. This
5 prescribed CFR treatment has been adopted by the Commission in Rule 25-6.014.
6 Capital costs were recorded by the Nuclear Business Unit in PowerPlan, which is FPL's
7 fixed asset subsidiary ledger, in accordance with Company policies and procedures.
8 Capital transactions in PowerPlan were interfaced with the SAP general ledger system
9 during each month. Monthly reporting was achieved by accessing detailed information
10 from PowerPlan which was reconciled with data in SAP.

11 **Q. How do FPL's internal controls support accurate financial reporting of project**
12 **costs?**

13 A. The application of FPL's corporate and accounting policies and procedures are supported
14 by an interconnected system of internal controls as required by Sarbanes- Oxley Act of
15 2002, Section 404 (SOX). Under SOX, management identifies, documents, administers
16 and certifies as to the effectiveness of control activities. Segments or subprocesses of a
17 business process are documented in SOX narratives, which describes specific controls
18 necessary to ensure accurate financial reporting of transactions produced by a particular
19 subprocess. Additionally, upstream and down stream subprocesses that feed information
20 into and out of a particular subprocess are identified. This control structure allows
21 management and owners of the processes to have visibility to the overlapping and overall
22 business processes and how the controls helped to achieve accurate financial reporting.

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

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

11 **Q. Please describe the responsibilities and accounting controls of the New Nuclear**
12 **Accounting Project Group in 2015 and 2016.**

13 A. The primary responsibility of the New Nuclear Accounting Project Group is to provide
14 financial accounting guidance for the recording and recovery of costs under the NCR
15 Rule. This includes working closely with the Nuclear Business Unit to ensure proper
16 accounting for costs related to the Project. Additional responsibilities included the
17 preparation and maintenance of the NFR Schedules and, on a monthly basis, ensuring the
18 costs included in the NFR Schedules reflect the financial records of the Company. The
19 TP 6 & 7 project utilized unique internal orders to capture costs directly related to the
20 project. After ensuring accurate costs were recorded, adjustments were made to reflect
21 jurisdictionalized costs, and other adjustments required in the NFR Schedules. Monthly
22 journal entries were prepared to reflect the effects of the recovery of costs and monthly
23 reconciliations of the project general ledger accounts were performed. The resulting

1 NFR Schedules are included in FPL's Nuclear Cost Recovery filings and described in
2 testimony.

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

6 A. Business Unit accounting control activities are founded on existing corporate policies and
7 procedures. These policies and procedures provide guidance to the Nuclear Business
8 Unit as to the accounting processing and recording of new nuclear project costs.
9 Specifically, the Nuclear Business Unit relied upon the following accounting-related
10 control activities:

- 11 • Initiate and maintain unique project internal orders and account coding structure;
- 12 • Conduct quarterly detail transaction reviews to ensure that labor costs recorded to
13 the project are only for those FPL personnel authorized to charge time to the
14 project;
- 15 • Review, approve, and record monthly accruals;
- 16 • Reconcile project costs in the General Ledger with project costs provided by the
17 New Nuclear Accounting Group from the subsidiary system;
- 18 • Perform analyses of the costs being incurred by the project to ensure that costs
19 are appropriately allocated to the correct internal orders;
- 20 • Work closely with FPL's Accounting Departments to determine which project
21 costs are capital and O&M;
- 22 • Conduct monthly variance analysis of actual and budgeted expenditures; and
- 23 • Manage internal and external financial audit requests.

1

2 **ADDITIONAL NUCLEAR PROJECT ACCOUNTING OVERSIGHT**

3

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

5 A. Yes. Annually, FPL's Internal Audit business unit hires Experis to conduct an audit of
6 the TP 6 & 7 costs. In addition, the Commission Staff conducts a Financial Audit of the
7 Project, as well as an audit of Internal Controls. FPL witness Steve Scroggs discusses the
8 Internal Controls audit in his testimony. Futhermore, the NCR process itself provides an
9 additional layer of review and oversight.

10 **Q. What is the purpose of FPL's annual audit conducted on the TP 6 & 7 Project?**

11 A. The purpose of FPL's audit is to test the propriety of expenses charged to NCR to ensure
12 they are recoverable project expenses and to ensure compliance with the NCR Rule.
13 Any potential process improvements identified during the audit are communicated to
14 management to further enhance internal controls. The audit provides assurance that the
15 internal controls surrounding transactions and processes are well established, maintained
16 and communicated to employees, and provide additional assurance that the financial and
17 operating information generated within the Company is accurate and reliable. The audit
18 of the 2015 costs related to the Project was completed. There were no findings. The
19 2016 internal audit is underway.

20 **Q. What were the results of FPSC Staff's Financial Audits?**

21 A. Staff's 2015 financial audit report had no findings. Staff's audit of 2016 project costs is
22 currently underway.

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

1 A. The ongoing cycles of cost collection, aggregation, analysis, and review which lead to the
2 filing of NFR Schedules provide for a level of detailed review that is unprecedented. For
3 example, in the preparation of the NFR Schedules, transactional expenditures are
4 projected by activity and an immediate review of projections to actuals, in many cases at
5 the transactional level, is conducted. The nature of the data collection and aggregation
6 process, along with the calculation of carrying costs provides an increased level of
7 detailed review. The requirements of the NCR Rule have, by design, significantly
8 increased the transparency of the costs.

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

10 A. Yes.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

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

4 **DOCKET NO. 170009-EI**

5 **May 1, 2017**

6

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

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

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

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

14 **Q. Have you previously filed testimony in this docket?**

15 A. Yes.

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

17 A. The purpose of my testimony is to present the final true-up calculation of the
18 2018 revenue requirements. These revenue requirements are summarized in
19 my Exhibit JGK-3 and shown in FPL’s Nuclear Filing Requirement Schedules
20 (NFRs) filed in this docket on March 1, 2017. Included in these revenue
21 requirements are FPL’s final true-up from the 2015 True-Up (T) Schedules
22 and the final true-up from the 2016 T Schedules, both filed in this docket on
23 March 1, 2017. Unless otherwise noted, the costs I discuss are retail

1 jurisdictional costs. I also offer testimony to describe the manner in which
2 costs incurred beginning in 2017 will be recorded while FPL defers the cost
3 recovery it would otherwise be allowed to seek.

4 **Q. Please summarize your testimony.**

5 A. FPL is requesting the Florida Public Service Commission (FPSC or
6 “Commission”) approve as prudent its 2015 and 2016 costs and the resulting
7 overrecovery of revenue requirements of \$7,305,202 which will reduce the
8 Capacity Cost Recovery Clause (CCRC) charges to customers in 2018. These
9 revenue requirements are based on: (1) the final true-up of 2015 costs
10 resulting in an over-recovery of \$1,306,211; and 2) the final true-up of 2016
11 costs resulting in an over-recovery of \$5,998,991. FPL is not seeking
12 recovery of 2017 actual/estimated or 2018 projected costs at this time.
13 Therefore, I have not included 2017 Actual/Estimated (A/E) or 2018 Projected
14 (P) Schedules with my testimony. Instead, FPL is seeking approval to defer
15 these costs incurred for future review by the Commission and future recovery
16 through the clause.

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

18 A. Yes. I am sponsoring the following exhibit:

- 19 • Exhibit JGK-3, 2018 Revenue Requirements which summarizes the
20 revenue requirements requested to be reflected in the 2018 CCRC charge
21 to customers. These amounts include the results of the 2015 T NFRs and
22 2016 T NFRs filed in this docket on March 1, 2017.

- 1 • I additionally sponsor or co-sponsor some of the NFRs included in
2 Exhibit SDS-9, Turkey Point 6 & 7 Site Selection and Pre-construction
3 NFR Schedules. These consist of 2017 True-Up to Original (TOR)
4 Schedules, and one Projection (P) schedule presenting the 2018 revenue
5 requirement bill impact. The NFRs contain a table of contents listing the
6 schedules sponsored and co-sponsored by FPL Witness Scroggs and
7 myself, respectively.

8

9

NUCLEAR FILING REQUIREMENT SCHEDULES

10

11 **Q. Please describe the NFRs you are filing with this testimony.**

12 A. FPL is filing its 2017 TOR Schedules, reflecting current project information.
13 The TOR Schedules provide an updated summary of the cumulative project
14 costs. The TOR Schedules provide the actual to date project costs and
15 projected total costs for the duration of the project based on the best available
16 information prior to this filing. Schedule TOR-2 provides the information
17 required by Rule 25-6.0423(9)(f). FPL also is filing Schedule P-8, which
18 presents the 2018 bill impact from the true-up of 2015 and 2016 costs.

19 **Q. What is the amount of sunk costs that FPL has incurred as of the end of**
20 **2016?**

21 A. FPL's sunk costs for the Project are approximately \$308 million as of
22 December 31, 2016, as shown on Schedule TOR-2.

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REVENUE REQUIREMENTS OVERVIEW

Q. What is the total amount FPL is requesting to recover in its 2018 CCRC factors for the TP 6 & 7 Project?

A. FPL is requesting to include in its 2018 CCRC charge an overrecovery of \$7,305,202 of revenue requirements. This total amount represents an overrecovery from the final true-up of 2015 costs of \$1,306,211 and an overrecovery of \$5,998,991 resulting from the final true-up of 2016 costs as described in my March 1, 2017 testimony.

ACCOUNTING FOR PROJECT COSTS BEGINNING IN 2017

Q. Has FPL included A/E or P schedules for the years 2017 and 2018, respectively?

A. No. Because FPL is not seeking the Commission's review or the recovery of 2017 or 2018 activities and costs at this time, FPL is not filing the AE or P Schedules associated with those years.

Q. How does FPL intend to account for TP 6 & 7 Pre-construction and Site Selection Project costs beginning in 2017?

A. Assuming the Commission finds that the Company's decision to complete licensing activities (and maintain approvals received) is appropriate and reasonable as described in the testimony of witness Scroggs, FPL will continue to account for its Project costs consistent with the treatment afforded

1 under the NCR Rule, but defer recovery of those costs. FPL will continue to
2 capitalize these TP 6 & 7 project costs as incurred and accrue allowance for
3 funds used during construction (AFUDC). FPL also will continue to record a
4 return on the related Deferred Tax Asset. All current methods of computing
5 carrying costs will continue to be followed, as presently represented in FPL's
6 NFRs.

7 **Q. When does FPL anticipate it will seek Commission review and recovery**
8 **of the costs incurred beginning in 2017?**

9 A. FPL anticipates it will seek Commission review and recovery when it makes a
10 decision regarding initiation of pre-construction work. At that time, it will
11 provide the requisite information for costs incurred for the Commission's
12 prudence review and for recovery through the NCR process.

13 **Q. Please discuss the application of FPL's accounting controls to project**
14 **costs in 2017 and the years that follow.**

15 A. As discussed in my March 1, 2017 testimony, FPL has a robust system of
16 accounting controls that apply to this Project. FPL will continue to utilize and
17 apply these controls during the time in which FPL is deferring review and
18 recovery of Project costs.

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

20 A. Yes.

1 BY MR. DONALDSON:

2 Q Ms. Grant-Keene, are you also sponsoring
3 Exhibits JGK-1 through JGK-3 to your direct testimony?

4 A Yes.

5 MR. DONALDSON: Chairman Brown, I'll note that
6 those have been premarked on staff's comprehensive
7 exhibit list as Nos. 12 through 14.

8 CHAIRMAN BROWN: Thank you.

9 BY MR. DONALDSON:

10 Q Are you also co-sponsoring Exhibits SDS-1,
11 SDS-2, and SDS-9, which were exhibits to Mr. Scroggs'
12 testimony?

13 A You're correct, yes.

14 MR. DONALDSON: All right. And those have
15 been -- already been premarked on staff's
16 comprehensive exhibit list.

17 Would you please provide your summary to the
18 Commission.

19 THE WITNESS: Good afternoon, Madam Chairman,
20 Commissioners. My name is Jennifer Grant-Keene,
21 and I am FPL's accounting project manager, clause
22 accounting. My work includes preparing all of the
23 detailed schedules submitted to the Commission each
24 year that document and support our cost recovery
25 request for approval under the Nuclear Cost

1 Recovery rule.

2 In this year's Nuclear Cost Recovery
3 proceeding, FPL is seeking approval of the
4 company's 2015 and 2016 true-ups, which result in
5 an over-recovery of revenue requirements of
6 approximately 7.3 million. I sponsor FPL's nuclear
7 filing requirement schedules, or NFRs, that
8 quantify and support that request.

9 FPL is not seeking recovery of 2017 and 2018
10 costs at this time. Instead, FPL is seeking to
11 defer recovery of costs beginning with those
12 incurred in 2017. During the deferral period, FPL
13 will continue to account for its costs, consistent
14 with the treatment afforded under the Nuclear Cost
15 Recovery rule.

16 My testimony also details the comprehensive
17 corporate and overlapping business unit accounting
18 and cost controls that FPL uses, which are
19 documented, assessed, audited, and tested on an
20 ongoing basis by both FPL's internal and external
21 auditors.

22 FPL's accounting controls and costs have also
23 been reviewed by the Commission's audit staff. The
24 audits of 2015 and 2016 actual costs have reported
25 good accounting and cost controls.

1 This concludes the oral summary of my direct
2 testimony.

3 MR. DONALDSON: I tender the witness for
4 cross.

5 CHAIRMAN BROWN: Thank you, Mr. Donaldson.
6 And Ms. Grant-Keene, welcome to Tallahassee.

7 THE WITNESS: Thank you.

8 CHAIRMAN BROWN: All right. We will start
9 with cross. Office of Public Counsel.

10 MR. SAYLER: Good evening, Commissioners,
11 Madam Chairman.

12 CROSS EXAMINATION

13 BY MR. SAYLER:

14 **Q Ms. Keene, how are you doing tonight?**

15 A Good, thank you.

16 **Q All right. Would you please turn to Page 2 of**
17 **your May 1st testimony. And I would like you to look at**
18 **Lines 11 through 16.**

19 A Okay. You said Page 2?

20 **Q Page 2 of your May testimony, yes, ma'am.**

21 A Okay.

22 **Q All right. Lines 11 through 16. And --**

23 A Yes.

24 **Q -- you would agree that Lines 11 and 12 --**
25 **that FPL is not seeking recovery of the 2017 or 2018**

1 projected costs at this time; is that correct?

2 A Yes.

3 Q And on Line 14, that instead of seeking
4 recovery, that FPL is seeking approval to defer these
5 costs incurred for future review by the Commission and
6 future recovery through the clause, correct?

7 A Yes.

8 Q All right. Would you please describe how FPL
9 will defer these costs, that process, from an accounting
10 standpoint?

11 A That's fine. We will continue to account for
12 the project costs in very much the same way that we have
13 done from the beginning of the project. We will
14 continue to capitalize the project costs in CWIP, as we
15 have always done. And we will accrue AFUDC on the
16 project spend as we go along. As in the past, we will
17 also calculate and track carrying costs on the related
18 deferred tax asset.

19 Q Okay. And --

20 A Nothing changes.

21 Q Nothing changes. Okay.

22 And what accounts will be used to record those
23 deferred costs? Will it be one account? Multiple
24 accounts?

25 A We have a -- a set of -- a system of accounts

1 in place, which have been reviewed extensively by the
2 Commission auditors, of course, where we track whatever
3 we are recovering, whatever we are actually incurring.
4 And so, the system is very well-defined and it works
5 very well.

6 **Q Okay. And where will these accounts be**
7 **reflected in the company's annual reports and**
8 **surveillance reports?**

9 A In the surveillance reports?

10 **Q Yes, ma'am.**

11 A They won't be in the surveillance report
12 because these costs have been normally recovered.

13 **Q Okay.**

14 A So, any deferred asset or liability tends to
15 be offset in terms of being reported in any surveillance
16 report.

17 **Q Okay. And what about annual reports?**

18 A There's no one line that's going to, you know,
19 identify. There will be a footnote --

20 **Q Okay.**

21 A -- I'm quite sure.

22 **Q A footnote in the annual report that FPL is**
23 **deferring these costs that -- from '17 and '18 and then**
24 **going forward as well?**

25 A The accounting treatment will be properly

1 represented in a footnote. But I must remind you, we're
2 doing nothing different than we've always done. And
3 the -- we're capitalizing those costs in -- as we always
4 have. The carrying charges, the method, the methodology
5 is not any different. So, you know, there's nothing
6 unusual here that needs to be called out.

7 **Q Okay. And based upon your testimony from the**
8 **section, you are requesting that the Commission defer**
9 **its review of these costs until some future time; is**
10 **that correct?**

11 A Correct.

12 **Q And that's the -- the Commission's**
13 **reasonableness review and prudence review, correct?**

14 A Let me correct that. We're asking prudence
15 review on 2015 and 2016.

16 **Q Okay. But for --**

17 A We're not asking a prudence review on the cost
18 to be deferred.

19 **Q Okay. And you're not asking for a**
20 **reasonableness review on those deferred costs as well;**
21 **is that correct?**

22 A That's correct.

23 **Q Now, were you here when Mr. Scroggs was**
24 **testifying earlier today?**

25 A Yes.

1 Q All right. And in his testimony -- are you
2 familiar that -- that if the -- if a COL is granted,
3 that it -- that there's a 20-year period upon which to
4 grant that -- or act upon that license?

5 A Yes.

6 Q So, it is possible that FPL is asking this
7 Commission to defer review of the 2017-2018 costs up to
8 approximately 20 years, the life of the license?
9 Hypothetically.

10 A Hypothetically, but that is not the intent of
11 the company.

12 Q Okay. As I understand it, the testimony
13 earlier today, the intent of the company is to come in
14 in maybe four years, potentially six years, to have the
15 Commission review --

16 A Yeah, come in that -- 2021, yes.

17 Q Okay.

18 A Yes.

19 Q And that review would be a reasonableness and
20 prudence review of the costs incurred, correct?

21 A Yes.

22 Q All right. And if you know, can you describe
23 the types of costs that you expect to be deferred for
24 this period?

25 A The types of costs -- are you talking about --

1 I think Mr. Scroggs has testified to the nature of their
2 costs. Is that what you're asking me? Because --

3 **Q I mean things like the labor, the overhead,**
4 **attorney's fees, engineering fees. Those types of**
5 **costs.**

6 A Right. It's very much the same sorts of -- of
7 costs that are reflected in our 2016 NFRs; licensing,
8 permitting costs, which, you know, would be comprised of
9 payroll costs, certain fees for oversight organizations.

10 **Q Okay. All right. And earlier, you testified**
11 **that the utility will accrue an allowance for funds used**
12 **during construction, which is AFUDC. Could you briefly**
13 **describe how that AFUDC is calculated? Is it a monthly,**
14 **daily, annual calculation?**

15 A I don't calculate the AFUDC rate.

16 **Q Okay.**

17 A What I will say is that the rate is based on
18 an adjusted capital structure, which is approved by the
19 Commission, FPSC, and is usually based on the December
20 ES -- the earnings surveillance reports. There's a
21 component for debt cost, and there's a component for
22 equity cost.

23 **Q Okay. I -- I apologize for having not the**
24 **clearest question. I meant for the balance of the cost**
25 **being deferred such as the approximately 25 -- or 18 to**

1 25 million for '17 -- how is the AFUDC added to the
2 actual costs? That's what I meant. Is that done on
3 a -- calculated on a monthly basis?

4 A Well, as we have done in the past, the
5 AFUDC -- the approved AFUDC rate is accrued, is added to
6 the CWIP balance where we track, of course, our capital
7 costs, the project spend.

8 Q Okay. All right. Still on Page 2, Lines 1
9 through 3 -- would you look at those lines for me. And
10 you would agree that it's your testimony that the manner
11 in which costs incur beginning in 2017 will be recorded
12 while FPL defers the cost recovery that it would be
13 otherwise allowed to seek. Do you see that?

14 A Yes.

15 Q Okay. Could you describe what you mean by the
16 term "incurred"? Like, how would you define "incurred,"
17 an incurred cost?

18 A As costs are -- expenditures arise, as cash is
19 expended -- as the costs are incurred, the actual costs
20 are incurred.

21 Q So, if a contract was executed for a certain
22 dollar amount, even though we hadn't remitted that to
23 the contractor, it would be considered an incurred cost
24 for accounting purposes when you executed the contract?

25 A When you execute the contract -- could you

1 please repeat that?

2 Q Certainly. I mean, you make a decision to do
3 something that costs money -- say it's a contract -- and
4 then, on day one of the contract, they haven't
5 performed, but they're about to perform. And the
6 contract is a defined number -- we'll say a hundred
7 thousand dollars in this hypothetical. On the day that
8 that contract is executed, is that considered an
9 incurred cost for accounting purposes?

10 A No, we're not accruing -- you're -- you're
11 asking me for accruing costs.

12 Q Right.

13 A Is that what you're asking?

14 Q Sorry. I --

15 A As costs --

16 Q Go ahead.

17 A Payroll costs, for instance --

18 Q Uh-huh.

19 A Payroll costs are very well-defined. They're
20 paid out every two weeks. The cost is known. And we
21 book those costs as the cost is earned -- as incurred,
22 excuse me. Just as you would -- you would book revenue
23 as earned, we're booking the expenses, the costs, the
24 expenditures that are made as they incur.

25 Q Okay. Thank you.

1 And you would agree that these are costs that
2 are either paid or obligated to be paid by the utility,
3 correct?

4 A Yes.

5 Q And the costs that FPL has incurred so far in
6 2017 will continue to incur in 2017. And the costs FPL
7 will incur in 2017 -- those are -- you're not requesting
8 to expense those costs, but to create an asset, a
9 regulatory asset for those costs, correct?

10 A We would not -- preconstruction costs are not
11 expensed.

12 Q Okay.

13 A These are costs that are capitalized and have
14 been capitalized since the -- the beginning of the
15 project, since the inception of the project.

16 We don't expense our capital costs, just as
17 we -- these -- these costs are treated just as we would
18 any power -- large power plant or any capital project.
19 You capitalize those costs. You put them -- you hang
20 them up on the balance sheet. They are recorded as
21 assets.

22 Q So, is your testimony that the COL costs are
23 preconstruction costs?

24 A Yes.

25 Q Okay. Now, would you turn to Page 5 of your

1 testimony, Lines 3 and 4. Are you there?

2 A Yes.

3 Q And if I'm not speaking clearly or loudly,
4 please let me know. I have a tendency to go soft.

5 It is your testimony that FPL will also
6 continue to record a return on a related deferred tax
7 asset. Do you see that?

8 A Yes.

9 Q Could you please ex- -- describe how this is
10 calculated and recorded.

11 A By return, we're referring there to the
12 carrying charges that we have calculated based on a
13 deferred tax -- tax-asset balance. For tax purposes,
14 the project costs are non-deductible. So, the project
15 costs -- the historic project costs to date --

16 Q Uh-huh.

17 A -- are tax-affected to give you a deferred tax
18 asset. It is upon that balance that we calculate our
19 cost or our -- our -- our return -- our carrying
20 charges.

21 Q All right. And would it be accurate to say
22 that the AFUDC and the return on the related tax or
23 deferred tax asset will serve to increase the deferred
24 balance each month?

25 A Yes.

1 **Q All right.**

2 A Let me clarify that. Did you say deferred?

3 **Q Yes, ma'am.**

4 A I -- I need to ask you to repeat your question
5 because I -- did you say deferred tax asset? Is that
6 what you said?

7 **Q Yes, ma'am.**

8 A Okay.

9 **Q I'll repeat my question: Would it be accurate
10 to say that the AFUDC and return on the related deferred
11 tax asset will serve to increase the deferred balance
12 each month?**

13 A No. I'm sorry. I'm going to correct myself.

14 **Q Okay.**

15 A If you're referring to the deferred tax-asset
16 balance, during the deferral period, that balance will
17 not change.

18 **Q Okay.**

19 A Okay. So, what we do is we -- we record the
20 carrying charges in a very specific regulatory asset
21 account, which has been in place since the beginning of
22 the project. That's nothing new.

23 **Q Okay. But as far as the COL costs that are
24 incurred in '17 -- 2017 and 2018, the deferred -- the
25 AFUDC on those deferred costs -- that would increase on**

1 a monthly basis -- or those --

2 A On the --

3 Q -- costs --

4 A On the project costs?

5 Q Yes, ma'am.

6 A Sitting in CWIP?

7 Q Yes.

8 A AFUDC is compounded. So, yes, it will
9 increase over a period of time. Yes.

10 Q Okay. Thank you.

11 Are you aware that, when it comes to the
12 creation of regulatory asset, there must be regulatory
13 certainty regarding the recovery of that asset? Is that
14 correct?

15 A Yes.

16 Q All right. And without regulatory certainty,
17 any costs -- you would have to expense those costs in
18 the year incurred; is that correct?

19 A Not necessary. Are you referring to how a
20 regulatory asset is set up and -- and functions?
21 Because in this particular instance, in this proceeding,
22 we are not asking to establish a regulatory asset for
23 project costs. That's not what our request is here.
24 We're not asking for a guarantee of future rate recovery
25 down the road.

1 A regulatory asset requires that a specific
2 approved amount will be recovered in the future. And
3 there is certainly a guaranteed element to that. That
4 is not what we're asking in this proceeding.

5 **Q Would you be able to explain the difference**
6 **between a deferred debit and a regulatory asset, in**
7 **accounting terms?**

8 A A regulatory asset and a deferred --

9 **Q Debit.**

10 A A deferred debit. Okay. As I just told you,
11 with a deferred asset, you -- there is a certain element
12 of guarantee that there's going to be future recovery.

13 **Q So, would the deferred nuclear costs be the**
14 **same thing as a deferred debit?**

15 A Would the -- excuse me. Repeat that, please.

16 MR. SAYLER: Madam Chair, may I have just a
17 moment? Thank you.

18 CHAIRMAN BROWN: Yes.

19 (Discussion off the record.)

20 MR. SAYLER: Madam Chair, the -- the question
21 I'm trying to get to is: How is a deferred nuclear
22 cost not a deferred debit.

23 CHAIRMAN BROWN: Is that a question?

24 MR. SAYLER: Yes.

25 THE WITNESS: Well, we do debit the CWIP

1 account when we capitalize our project cost. Each
2 month as the costs are incurred, we debit a CWIP
3 account, but the CWIP account is not a deferred
4 asset account.

5 BY MR. SAYLER:

6 Q Okay. On -- still on Page 5 of your
7 testimony, Lines 9 through 12, you testify: FPL
8 anticipates it will seek Commission review and recovery
9 when it makes a decision regarding the initiation of
10 preconstruction work. At that time, it will provide the
11 requisite information for costs incurred for the
12 Commission's prudence review and for recovery through
13 the NCR process.

14 Do you see that?

15 A Yes.

16 Q All right. And when it comes to the length of
17 the pause process, my understanding, it's about a
18 four- -- four-to-six-year pause; is that correct?

19 A That is under consideration, yes.

20 Q All right. And have you considered how best
21 to preserve the sort -- supporting documentation in a
22 manner that will facilitate Commission audit of those
23 costs and accruals for an -- for that extended period of
24 time?

25 A We track our costs as they incur using or

1 utilizing the methodology that is established by the
2 MFRs. So, we will continue to track and account for the
3 costs in the very same manner that we would if we were
4 coming in to file.

5 **Q Okay. But your -- FPL's proposal is not to**
6 **actually do those filings on an annual basis, but to**
7 **wait until they come back in at the end of the deferral**
8 **period?**

9 A Yes, you're correct. Mr. Scroggs has
10 explained the reason why and -- yes, that is -- that is
11 the proposal at this point in time.

12 **Q All right. And I believe earlier today, it**
13 **was said -- and maybe Mr. Scroggs testified to it, but**
14 **that -- that a portion of the AFUDC represents**
15 **shareholder profits on the project balance; is that**
16 **correct?**

17 A I would not necessarily characterize AFUDC in
18 that manner. AFUDC is simply financing costs. You
19 know, we're expending funds. And like every other large
20 project, like every other capital project, you earn or
21 you accrue a debt cost and an equity cost. It's -- it's
22 very much the very same way we would normally accrue
23 costs in any project -- capital project, excuse me.

24 **Q Okay. And during the pause period, that AFUDC**
25 **balance will continue to increase for the entire period,**

1 correct?

2 A Yes, that is the methodology.

3 Q All right.

4 A That's in place. And that has been approved
5 and is actually required under the rule.

6 Q Okay. And would you agree that once the
7 Commission approves a deferral of these costs in this
8 proceeding, customers will be obligated to pay FP&L for
9 those incurred costs at some point in the future?

10 A I don't agree with your characterization.
11 We're not saying that customers are going to be
12 obligated to pay. Much like we would, and have done in
13 the past, we would come in. Those costs would be
14 reviewed. The reasonableness of it would be reviewed.
15 The prudence also would be reviewed.

16 We're not saying that it's -- it's a blank
17 check; you know, it's wide open. There is a process in
18 place, under the Nuclear Cost Recovery rules and
19 statute. And we would, therefore, adhere to -- to the
20 rule and regulation at that point in time.

21 We haven't even suggested or proposed it --
22 proposed a specific recovery period. You know, there --
23 when you come back in, we will follow the -- the normal
24 protocol, the -- the established statute and rule. And
25 the Commission will get it -- their opportunity to

1 review and determine the prudence of the cost.

2 Q Okay. And you would agree that, during that
3 prudence review -- reasonableness and prudence review
4 sometime in the future, you would agree that the
5 Commission could disallow some or all of those costs,
6 correct?

7 A Could you repeat that?

8 Q During the future reasonableness and prudence
9 review, after the pause period ends, you would agree
10 that the Commission could disallow some or all of those
11 deferred costs, correct?

12 A That is possible. The Commission will review
13 and determine whether or not the costs are -- certainly,
14 the amount of the costs that's recoverable.

15 MR. SAYLER: Okay. Madam Chair, I have one
16 exhibit I would like to pass out.

17 CHAIRMAN BROWN: All right. Staff, could you
18 please assist Mr. Sayler.

19 And we will be starting with 51.

20 Mr. Sayler, do you have any more exhibits that
21 you would like to be using for this witness?

22 MR. SAYLER: No, ma'am.

23 And I do note that we reversed the name for
24 the witness. It should be Grant-Keene, not
25 Keene-Grant.

1 CHAIRMAN BROWN: Okay. Thank you.

2 THE WITNESS: (Inaudible.) That's okay.

3 (Staff distributing the document.)

4 CHAIRMAN BROWN: Thank you. So, we're going
5 to go ahead and mark for identification purposes as
6 Exhibit 51, page from OPC Witness Jacobs 2015
7 testimony.

8 MR. SAYLER: And -- and we identified it as an
9 excerpt from Mr. Jacobs 2015 testimony. Thank you,
10 Madam Chair.

11 CHAIRMAN BROWN: Sure.

12 MR. SAYLER: All right.

13 (Whereupon, Exhibit No. 51 was marked for
14 identification.)

15 CHAIRMAN BROWN: Yes. Hold one second,
16 please.

17 Mr. Donaldson?

18 MR. DONALDSON: Yes, I just wanted to kind of
19 understand, from an objection standpoint -- a
20 little back-feed -- he's going to be asking this
21 witness about someone else's testimony from a
22 different year and docket?

23 CHAIRMAN BROWN: So, there's --

24 MR. DONALDSON: There's a relevance question
25 and objection to this.

1 CHAIRMAN BROWN: Mr. Sayler, I'm sure you're
2 going to lead -- you're going to provide a proper
3 predicate; is that correct?

4 MR. SAYLER: Yes, ma'am. It -- it's to
5 clarify the record that -- also I was going to ask
6 her if she was here with Mr. Scroggs' testimony and
7 direct her to this -- to his testimony to see if
8 what Mr. Scroggs testified to was an accurate
9 representation of OPC's position from a prior
10 docket.

11 MR. DONALDSON: So --

12 CHAIRMAN BROWN: I mean --

13 MR. DONALDSON: So, the com- -- so, the
14 comment on another witness' testimony on whether or
15 not the other witness' testimony was accurate.

16 CHAIRMAN BROWN: So, I'm a little skeptical at
17 the on- -- at the onset. Now, you haven't asked a
18 single question of this witness yet, but I -- I'm
19 telling you to be -- I'm cautioning you. I'm very
20 skeptical of your use on this document.

21 MR. SAYLER: Yes, ma'am. All right.

22 CHAIRMAN BROWN: Proceed.

23 BY MR. SAYLER:

24 **Q All right. Ms. Keene, I do have a full copy**
25 **of Mr. Jacobs' testimony, if you would like to look at**

1 that. Otherwise, we can just focus on the excerpt.

2 A At this point, I'm not sure whether I do need
3 to --

4 Q Okay.

5 A -- review the entire --

6 Q All right.

7 A -- testimony, but we'll see.

8 Q Sure. And were you here when Mr. Scroggs
9 testified on redirect about OPC's position on FPL's use
10 of EPC contracts?

11 A EPC contracts -- I heard the question.

12 Q All right. And if you will look at Lines 11
13 through 19 of this excerpt, do you recall from the --
14 were you -- did you testify in that 2015 proceeding,
15 ma'am?

16 A Yes.

17 Q All right. Do you recall OPC's position on
18 EPC contracts in 2015?

19 A I do not.

20 Q All right.

21 A That is a project, an operations question.
22 You know, I am the accounting witness.

23 Q All right. All right. And would you take a
24 moment and look at Lines 11 through 19 to refresh your
25 recollection.

1 MR. DONALDSON: Well, I don't know if she's
2 refreshing anything. She says she doesn't know of
3 the testimony. And it's not her testimony. You
4 can't refresh her with someone else's testimony.

5 CHAIRMAN BROWN: Mr. Sayler?

6 MR. SAYLER: Certainly. I'm just trying to
7 find out if, by looking at this, she recalled or --
8 recalled OPC's position on EPC contracts. And if
9 she doesn't, then that's my last question.

10 CHAIRMAN BROWN: Maybe that's the question
11 that you need to ask --

12 MR. SAYLER: Certainly.

13 CHAIRMAN BROWN: -- Mr. Sayler.

14 THE WITNESS: Do you want to ask your
15 question?

16 MR. SAYLER: I'm glad it's close to 7:00.

17 (Laughter.)

18 BY MR. SAYLER:

19 Q Ms. Keene, do you recall Office of Public
20 Counsel's position on FPL's use or not -- non-use of
21 engineering procurement construction contracts in 2015?

22 A No, I do not.

23 MR. SAYLER: All right. Thank you, ma'am.

24 CHAIRMAN BROWN: Did that mean no further
25 questions?

1 MR. SAYLER: No further questions for the
2 Public Counsel on this witness.

3 CHAIRMAN BROWN: All right. Thank you.

4 MS. CHRISTENSEN: Oh, however, we -- we would
5 like to note for the record that, in the previous
6 witness' testimony, I think he had stated OPC's
7 position in prior proceedings and regarding the EPC
8 contract. And we would like to -- an opportunity
9 to clarify the record on what OPC's official
10 position was. And we were going to try to do it
11 through this witness. And I don't know if there is
12 another opportunity or way to do that, but --

13 CHAIRMAN BROWN: Mr. Donaldson?

14 MR. DONALDSON: Yeah, I don't know how you
15 clarify OPC's position with a witness who didn't
16 make the statement. They can certainly clarify
17 whatever positions they want to make in any post-
18 hearing brief. And so, that's the perfect
19 opportunity for them to do that there.

20 MS. CHRISTENSEN: Well --

21 MR. DONALDSON: But it's improper impeachment
22 in the sense of what I -- it seems that they're
23 trying to accomplish.

24 MS. CHRISTENSEN: And our -- and our --

25 CHAIRMAN BROWN: Yes, Ms. Christensen.

1 MS. CHRISTENSEN: I'm sorry. And our -- our
2 problem was that the issue came up on redirect by
3 FPL of their witness on Witness Scroggs.

4 CHAIRMAN BROWN: And you failed to object.

5 MS. CHRISTENSEN: And -- and -- yeah, we did
6 not have the -- did not have the opportunity to
7 object or -- or to clarify that position, so --

8 CHAIRMAN BROWN: And I'm going to just look to
9 counsel quickly, but I think the best approach was
10 Mr. Donaldson's suggestion, which -- which would be
11 to clarify that in the briefs.

12 MR. HETRICK: I'm fine with clarifying it in
13 the briefs.

14 I also have some hearsay concerns about any
15 use of this potential exhibit with regards to --

16 CHAIRMAN BROWN: Oh, we're not using this
17 exhibit.

18 MR. HETRICK: Okay.

19 CHAIRMAN BROWN: This -- this exhibit that we
20 just marked for identification -- 51? No, we're
21 not -- we're not -- we're not entertaining that.

22 MR. HETRICK: So, I think the briefs are an
23 appropriate place --

24 CHAIRMAN BROWN: Okay.

25 MR. HETRICK: -- to clarify that.

1 CHAIRMAN BROWN: Thank you.

2 All right. We're on to Mr. Moyle.

3 MR. MOYLE: All right. I know we're getting
4 close to -- to the hour of cutoff, but --

5 CHAIRMAN BROWN: But we're nimble.

6 MR. MOYLE: Okay. I'll see if I can time it
7 so we're hitting the mark. How's that?

8 CHAIRMAN BROWN: That sounds good.

9 MR. MOYLE: And that previous discussion was
10 not my fight, but -- but if there's --

11 CHAIRMAN BROWN: Please --

12 MR. MOYLE: If there's not --

13 CHAIRMAN BROWN: You know what, that -- and
14 just put a period after that.

15 MR. DONALDSON: Exclamation mark.

16 CHAIRMAN BROWN: Period. Yes.

17 (Laughter.)

18 CROSS EXAMINATION

19 BY MR. MOYLE:

20 Q Good evening.

21 A Good evening, Mr. Moyle.

22 Q I'm going to -- I want to talk to you about
23 kind of the two buckets of money that -- that we're here
24 discussing today, as I understand it. And -- and one
25 bucket relates to '15 and '16. And you're here seeking

1 the Commission's approval of recovery of those costs,
2 correct?

3 A Recovery of '15 and '16?

4 Q Yes, ma'am.

5 A No. I disagree. We are here seeking prudence
6 on '15 -- '15 and '16 actual costs. What we've asked
7 the Commission to do is to approve the final true-up of
8 both '15 and '16 so that we can include the 2018 revenue
9 requirement, which is an over-recovery. We can refund
10 that to customers in the capacity -- cost recovery
11 clause factor in 2018.

12 Q Well, don't you testify to the fact on Page 3
13 of your March 1 test- -- testimony, on Line 17, where
14 you were asked to please summarize your testimony and
15 you say, FPL's request -- I quote, "FPL is requesting
16 the Commission approve FPL's" --

17 A Excuse me.

18 Q -- "2015 project costs"?

19 A Excuse me. Which testimony are we in? I just
20 want to be clear.

21 Q Yes, ma'am. March 1.

22 A Okay. Let me get there.

23 CHAIRMAN BROWN: March 1, Page 3?

24 MR. MOYLE: Yes, ma'am, Page 3, Line 17.

25 CHAIRMAN BROWN: Thank you.

1 THE WITNESS: I'm there, Mr. Moyle.

2 BY MR. MOYLE:

3 Q Okay. So -- so, when you say FPL is
4 requesting that the Commission approve FPL's 2015
5 project costs, on Line 17, is that -- is that wrong?

6 A We are asking for approval of our project
7 costs, yes.

8 Q For 2015.

9 A Yes.

10 Q All right. And same question with respect to
11 2016. You're also requesting that the Commission
12 approve FPL's 2016 project costs, correct?

13 A Correct.

14 Q And I think we established through Mr. Scroggs
15 that that's approximately \$40 million, correct?

16 A I think what you're referring to is that the
17 revenue requirements, the total actual costs for 2015,
18 was approximately \$24 million; and for 2016, it was
19 approximately 23 million.

20 And it would probably be best if we look at
21 JGK-3 to -- to make sure that we're -- we understand
22 those costs and what we're -- we're asking for here.

23 Q Okay. Well, whatever you need to satisfy
24 yourself with respect to answering the question, what's
25 the total dollar amount that you're seeking for 2015 and

1 2016 -- if it's 47, the 24 and the 23, that's fine.

2 A I -- I think it would be best if we do look at
3 JGK-3. We're -- we're not asking -- we're not seeking
4 recovery for those amounts. Okay.

5 Q So, here -- here -- here is what I don't
6 understand: Is this, like, a two-step process? You're
7 saying, you know, we'll -- we're just seeking prudence
8 today. We're really not seeking recovery because, if we
9 were seeking recovery, we would have to file a
10 feasibility study.

11 I mean, is this all -- is this your argument
12 about somehow avoiding the requirement to file -- file a
13 feasibility study?

14 A No. First of all, we have already recovered
15 2015 revenue requirements. That's No. 1.

16 Q Right.

17 A No. 2, we have already recovered the
18 projections for 2016.

19 Q All right. And that was pursuant to a
20 stipulation, was it not, with -- with parties who said,
21 we'll defer our discussion and fight about whether we
22 dispute any of these costs until a later proceeding;
23 that they -- the parties agreed to allow you to recover
24 those monies subject to refund?

25 A I -- I just don't agree at all with your --

1 your characterization of this, Mr. Moyle.

2 We -- we have actual costs for 2015 that we're
3 asking prudence -- a prudence review on. We've got 2016
4 costs that we're asking a prudence review from the
5 Commission. We've also got a final true-up of the 2015
6 costs and -- and the final true-up of 2016 costs that
7 we're asking or seeking approval for to return to
8 customers in the 2018 capacity cost recovery charge.

9 **Q Has the Commission -- has this Commission ever**
10 **said your -- your costs that you're seeking for 2015 and**
11 **2016 are reasonable and prudent before -- I mean, they**
12 **haven't said that anywhere, have they?**

13 **A** They did not say prudent, no, but we have
14 got -- received a reasonable determination on those
15 numbers. Would you agree?

16 **Q I -- I get to ask the questions.**

17 **(Laughter.)**

18 **CHAIRMAN BROWN: But nice -- nicely done.**

19 **BY MR. MOYLE:**

20 **Q But you -- with respect to your testimony that**
21 **you're in asking the Commission to -- to find prudence**
22 **with respect to your '15 and '16 numbers, isn't prudence**
23 **something that's necessary to have in order to be able**
24 **to recover money? I mean, you can't recover things that**
25 **are imprudent.**

1 A Prudence gives support to recovering, yes.

2 **Q Isn't it an essential element of recovery? I**
3 **mean, you -- in order for this -- for you to recover**
4 **money from ratepayers, doesn't the Commission, as a**
5 **condition precedent, have to find that the requested**
6 **recovery is prudent?**

7 A Not necessarily prudent, reasonableness.

8 **Q What's difference between a reasonableness**
9 **standard and a prudence standard?**

10 A Well, with a reasonableness standard, for
11 instance, when we -- we receive a reasonableness
12 determination on our actual estimated or projected cost.
13 That decision is based on information that's available
14 at that point in time, which may not be final. It's an
15 estimate. And the decision is based on saying, well,
16 you know, this is reasonable, based on the information
17 that's provided at that point in time.

18 On the other hand, prudence is we're -- we're
19 looking back and we're saying, yes, those costs or --
20 that were -- that have been incurred have been verified,
21 have been audited. There is comfort. There is
22 confirmation that there's -- that these costs are valid
23 and, therefore, have been incurred prudently by
24 management. The decisions and the judgment has been
25 prudent, and the costs are prudent.

1 Q Would you agree that prudence is a legal
2 standard?

3 A Yes.

4 Q And -- and same question with respect to
5 reasonableness; that that also is a legal standard?

6 A Yes, as defined under the -- under this
7 particular statute. I don't know about any other, but
8 certainly under these rules and regulations of the
9 Nuclear Cost Recovery process, yes.

10 Q Okay. And you have professional training as
11 an accountant, not as a lawyer, correct?

12 A Correct.

13 Q Okay. So, your explanation with respect to
14 reasonableness and prudence -- to shift to what I'll
15 call the second bucket of -- of money -- that's '17 and
16 '18 and '19 and '20 and -- we don't know how long that
17 is.

18 You're here today asking this Commission to
19 make a reasonableness determination with respect to your
20 plan to keep pressing on and getting the COL and -- and
21 then you're going to take a pause and wait and see what
22 happens, but you want the Commission to say, that's a
23 reasonable plan. Is that -- is that right?

24 A As -- as Witness Scroggs described and
25 presented to the Commission earlier today, yes, we're

1 looking for the -- the Commission's blessing or that
2 the -- the company's decision to complete the licensing
3 activities is reasonable.

4 **Q But -- but you really haven't given them much**
5 **in the way of what those costs might -- might be,**
6 **correct?**

7 A I -- I disagree. Witness Scroggs has
8 described in his testimony that in 2017 -- and let me
9 just be clear. We are dealing with the second bucket,
10 as you described.

11 **Q Okay.**

12 A Okay. So, with '17, the -- Mr. Scroggs has
13 described giving a rough estimate of what the costs
14 would be that would be deferred as it would --
15 applicable to 2017.

16 **Q What's that number?**

17 A I believe that number was 25 that --
18 million -- that Mr. Scroggs shared with you earlier
19 today.

20 A Okay.

21 **Q How about '18?**

22 A '18, 10 to 15 million.

23 **Q And then for every year that -- that goes on**
24 **past that, 10 to 15?**

25 A 10 to 15, yes, that's what Mr. Scroggs

1 described.

2 Q Okay. And with respect to how long this will
3 go, we've heard everything from four years to ten years
4 to maybe even longer. Would you agree with that?

5 A There is no specific time limitation in either
6 the statute or the rule, is my understanding.

7 However, regardless, it is not FPL's intent to
8 defer indefinitely. We have -- Mr. Scroggs has
9 mentioned coming back in in 2021. So, you know, this is
10 not an undefined, wide-open period of pause, as you, you
11 know --

12 Q Well, there's nothing I saw in any testimony
13 where somebody said, we're going to be back in front of
14 you in this year and -- and -- and we will tell you
15 whether we're making a go or no-go decision, correct?

16 A That's -- that's a possibility. 2021 is a
17 possibility.

18 Q Right. Right, but -- but no one is
19 representing when you'll come in. It could -- it's a
20 possibility. It could be 2022, '23. There's no
21 certainty with respect to when you might come in,
22 correct?

23 A No. There is no specific recovery period that
24 has been defined at this point in time. The -- in fact,
25 the recovery period was going to be the subject of the

1 proceedings when we come back in.

2 Q In that proceeding -- what's that proceeding
3 going to look like? It's going to be --

4 A It's going to be --

5 Q -- the Commission -- let me -- let me see if I
6 can lead you and -- and get you there, but it's --
7 you're going to say, the Commission, in 2017, assuming
8 that the Commission acted favorably on the request --
9 they looked at this and made a determination that this
10 will reasonable. And so, you have that as a step one, a
11 reasonableness determination.

12 But now, it's 2025, and we have all these
13 invoices and bills and spreadsheets and everything that
14 we want to -- we want to put forward, and it's a hundred
15 million dollars. And the case is limited to looking at
16 whether those expenditures were -- you know, they
17 weren't inflated or lawyers getting paid \$3,000 an hour
18 as compared to \$300 an hour, that kind of thing; is
19 that -- is that right?

20 MR. DONALDSON: So, can I --

21 A You're asking me to speculate --

22 MR. DONALDSON: Can -- can I just object to
23 the 2025 reference? Is that the hypothetical
24 aspect of your question?

25 MR. MOYLE: Yes.

1 CHAIRMAN BROWN: Mr. Moyle?

2 MR. MOYLE: Yes.

3 MR. DONALDSON: Okay. Thank you.

4 CHAIRMAN BROWN: All right. You may proceed.

5 THE WITNESS: You're asking me to speculate
6 about a period of time. The company has clearly
7 said that this is not an indefinite period of time.
8 More importantly, from my end, on the accounting
9 end, we're going to continue to account for these
10 costs in the very same manner that we have all
11 along.

12 When we come back in for -- for review and
13 prudence review and a thorough examination of those
14 costs, I wouldn't -- I would imagine that those
15 costs will also be audited by the Commission staff.

16 That process still is in place. We continue
17 to operate underneath the Nuclear Cost Recovery
18 process.

19 BY MR. MOYLE:

20 Q Okay. Is there anything that would prevent
21 FPL from staying out and accruing costs for 19 years?

22 A I'm not aware of that. And I certainly can't
23 speculate as to that at this -- at this point in time.

24 Q Well, the testimony the company has offered is
25 not certain. I mean, it requires some level of

1 speculation to poke and prod and see what potential
2 costs to ratepayers are. So, that's why I'm asking --
3 asking you these questions.

4 A Mr. Scroggs has -- has put forth a possible
5 scenario.

6 MR. MOYLE: I do have some more --

7 CHAIRMAN BROWN: Okay. Well, you know, it's
8 about 7:05. So, we will recess for the evening and
9 take this witness back up first thing in the
10 morning.

11 We will start tomorrow at 9:00 a.m. -- not
12 9:30. 9:00 a.m. Everybody good with that?

13 MR. MOYLE: Yes.

14 CHAIRMAN BROWN: All right. Well, I hope you
15 all have a wonderful evening tonight and get some
16 rest. And we'll see you back at 9:00 a.m. in this
17 room.

18 Thank you. We're in recess.

19 (Transcript continues in sequence in Volume
20 3.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, ANDREA KOMARIDIS, Court Reporter, do hereby
certify that the foregoing proceeding was heard at the
time and place herein stated.

IT IS FURTHER CERTIFIED that I
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I FURTHER CERTIFY that I am not a relative,
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DATED THIS 23rd day of August, 2017.



ANDREA KOMARIDIS
NOTARY PUBLIC
COMMISSION #GG060963
EXPIRES February 9, 2021