

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20170009-EI

NUCLEAR COST RECOVERY CLAUSE.
_____ /

VOLUME 3

(Pages 359 to 481)

PROCEEDINGS: HEARING

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

DATE: Wednesday, August 16, 2017

TIME: Commenced at 9:00 a.m.
Concluded at 11:28 a.m.

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

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

APPEARANCES: (As heretofore noted.)

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P R O C E E D I N G S

1
2 **CHAIRMAN BROWN:** Good morning, everyone, and
3 welcome back. We are back on the record in this year's
4 Nuclear Cost Recovery Clause. Today is August 16th, and
5 the time is 9:00 o'clock.

6 Last night we stopped at Ms. Jennifer
7 Grant-Keene, with FIPUG cross-examining her at that
8 time. But I believe we have a brief preliminary matter
9 to address.

10 **MS. CANO:** Good morning, yes. Thank you,
11 Madam Chair. And good morning, Commissioners.

12 There was some discussion yesterday and we
13 heard some concerns from the bench as well regarding the
14 potential duration of the deferral being considered
15 here. And in light of those discussions, the company
16 would like to make a procedural offer of sorts and
17 commit to return within five years of an order in this
18 docket to present to the Commission the costs incurred
19 to allow those costs to be reviewed for prudence and
20 consider what the path forward may be.

21 That filing could take a number of forms. You
22 know, if we come back seeking to initiate
23 preconstruction work or seeking to recover costs, that
24 would be accompanied by a feasibility analysis, or it
25 could be something different. But we are willing to

1 commit to return within five years and allow a prudence
2 review of the costs incurred at that time.

3 **CHAIRMAN BROWN:** Okay. Thank you. But my
4 understanding is procedurally how would you like to
5 effectuate this at this juncture?

6 **MS. CANO:** At this point it's a company
7 position. It's the same as being stated in the
8 petition. It's not an evidentiary matter. It's not a
9 conclusion of law. No testimony would need to be
10 changed.

11 **CHAIRMAN BROWN:** Okay. Do any of the parties
12 have any comments? Staff? Mr. Moyle?

13 **MR. MOYLE:** I think it's a little unusual in
14 that, you know, you have record evidence of people
15 saying it could be five, could be ten, could be 20. And
16 this is kind of a lawyer saying, "Hey, it's really,
17 really not." I mean, it sounds like it's an offer, a
18 statement. I don't -- you know, so I guess they said
19 it's not an evidentiary matter, but I think the record
20 is what the record is with respect to, you know, the
21 facts that are before you. So I don't see how a lawyer,
22 a lawyer can come in and say something and change the
23 facts.

24 **CHAIRMAN BROWN:** Public Counsel?

25 **MS. CHRISTENSEN:** While we appreciate the idea

1 that they commit to come in at least in five years, you
2 know, we also share the concerns that Mr. Moyle said.
3 The record is clear that from FPL's perspective it could
4 be anywhere from four years to ten years or possibly
5 even longer. I mean, that's the reality of it. And,
6 you know, our concerns are regarding the AFUDC and the
7 interest rates they're going to collect during all these
8 times. So, you know, it's not just reporting and saying
9 we know what we're going to do, it's the fact that they
10 can continue to collect money over those times, so --

11 **CHAIRMAN BROWN:** Yes, I understand that.

12 Thank you.

13 SACE, any comment?

14 **MR. CAVROS:** No comment. I think we would
15 just echo the concerns of OPC.

16 **CHAIRMAN BROWN:** Staff?

17 **MR. HETRICK:** Madam Chair, this is the first
18 we've heard of this. Could we just have two or three
19 minutes to discuss it, because we wanted to listen to
20 what the parties had to say about this?

21 **CHAIRMAN BROWN:** Why don't we take this up
22 after the cross-examination of this witness.

23 **MR. HETRICK:** Okay. Fair enough.

24 **CHAIRMAN BROWN:** Okay? So if there are no
25 other preliminary matters to discuss at this juncture,

1 Mr. Moyle, we're going to proceed with the cross on this
2 witness starting with you -- finishing with you. Thank
3 you. That means, Mr. Moyle, you have the floor.

4 **MR. MOYLE:** And I'm thinking whether I want to
5 touch this issue that was just announced with this
6 witness or not.

7 **CHAIRMAN BROWN:** Would you like to take a
8 five-minute break?

9 **MR. MOYLE:** If you don't mind, that would,
10 that would help.

11 **CHAIRMAN BROWN:** Okay. We will take --

12 **MR. MOYLE:** I don't know if we need that. I
13 might talk with my co-counsel real quick.

14 **CHAIRMAN BROWN:** Sure, no problem. We will
15 take a five-minute break, and we are in recess until
16 9:08. Thank you.

17 (Recess taken.)

18 **CHAIRMAN BROWN:** Okay. We are going back on
19 the record now.

20 Mr. Moyle.

21 **MR. MOYLE:** Thank you.

22 **CONTINUED EXAMINATION**

23 **BY MR. MOYLE:**

24 **Q** We had some discussions yesterday about the
25 period of time by which costs would continue to be

1 incurred and accrued. We talked about two buckets: the
2 '15/'16 bucket and then the '17 and beyond bucket. I
3 want to spend a little time about the '17 and beyond
4 bucket. And just to refresh, those are costs that will
5 be incurred but you're presently not asking the
6 Commission to authorize recovery for; correct?

7 **A** Correct.

8 **Q** Okay. And I had asked you questions
9 yesterday, I said, "Well, there's no timeframe on, on
10 this in terms of how long these costs would accrue and
11 go on. The pause has not been identified;" correct?

12 **A** Witness Scroggs has pointed to the fact that
13 we're, we're thinking about coming back in in 2021 and
14 he's outlined some costs. He's -- you know, some rough
15 estimates of what he thought the costs would be over,
16 you know, in 2017 and then moving forward for a few
17 years.

18 **MR. DONALDSON:** Madam Chair, may I just
19 interject for a quick second? I believe we just
20 preliminarily did this in -- earlier about this is a
21 unilateral stipulation on the part of FPL as far as when
22 we're coming back in. And so we have now defined the
23 timeframe of when we would be coming back in before this
24 Commission to present particular results of any cost
25 recovery or preconstruction work or different formats of

1 how we would come back in. So we've just defined the
2 timeframe, that it's going to be within five years that
3 we would come back in. So it's not an extended period
4 of time anymore. That's a unilateral company
5 stipulation we just made.

6 **CHAIRMAN BROWN:** Got it.

7 Mr. Moyle?

8 **MR. MOYLE:** If we're going to start doing
9 unilateral stipulations, I have a whole list that I
10 would like to stipulate to, including no recovery for
11 monies for which feasibility is not -- I mean, I don't
12 know how you, how you do it and that's why, in part, I'm
13 asking the questions. Because Mr. Donaldson
14 respectfully, you know, he's counsel, and so, you know,
15 I don't think you can do it this way. I'm going to ask
16 the witness some questions. If her testimony changes,
17 it changes, but I think I have a right to explore the
18 issue.

19 **CHAIRMAN BROWN:** I would agree with you,
20 Mr. Moyle, on that point.

21 Legal.

22 **MR. HETRICK:** Madam Chair, we, we agree with
23 Mr. Moyle on this point. Counsel is free to go forward
24 and ask questions, I think.

25 And as far as a unilateral stipulation, you

1 take that under advisement as you will and factor that
2 in or not factor it in. That's not the record in this
3 case. The record comes from the testimony of the
4 witness, so.

5 **CHAIRMAN BROWN:** Thank you, Mr. Hetrick. We
6 do see eye to eye on that issue.

7 All right. Mr. Moyle, you may proceed with
8 your questions.

9 **BY MR. MOYLE:**

10 **Q** Okay. So I was asking you about, about
11 timing, and I think yesterday we talked and you said it
12 was not particularly clear, it could be 2021, it could
13 be longer, that there was no certainty with respect to
14 timing as to when FPL would come in; correct?

15 **A** I do believe I mentioned 2021. I also recall
16 mentioning that there is no specific time limitation in
17 either the statute or the rule. But, yes, I did mention
18 a possible 2021 returning to the Commission.

19 **Q** And didn't you also mention it could be longer
20 than that?

21 **A** It was possible. But I'm quite sure that I
22 didn't put -- or assign any number of years to that.

23 **Q** Okay. And that's because there is no number
24 of years; correct?

25 **A** As I mentioned yesterday --

1 **Q** If you could answer yes or no and then
2 explain, please.

3 **A** Could you repeat your question?

4 **Q** Yes. The reason you didn't put a fixed
5 timeframe on it is because there is no fixed timeframe
6 on when FPL will be coming back in asking for recovery;
7 correct?

8 **A** No.

9 **Q** Why is that not correct?

10 **A** Because we have, just this morning, outlined
11 the possibility of not -- of coming back the latest in
12 five years. And I have already mentioned the fact that
13 I -- 2021 was the year that Witness Scroggs also
14 indicated was a possibility to come back.

15 **Q** So are you changing your testimony to now say
16 FPL definitely is coming back within five years?

17 **A** No, it's not definite. No.

18 **Q** In your prior answer you said it's a
19 possibility; correct?

20 **A** Yes, sir.

21 **Q** Okay. And so is it your understanding that,
22 that FPL is simply stating that, that it's representing
23 that it is a possibility that it will come back in five
24 years?

25 **A** Yes, the latest, five years.

1 **Q** So given that it's a possibility, it's also a
2 possibility that it may not.

3 **A** Correct.

4 **Q** Okay. And the company made a representation
5 that it would file a feasibility study this year as
6 well; correct? Didn't they represent that last year in
7 last year's proceeding?

8 **A** I'm not clear on that. I'm trying to recall.
9 In 2016 we did not file a feasibility analysis. I do
10 believe that it was a consideration to come back. I
11 don't know if it was affirmed -- a firm statement that
12 we would be filing a feasibility analysis this year.

13 **Q** Okay. You don't have a recollection about a
14 representation made that a feasibility study would be
15 filed this year made by FPL?

16 **A** I don't recall a firm representation.

17 **Q** Maybe it was kind of like the possibility that
18 it would be filed?

19 **A** As I said, I just don't recall a firm, firm
20 statement that a feasibility analysis would be filed.

21 **Q** Okay. But we've had repeated testimony none
22 was filed; correct?

23 **A** Yes.

24 **Q** Okay. Let me take you to your testimony.
25 This is May 1, your May 1 testimony. And this is a

1 little slightly different issue from a timing
2 standpoint, but on, on page 5, line 7, you're asked:
3 "When does FPL anticipate" --

4 **A** One minute, please.

5 I'm there.

6 **Q** Okay. So the question is: "When does FPL
7 anticipate it will seek Commission review and recovery
8 of the costs incurred beginning in 2017?"

9 And I read your answer to say that you'll seek
10 review and recovery when FPL makes a decision regarding
11 initiation of preconstruction work; right?

12 **A** Yes, that was my understanding.

13 **Q** Okay. And when will FPL make a decision with
14 respect to initiation of preconstruction work?

15 **A** I can't give you an exact date.

16 **Q** So can you give me a range between, you know,
17 X and Y?

18 **A** 2022 is a possibility.

19 **Q** But there's no -- I mean, this is a project
20 that's out there. There's no, you know, we have to make
21 a decision by 2030 or there's nothing like that; is that
22 correct?

23 **A** That is actually a project decision. So based
24 on whatever project decision is made, I, therefore,
25 account for the costs. So I can't speak to, to a

1 project decision.

2 Q Okay. But you have testimony about, about
3 when it may come back in and it's regarding the
4 initiation of the preconstruction work. And I guess
5 your testimony is you do the accounting, but the
6 preconstruction work decision is, is -- that's a
7 decision made by others?

8 A Yes.

9 Q Okay. You know, would that be made by the
10 senior management, would Mr. Scroggs make that decision,
11 would that be a board decision?

12 A Senior management and certainly with
13 Mr. Scroggs' input.

14 Q Do you have knowledge as to whether the board
15 of directors would make a decision with respect to
16 moving forward with a multi-billion dollar investment?

17 A No.

18 Q Okay. Page 3 of that same set of testimony,
19 this is line 21. I will refer this to you as a
20 courtesy. I don't think I really need it to ask you the
21 question, but, but the sunk costs to date that FPL spent
22 on this project is, is 308 million?

23 A Yes.

24 Q No, that's not right. That's sunk costs as of
25 December 31, 2016?

1 **A** As of the end of 2016, yes.

2 **Q** Okay. But you've spent some money in 2017 as
3 well; right?

4 **A** Correct.

5 **Q** Okay. So that number would be higher
6 incrementally?

7 **A** Yes.

8 **Q** What do you think it is as we sit here today,
9 just ballpark?

10 **A** 315 million.

11 **Q** Okay. All right. And the customers have paid
12 315 million related to Turkey Point 6 and 7 to date;
13 correct?

14 **A** No, I disagree with your characterization.
15 Sunk costs are costs that have been spent. They're not
16 reversible. You're suggesting that we recovered
17 308 million, and that's not the case.

18 **Q** Is that because some of it is still being
19 recovered or why is that?

20 **A** Because this is the total amount that's spent,
21 not necessarily recovered.

22 **Q** Okay. Is it the plan of FPL to recover this
23 from customers, assuming --

24 **A** No.

25 **Q** I'm sorry?

1 **A** No.

2 **Q** Okay. So what are you not going to recover
3 from customers?

4 **A** We've recovered about 281 million as of the
5 end of 2016.

6 **Q** Okay. And so with respect to the difference
7 between either 281 million and the 308 or the 315, are
8 those monies that you're going to seek recovery for at
9 some point in the future, or are those monies that
10 you're going to say, "You know what? The customers have
11 paid enough. The shareholders are going to assume these
12 costs"? What's going to happen to that, that delta
13 between the 281 that you've recovered and the 308 that's
14 in your testimony or the 315 that you just updated?

15 **A** Those costs will not be recovered under the
16 nuclear cost recovery process.

17 **Q** Will they be recovered in some other way?

18 **A** Yes.

19 **Q** And how is that?

20 **A** Possibly through base rates.

21 **Q** Okay. And, and what benefits have customers
22 received to date from the expenditure of the
23 \$281 million and the planned expenditure of the, of the
24 308, 315?

25 **MR. DONALDSON:** Let me object. I don't see

1 where that's actually part of this witness's testimony.
2 She's an accounting witness, and it sounds like this is
3 a project question.

4 **CHAIRMAN BROWN:** Mr. Moyle?

5 **MR. MOYLE:** I would think if she answered --
6 has information and can answer it, she can. If she
7 says, "I'm an accountant and I don't have any idea what
8 the benefits are," then she can say that. But I think
9 it's okay to ask her the question.

10 **CHAIRMAN BROWN:** I mean, it is along the same
11 lines of questions that you've been asking that she's
12 been able to answer, so I'll allow the question.

13 **MR. MOYLE:** Thank you.

14 **CHAIRMAN BROWN:** Go ahead.

15 **THE WITNESS:** Could you repeat the question,
16 please?

17 **BY MR. MOYLE:**

18 **Q** Sure. What benefits, if any, have customers
19 received to date as a result of the \$281 million spent
20 and the 315 million in sunk costs?

21 Well, let me strike that. Let me ask it with
22 respect to the 281. What, what benefits have customers
23 received to date as a result of the \$281 million that
24 you've recovered as it relates to the Turkey Point
25 6 and 7 nuclear project?

1 **A** I believe that Witness Scroggs addressed this
2 question yesterday, and his description of the optional
3 value of moving forward with the project at an
4 appropriate point in time, it's in essence a future
5 optional value. I believe Mr. Scroggs adequately
6 addressed that question yesterday, and that is my
7 understanding.

8 **Q** Okay. In accounting you -- sometimes there
9 will be options to purchase real estate; correct?

10 **A** Yes. In any different businesses, yes, maybe.

11 **Q** You're familiar with, with options to do
12 certain things; right?

13 **A** Not necessarily. That's a really open-ended
14 question.

15 **Q** Okay. Well, I was going to ask you from an
16 accounting standpoint how you book options. If FPL has
17 an option to, you know, to buy a thousand acres in
18 Okeechobee County for, for a solar facility and they pay
19 money for that, I mean, how do you -- do you try to
20 value that option or how do you account for an option
21 from an accounting standpoint?

22 **A** I -- there are no options within the nuclear
23 cost recovery process. So I'm not going to suggest how
24 we would account for that. It could be future -- land
25 held for future -- options held for future and an

1 intangible. I am not an expert in that area.

2 Q Okay. And I was not trying to limit my
3 question to the nuclear cost recovery. I was asking
4 generally if you have any information with respect to
5 your profession as an accountant how you book or account
6 for options that may be had by a company that
7 potentially could be of benefit, whether you try to
8 value it, whether you show it in the accounting books,
9 whether you say, "It's beyond accounting. We don't have
10 to do anything about it." That was what I was trying to
11 understand.

12 A I understand, but that is outside of my
13 expertise with regards to the nuclear cost recovery
14 process.

15 Q Okay. So you don't have any information with
16 respect to options, not with respect to the nuclear cost
17 recovery but with respect to how those are accounted for
18 in general; correct?

19 A Correct.

20 Q The company is asking that it be able to go
21 forward and receive a COL license. You're aware of
22 that; correct?

23 A Yes.

24 Q Okay. Assume that, that that happens, whether
25 the Commission says you have to or, you know, or not,

1 how would you, as the accountant, assume responsibility
2 for the nuclear cost recovery matters? How would you
3 book the license or account for the license? Would you
4 ascribe any value to it?

5 **A** No. We continue to book the project cost in
6 the very same manner we have done since the
7 determination of need. The project costs are
8 capitalized in CWIP and accrue AFUDC.

9 **Q** But from an accounting standpoint, if you all
10 the sudden have an asset, I would assume that that asset
11 would then have to be accounted for in the books and
12 records. Is that wrong?

13 **A** And I just stated how we would account for
14 those project costs.

15 **Q** So tell me how you're going to account for the
16 COL license, assuming you obtain it?

17 **A** No differently from we have all our project
18 costs since the beginning of the, of the project. We
19 would be debiting or recording and tracking those costs
20 in CWIP account, Account 107, FERC Account 107. There's
21 nothing different here than how we tracked our costs
22 last year versus this year versus the following year.

23 **Q** I don't think I'm doing a good job of asking
24 my questions. Let me ask it this way: Assume that you
25 get a license. Assume that FPL says, "We want to have

1 this license valued," and they undertake to have an
2 appraiser value it, and the appraiser says, "It's worth
3 a million dollars." Will that million dollars get
4 recorded anywhere in the books and records related to
5 this project?

6 **A** No. We record the cost at book value at the
7 cost -- at that point in time. That's what's recorded
8 in CWIP, as we've always done. Those costs are
9 capitalized as incurred.

10 **Q** Okay. So if I asked you the question, do you
11 have any anticipation of the value of the COL license if
12 it's obtained? I assume you would say, no, you have no
13 idea of what value, if any, that would have.

14 **A** You're correct.

15 **Q** Okay. Page 2, and, again, I don't, I don't
16 know that we need your testimony to -- for this line of
17 questions, but I'll reference you to Page 2, line 14.
18 You said that with respect to the '17/'18 costs that
19 you're seeking approval to defer the costs for further
20 review and future recovery through the clause; right?

21 **A** Yes.

22 **Q** Okay. And you were asked some questions
23 yesterday. I think one question that I asked
24 Mr. Scroggs got punted to you and somebody said that you
25 would be the best person to answer it. So let me, let

1 me take a stab at it.

2 Mr. Scroggs, I think, said there was
3 \$24 million in costs in 2017, 18 million plus 6 million
4 in carrying costs. Is that your understanding roughly?

5 **A** In the scenario that Mr. Scroggs referred to,
6 I believe the number that he used was it 25 actually,
7 not 24. I stand corrected, of course. But 25 million
8 in 20 -- costs will be incurred in, in 20, in 20 --
9 sorry -- in 2017, yes, 25 million will be the cost.
10 That would include carrying costs as well as project
11 costs spent.

12 **Q** Okay. And my notes had 18 and 6. But is it,
13 is it roughly true that the carrying costs are
14 approximately one quarter of the overall cost?

15 **A** No, not necessarily.

16 **Q** How much are the carrying costs approximately
17 in terms of percent?

18 **A** I don't have that in front of me. I never
19 thought about it in that, in that manner, in terms of a
20 percent. But I can tell you a reasonable, a reasonable
21 estimate is that it's half of whatever the total cost
22 for the, for the year would be.

23 **Q** Okay. So hypothetically if the costs were,
24 were \$15 million a year, half of that would be carrying
25 costs?

1 **A** Perhaps in the first year, yes.

2 **Q** And, and then -- when you said, "Perhaps in
3 the first year," that suggests it may change going
4 forward; is that right?

5 **A** Well, my understanding is that the cost will
6 be reduced over a period of time. So it really depends
7 on how much is spent and certainly when we come back in
8 to the Commission. So if you're isolating one year, I'm
9 going to need more information.

10 **Q** Okay. Well, let's isolate one year just for a
11 few questions and then maybe we can move on.

12 So isolated for one year, you said it's half.
13 If you assume it's a \$25 million cost, 12.5 is for
14 carrying costs and 12.5 is for other matters; correct?

15 **A** Over a period of time, yes.

16 **Q** Okay. And you were asked a question yesterday
17 by OPC about how much of that is profit and, you know,
18 for, for the company, and I think you said, "Well, we
19 don't" -- you were not comfortable answering that
20 because you said capital costs, both debt and equity,
21 are part of it, and you would rather address it in terms
22 of equity. So I'm going to ask you the question how
23 much of the 50 percent is equity, equity return?

24 **A** For what year?

25 **Q** For the one year we're talking about

1 hypothetically.

2 **A** Which year would that be?

3 **Q** 2018.

4 **A** 2018? I don't have that number on my
5 fingertips.

6 **Q** Can you ballpark it, just give us an idea, a
7 rough idea?

8 **A** No, I can't.

9 **Q** So you can tell us that half of it is carrying
10 costs and half of it is not, but then you can't make a,
11 a breakdown further with respect to how the carrying
12 costs are made up, how much is debt and how much is
13 equity, what else might be in the carrying costs?

14 **A** It depends on the amount that's spent. It
15 depends on the project costs for that year. I don't
16 have enough information to answer the question.

17 **Q** Well, I asked you to assume 25 million was
18 spent. What other information do you need?

19 **A** You're asking me if 25 million was spent. I
20 don't believe that that's what Mr. Scroggs referenced
21 yesterday.

22 **Q** Okay. Well, just assume hypothetically that
23 it's 25 million, unless you want to go with the 24
24 million that my notes suggest. I mean, I'm just trying
25 to understand not the factual details. I'm

1 understanding -- I'm trying to understand the ratios, if
2 you will.

3 So hypothetically \$25 million spent, I think
4 we've already established half is carrying cost and half
5 is hard cost. And my question I'm asking is of the half
6 for carrying costs, how much is equity and how much is
7 debt?

8 **A** I don't have that breakdown. That's -- we
9 have an AFUDC rate. It has a debt component and it has
10 an equity component, and I don't have the ratio that
11 you're -- you need to break out that number.

12 **Q** Okay. What's in carrying costs? Tell me all
13 the things that are in carrying costs.

14 **A** Could you clarify your question?

15 **Q** What are the components of carrying costs?
16 When you use the term "carrying costs," tell me what
17 they are.

18 **A** There's a debt component and an equity
19 component.

20 **Q** Anything else?

21 **A** No.

22 **Q** Okay. Is, is the equity component more, more
23 or less than the debt component?

24 **A** It's more.

25 **Q** So more would be more than 50 percent?

1 **A** More than 15 (sic) of what?

2 **Q** More than 50 percent. I mean, if we're asking
3 about two things and you say this is more than this, my
4 right hand would be over -- it would be more than 50
5 percent; right?

6 **A** Okay. You're asking 50 percent. I'm sorry.
7 I didn't hear that.

8 **Q** That's all right.

9 **A** Yes.

10 **Q** Okay. So rough math -- we don't know how much
11 more, but we know out of the carrying cost of
12 12.5 million, at least half of that would be equity or
13 profit; correct?

14 **A** Half of it is -- would be a return on -- or a
15 cost associated with equity.

16 **Q** Okay. And do you know what that presently
17 is, what that rate is?

18 **A** The AFUDC rate is 6 -- about 6.2.

19 **Q** So Mr. Cavros yesterday took out his credit
20 card and said, "All these costs that are, that are going
21 to be accrued, we're going to be paying interest on it."
22 What would be the all-in interest that would be paid on
23 the nuclear costs that are accruing? Would it be the
24 6.2 percent you just said or would it be a different
25 number. To stick with his analogy of a credit card,

1 what's the interest rate on the nuclear credit card?

2 **A** I don't, I really don't agree with your, your
3 analogy or your description, your characterization.
4 What I can say is that the AFUDC rate, which is
5 comprised of a debt component and equity component is,
6 in 2017 is about 6.2 percent. This is a, this is a rate
7 that is based on the FPSC approved adjusted capital
8 structure of the company as of the December ESR each
9 year. This is an approved rate.

10 **Q** Okay. And this, this compounds; right? I
11 think you said yesterday that the carrying costs
12 compound; is that right?

13 **A** Yes. There's a compound element to AFUDC,
14 yes.

15 **Q** And what exactly does that mean?

16 **A** Well, you earn on, you earn on whatever you --
17 you earn on the, the carrying costs that have already
18 been incurred.

19 **Q** So hypothetically if the costs were
20 \$10 million and it was a 6.2 percent carrying cost, that
21 would be \$10.6 million after, after one year, and then
22 the second year you would earn the AFUDC rate on
23 10.6 million, not 10 million; right?

24 **A** The methodology isn't quite the way you have
25 described it, and the methodology is specifically

1 identified or -- per rule. But, yes, the point here is
2 that you compound on whatever you have earned before.

3 Q Okay. Are you aware that the, that the
4 nuclear cost recovery statute was put in place in effect
5 to allow advanced recovery so that, that interest
6 wouldn't, wouldn't accrue on nuclear spends, that it
7 would be paid off as they go so you wouldn't have
8 carrying costs?

9 A No, and I don't agree with your
10 characterization of advanced recovery. There's no
11 advanced recovery under the rule and statute. There's
12 contemporaneous recovery, but it's certainly not
13 advanced recovery.

14 Q Well, that depends on what advanced is
15 referring to; correct?

16 A I'm sorry. I don't understand your, your
17 comment.

18 Q If advanced is referring to the completed
19 construction of a power plant that can produce
20 electricity that's used and useful by customers and
21 customers are paying for it before the power plant is
22 completed, that's one version of advanced -- correct? --
23 or --

24 A Not under the nuclear cost, not under the
25 nuclear cost recovery process.

1 **Q** Okay. And you're familiar with the nuclear
2 cost recovery rule and statute?

3 **A** Yes.

4 **Q** Okay. Let me, let me refer you to your
5 testimony. This is March 1 testimony on page 4. Tell
6 me when you're there.

7 **A** I'm there.

8 **Q** So on line 16 you're asked a question about
9 the rule and filing requirements, and you cite the
10 nuclear cost recovery rule 25-6.0423(6)(c); correct?

11 **A** Yes.

12 **Q** And you quote certain portions of that rule,
13 do you not?

14 **A** Yes.

15 **Q** Okay. Do you have a copy of that rule in
16 front of you?

17 **A** I do have a copy. I'll get there.

18 **Q** Okay. And I want to just ask you a couple of
19 questions about that rule.

20 **MR. MOYLE:** Madam Chair, this was an exhibit
21 yesterday identified as 45. I don't think it was
22 admitted, but it should -- it's already been
23 distributed.

24 **CHAIRMAN BROWN:** Okay. Thank you.

25 Ms. Grant-Keene, you have a copy of it in

1 front of you?

2 **THE WITNESS:** Yes, I do, Commissioner.

3 **CHAIRMAN BROWN:** Thank you. You can proceed,
4 Mr. Moyle.

5 **BY MR. MOYLE:**

6 **Q** So on line 17 you state: "Each year a utility
7 shall submit for Commission review and approval as part
8 of its recovery filings," and then you go on. And I
9 want to refer you to, to paragraph 5 under that same
10 Section C. And it says, "Along with the filings
11 required by this paragraph, each year a utility shall
12 submit for Commission review and approval a detailed
13 analysis of the long-term feasibility of completing the
14 power plant."

15 Do you have an understanding that that rule
16 requires that there be a long-term feasibility, that
17 there be a detailed analysis of the long-term
18 feasibility of completing the power plant submitted each
19 year?

20 **MR. DONALDSON:** Let me object. That just
21 calls for a legal conclusion. He's asking the witness
22 to speculate and provide a legal conclusion.

23 **CHAIRMAN BROWN:** Mr. Moyle, can you restate
24 the question?

25 **MR. MOYLE:** Sure. Sure. And I would say, I

1 mean, she's not a lawyer but she's given testimony as to
2 the rule.

3 **CHAIRMAN BROWN:** Just restate the question.

4 **MR. MOYLE:** Okay.

5 **BY MR. MOYLE:**

6 **Q** Isn't it true that, that the rule requires a
7 utility each year to submit a detailed analysis of the
8 long-term feasibility of the Turkey Point 6 and 7
9 projects?

10 **MR. DONALDSON:** Again, I'm going to object.
11 He's asking for the witness to make a legal conclusion
12 on the rule?

13 **CHAIRMAN BROWN:** I would agree.

14 **MR. MOYLE:** Well, then I would move to strike
15 her testimony with respect to her answer to that
16 question that starts on line 14 because she's asked:
17 "How does the rule describe the annual true-up
18 requirement?" So I don't see how she can be asked the
19 questions --

20 **CHAIRMAN BROWN:** We will not be striking her
21 testimony. Please proceed with your questions.

22 **MR. MOYLE:** That's all I have.

23 **CHAIRMAN BROWN:** Thank you, Mr. Moyle.

24 All right. Moving on to the Retail
25 Federation. Good morning, Mr. Wright.

1 **MR. WRIGHT:** Good morning, Madam Chairman.

2 How are you?

3 **CHAIRMAN BROWN:** I'm doing great. Thank you.

4 **MR. WRIGHT:** Good deal.

5 **EXAMINATION**

6 **BY MR. WRIGHT:**

7 **Q** Good morning, Ms. Grant-Keene. How are you?

8 **A** Good morning, Mr. Wright.

9 **Q** We've never met. My name is Schef Wright.

10 I've been doing this a really long time, and I've worked
11 on the staff for a while, and I represent consumers in
12 this proceeding. You've probably heard of me.

13 **A** Yes.

14 **Q** I just have a few questions for you following
15 up on, mostly on questions asked by Mr. Moyle and I
16 think some asked by the Public Counsel.

17 I want to talk about this advanced recovery
18 issue. I think this may be a semantic issue, but let me
19 ask you this: You're familiar with how cost recovery is
20 done for non-nuclear power plants, for example, a
21 gas-fired combined cycle power plant, are you not?

22 **A** Yes.

23 **Q** In that -- when a company builds a plant, it
24 incurs the costs for permitting, construction, it
25 accrues AFUDC. And then when the plant goes into

1 service and only then, whether it's a GBRA or a general
2 base rate order, only when it goes into service does the
3 company get to recover all those costs; correct?

4 **A** Through depreciation, you're correct.

5 **Q** Well, depreciation -- right, that's the return
6 of capital.

7 **A** Correct.

8 **Q** With nuclear the company is allowed to recover
9 some amount of these costs, specifically some
10 preconstruction costs as defined, and AFUDC costs during
11 the construction period or during the permitting and
12 construction periods before the plant ever goes online;
13 correct?

14 **A** Yes. The nuclear cost recovery process
15 facilitates or certainly takes into consideration the
16 fact that new nuclear is a complex, huge project, it
17 could take decades to complete. There's, you know,
18 there's some nuances here that are very, very unique to
19 new nuclear. So, therefore, you were not investing in
20 this plant and waiting until we put it into service
21 decades down the road and recovering depreciation the
22 way we would normally do through our other power plants.

23 **Q** Well, you actually -- the nuclear plant, you
24 don't actually recover depreciation on the
25 plant-in-service balance until it goes in service;

1 correct? You just recover AFUDC and preconstruction
2 costs; right?

3 **A** Right.

4 **Q** Okay. And you agree, you gave me a long
5 answer to my question, but I think the answer to my
6 question, you recover those costs before the plant goes
7 into service is yes; is that correct?

8 **A** In the preconstruction phase.

9 **Q** And then during the construction phase, you
10 recover AFUDC on a pay-as-you-go basis; correct?

11 **A** Correct.

12 **Q** And that is also before the plant goes into
13 service; correct?

14 **A** Well, any capital project, you're going to
15 have finance costs and you're going to --

16 **MR. WRIGHT:** Madam Chairman, that was a yes or
17 no question. I would appreciate a yes or no answer.

18 **A** Could you repeat your question, please?

19 **Q** Yes. When -- during the construction phase,
20 the company recovers AFUDC as the construction process
21 is going along; correct?

22 **A** Yes.

23 **Q** And that is recovered before the plant goes
24 into service; correct?

25 **A** You're talking about within the nuclear cost

1 recovery process?

2 Q Yes.

3 A Yes.

4 Q Thank you.

5 What's the difference between before and in
6 advance of?

7 A Well, in advance of may suggest that we're
8 recovering and not incurring costs, and so that is a
9 distinction that I think has been discussed, I believe,
10 since the very beginning of the project.

11 Q Okay. Thank you. I've got a couple of
12 questions regarding a colloquy you had with Mr. Moyle
13 this morning. You said you've spent 308 million on
14 Turkey Point 6 and 7 so far? Did I get that right?

15 A Total spent?

16 Q Correct.

17 A Yes.

18 Q That's my -- is it correct that FPL has spent
19 \$308 million plus or minus so far on Turkey Point
20 6 and 7.

21 A Yes.

22 Q And is it also correct that you have recovered
23 281 million through 2016?

24 A Yes.

25 Q Is the 308 million value also an amount spent

1 through 2016 or is it through some other period?

2 **A** Through the end of 2016.

3 **Q** Okay. Thank you.

4 Sticking with what we've been referring to as
5 the 2015 and '16 bucket of costs, in this case you made
6 the point yesterday that you have collected monies
7 during 2015 and '16; correct?

8 **A** Correct.

9 **Q** And what you want the PSC to rule in this
10 docket is to give you an order authorizing Florida Power
11 & Light to keep what you have collected except for the
12 specified amounts of overrecovery; correct?

13 **A** What we're asking for is a prudence
14 determination on the 2015 and the 2016 costs and
15 approval to refund to customers the overrecovery of
16 7.3 million in the 2018 capacity cost recovery charge.

17 **Q** And implicit in that is the proposition that
18 you would retain everything but the amount to be
19 refunded; correct?

20 **A** Yes. We have incurred the actual cost.

21 **Q** Thank you. What are you asking -- what is FPL
22 asking the PSC to do with respect to the 2017/'18 bucket
23 of costs which are, per Mr. Scroggs yesterday, somewhere
24 between 34 and \$39 million?

25 **A** We're asking, starting with the 2017 cost,

1 that those costs be deferred for review on recovery with
2 us coming back in to the Commission in a few years.

3 Q Thank you. I'm going to take one more try at
4 squaring away this issue of the AFUDC charge.

5 The AFUDC rate is effectively the cost of
6 capital during -- on funds expended during construction;
7 is that correct?

8 A Yes. They're finance costs, yes.

9 Q Thank you. And you said that currently the
10 approved AFUDC rate is about 6.2 percent; correct?

11 A About that, yes.

12 Q Thanks. And it has a debt component and an
13 equity component; correct?

14 A Correct.

15 Q Would I be correct or at least really, really
16 close to correct to believe that the equity component is
17 roughly 59.6 percent of the AFUDC rate, given that that
18 is FPL's approved equity ratio?

19 A Possibly.

20 Q Do you not know? I'm puzzled by your answer,
21 "Possibly." It seems like a simple application of facts
22 to me. But when you say, "Possibly," I don't know what
23 your answer is.

24 Is, is the AFUDC rate roughly the equity
25 ratio -- is the equity component of the AFUDC cost

1 roughly the equity ratio times the AFUDC rate or
2 identically?

3 **A** I don't have the numbers in front of me. I
4 like to be able to verify the numbers and say to you,
5 yes. I can have that component reviewed, if you would
6 like me to have that component.

7 But what I do know is that the department that
8 generates that rate, it's approved by the Commission,
9 and I get a component that's equity and debt and I make
10 sure that I properly apply those components and that
11 rate to the costs that are being incurred.

12 **Q** Okay. Without -- so you don't know whether
13 FPL's current approved equity ratio is 59.6 percent?

14 **A** I believe it is.

15 **Q** Okay. Leaving the numbers out of it, wouldn't
16 the equity component of the equity -- of the AFUDC rate
17 be the equity ratio times the AFUDC rate?

18 **A** Approximate.

19 **Q** Great. Thank you. When we go forward into
20 cost recovery, when an asset that has accrued AFUDC is
21 placed into service, the return then becomes the
22 company's overall rate of return; correct?

23 **A** Could you repeat your question, please?

24 **Q** When an asset that has accrued AFUDC is
25 ultimately placed into service, the return component is

1 then the company's overall rate of return or the
2 weighted average cost of capital.

3 **A** It's an adjusted, yes, it's an adjusted --

4 **Q** Adjusted WACC?

5 **A** Right. It's adjusted capital structure.
6 That's my understanding, yes. It's a WACC, yes.

7 **Q** Okay. And, and then that's applied to the
8 capital value of the rate base. And in determining
9 revenue requirements, it's grossed up by what we
10 sometimes call the NOI multiplier or the revenue
11 expansion factor; correct?

12 **A** You're outside of my area of expertise.

13 **Q** Okay. I'm surprised to learn that, but that's
14 okay. Thank you very much for your time.

15 **CHAIRMAN BROWN:** Thank you, Mr. Wright.

16 All right. SACE, Mr. Cavros.

17 **MR. CAVROS:** Good morning, Commissioners.

18 **CHAIRMAN BROWN:** Good morning.

19 **EXAMINATION**

20 **BY MR. CAVROS:**

21 **Q** Good morning, Ms. Grant-Keene.

22 **A** Good morning.

23 **Q** Could I direct you to page 2 of your
24 testimony, line 11. And this would be the --

25 **CHAIRMAN BROWN:** March or May?

1 **MR. CAVROS:** It would be the May testimony.

2 **THE WITNESS:** Sorry. You said line, page --

3 **BY MR. CAVROS:**

4 **Q** Page 2 --

5 **A** Two?

6 **Q** -- line 11, yes, ma'am.

7 And it reads: "FPL is not seeking recovery of
8 2017 actual estimated or 2018 projected costs at this
9 time; therefore, I have not included 2017 actual
10 estimated AE or 2018 projected schedules with my
11 testimony. Instead, FPL is seeking approval to defer
12 these costs."

13 Could the Commission order that the carrying
14 costs not be incurred for this requested deferment?

15 **A** I'm sorry. I don't understand your question.

16 **Q** It says that you're seeking to defer these
17 costs for future review by the Commission; is that
18 correct? Is that your testimony?

19 **A** Yes, starting with 2017 costs.

20 **Q** Sure. So my question to you is could the
21 Commission order the carrying costs, the AFUDC rate not
22 be applied to that deferment?

23 **A** The Commission could, yes.

24 **Q** And you believe they have the authority to do
25 that; correct?

1 **A** The Commission could make that decision, yes.

2 **Q** Okay. Thank you. Could I turn your attention
3 to page, page 5 of your testimony -- I'd just like --
4 I'm seeking some clarity on a couple of words here --
5 line 9, that, that paragraph there where the question is
6 "When does FPL anticipate it will seek Commission review
7 and recovery of the costs incurred beginning in 2017?"
8 And in that paragraph below on line 10 the word
9 "decision" is used and it's used in this context: "FPL
10 anticipates it will seek Commission review and recovery
11 when it makes a decision regarding initiation of
12 preconstruction work." What do you mean by "decision"?

13 **A** That's a project decision. It's not an
14 accounting decision. So once the project and the
15 executive management determine that it's the right time
16 to move forward, that's what the reference is.

17 **Q** And that decision by the project team could be
18 to move forward or it could be to abandon the project;
19 is that correct?

20 **A** You're asking me to speculate. My
21 understanding is that we will move forward with the
22 project. There's been no talk of abandonment time I'm
23 aware of.

24 **Q** Well, I appreciate your opinion on that. I'm
25 just asking -- you know, you have the word "decision" in

1 here. And by "decision," you know, that word implicates
2 it can go either way. So my question to you again is
3 isn't it possible that the company could decide not to
4 move forward at that point and abandon the project?

5 **A** At this point in time, I'm not aware of any
6 such decision, and I don't know -- I can't speak for the
7 executive in terms of what they would determine at that
8 point in time. What we normally do is we look and
9 review the order from the Commission. We evaluate that
10 order and we respond appropriately.

11 **MR. CAVROS:** Madam Chair, I'm just asking a
12 yes or no question and the witness is being somewhat
13 evasive. And I'm asking her simply to define the word
14 "decision" as she has used it in her testimony. I have
15 asked her is it possible that the company could decide
16 to abandon the project at that time? That's a yes or no
17 question. Could you please answer that with a yes or
18 no?

19 **CHAIRMAN BROWN:** I'll just advise if the
20 witness is able to answer it yes or no, then she may do
21 so. But if she can't, then she's also free to do that
22 as well. So it's up to the witness if she knows yes or
23 no.

24 **THE WITNESS:** I don't know whether or not that
25 would occur, either of those. I don't know -- I can't

1 answer your question in terms of whether or not they
2 would determine to abandon the project or not. I'm not
3 able to.

4 **BY MR. CAVROS:**

5 Q Okay. That's okay. Actually I think you just
6 answered it.

7 Next could we go to the -- where you use the
8 word "requisite information"? It starts on line 10.

9 A On the same page? Excuse me. Same page?

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

11 A And what line would that be?

12 Q Yeah. "At that time" -- starting on line 10,
13 "At that time it will provide the requisite
14 information." What do you mean by "requisite
15 information"?

16 A When we come back in to the Commission to seek
17 a review, a prudence review and subsequent recovery of
18 the costs that the Commission would rule on, we would
19 normally present for the Commission's review the NFRs.

20 Q Would that requisite information also include
21 a feasibility analysis?

22 A It's possible. But I can talk to the
23 accounting requirement, which is the NFRs.

24 Q So from your perspective then, you don't know
25 if it would include a feasibility analysis; is that

1 correct?

2 **A** I can't say whether it will or it won't. But
3 I do know that the NFRs will be presented to the
4 Commission.

5 **Q** And in reading this paragraph in its totality,
6 clearly the company intends to come back and seek
7 recovery of its costs during this period; correct?

8 **A** Yes.

9 **Q** And you used the word "prudence." Prudence is
10 backwards looking; correct?

11 **A** Yes.

12 **Q** And reasonableness is forward looking;
13 correct?

14 **A** Agreed.

15 **MR. CAVROS:** No further questions.

16 **CHAIRMAN BROWN:** Thank you.

17 Staff. Ms. Mapp?

18 **MS. MAPP:** Staff has no questions for this
19 witness.

20 **CHAIRMAN BROWN:** Thank you. Commissioners?
21 Commissioner Brisé.

22 **COMMISSIONER BRISÉ:** Thank you, Madam Chair.
23 And thank you for your testimony this morning and
24 yesterday evening.

25 I just want to go back to a question I think

1 Mr. Moyle was asking, I think I asked Mr. Scroggs a
2 similar question yesterday, regarding the value of the
3 COL. And if I recall properly, you mentioned that the
4 COL has no value. And so if you can clarify that for
5 me, and I'm going to provide you a context of how to
6 clarify that -- I mean, how to -- what I'm thinking and
7 maybe I'm incorrect in my assumption.

8 Contracts have value even if -- once executed
9 even if there isn't an actual transaction that has
10 occurred as a result of the, of the contract, meaning
11 that if a company enters into a contract with another
12 company and they're supposed to either sell products or
13 purchase products or provide service even though not one
14 thing has occurred, not one transaction has occurred, if
15 that company -- if one of those companies is sold, there
16 is a value associated with that contract. So if FPL
17 were to be sold or merged with some -- with another
18 entity, is there not a value that's going to be assigned
19 to the COL?

20 **THE WITNESS:** The value is the fact that you
21 would have the COL in hand and that you could move to
22 construction over a 20-year period. But there's not a
23 dollar value associated with that. These costs are part
24 of the preconstruction costs that we capitalize and we
25 track.

1 You know, I have to -- well, yesterday when
2 that question was asked to Ms. Scroggs, the first thing
3 that came to my mind was has any such transaction ever
4 taken place? And I would have to, therefore, you know,
5 look to other situations or a similar situation to
6 understand how that would be transacted. But at this
7 point in time what we have is an asset in hand that we
8 have recorded on the books in the same manner that we've
9 always recorded our project costs. So if you're asking
10 me to assign a value to that --

11 **COMMISSIONER BRISÉ:** Right, that's what I'm
12 asking.

13 **THE WITNESS:** -- I'm not able to do that. And
14 I'm not aware of any transaction where a license has
15 been sold or, or passed on or traded or acquired by
16 another entity, so I don't have a reference point for
17 you there.

18 **COMMISSIONER BRISÉ:** Okay. But you just said
19 you have an asset in hand.

20 **THE WITNESS:** Uh-huh.

21 **COMMISSIONER BRISÉ:** And so the only value
22 that FPL is assigning to that is, is an option value?

23 **THE WITNESS:** To build. Is that what you're
24 referring to when you said the option? Did you say --

25 **COMMISSIONER BRISÉ:** I didn't say option to

1 build, but I guess that's the, the way to complete that,
2 yes.

3 **THE WITNESS:** Yes, it's the option to, to, to
4 build in the future at the appropriate time. We just
5 record the asset on the books at the book value, at the
6 cost of the asset at this point in time. The value of
7 that -- any other value or rights or, you know, any
8 other intangible aspect of the asset, that's not
9 recorded on the books.

10 **COMMISSIONER BRISÉ:** I understand that part.
11 I'm just a little -- see, my concern is this, and I'll
12 be very frank with you, that I think we are in a very
13 interesting position. Right? All of this money has
14 been spent towards this license. We are this close to
15 getting there.

16 **THE WITNESS:** Yes, we are.

17 **COMMISSIONER BRISÉ:** Right?

18 **THE WITNESS:** Yes.

19 **COMMISSIONER BRISÉ:** And so if the Commission
20 moves forward and approves the notion of, of the
21 consumers supporting getting the license and the company
22 decides, for good reason maybe, not to move forward with
23 the project, what do the customers ultimately gain as a
24 result of having that if in perpetuity it exists that
25 the, that the company is not going to move forward with

1 this project when we get to year, almost year 20 when
2 the license is no longer valuable? So then what do the
3 consumers gain as a result of that?

4 So in my mind if we're not going to move
5 forward -- if the company decides not to move forward
6 with that, what could customers expect to get in return
7 tangibly for that?

8 **THE WITNESS:** I can't answer that question at
9 this point in time.

10 **COMMISSIONER BRISÉ:** And I understand. That's
11 fair. Thank you.

12 **CHAIRMAN BROWN:** Thank you, Commissioner
13 Brisé.

14 I do have a question about the carrying costs.
15 And, Mr. Wright, if you could, please, for the record,
16 you stated earlier that for 2017 and 2018 roughly the
17 cost would be between 34 and 39 million. Do you recall
18 that?

19 **THE WITNESS:** Well, we were talking about --
20 were we talking about project costs or total costs?

21 **CHAIRMAN BROWN:** I'm just trying to get an
22 understanding annually how much the costs will be, say,
23 during the five-year pause.

24 **THE WITNESS:** Okay.

25 **CHAIRMAN BROWN:** Earlier I thought you

1 testified that for 2017 and 2018 the costs would be
2 between 34 and 39 million.

3 **THE WITNESS:** I believe we were referring to
4 project costs. That's why I want to clarify.

5 Looking at the scenario over, over the pause
6 period, let's say we come back in in 20 -- in 2022.

7 **CHAIRMAN BROWN:** Was that five years, by the
8 way?

9 **THE WITNESS:** So we're looking at a five-year
10 period -- right? -- '17 through --

11 **CHAIRMAN BROWN:** I can do math, though.

12 **THE WITNESS:** No, no, no, that's fine, that's
13 fine. 2017 through 2020, the total cost would be
14 approximate, and now this is an estimated scenario --

15 **CHAIRMAN BROWN:** Yeah.

16 **THE WITNESS:** -- would be about 90 million.
17 That includes project costs as well as carrying costs.
18 Carrying costs are --

19 **CHAIRMAN BROWN:** What would be the carrying
20 costs be, though?

21 **THE WITNESS:** About half of that amount.

22 **CHAIRMAN BROWN:** So 45 million in carrying
23 costs over the five-year period.

24 **THE WITNESS:** That's a reasonable estimate,
25 and here again it's a rough estimate.

1 **CHAIRMAN BROWN:** Has the utility thought about
2 having the carrying costs below the line?

3 **THE WITNESS:** When you say "having the costs
4 below the line," at this point we're not recovering.

5 **CHAIRMAN BROWN:** But you, but you stated
6 earlier in your testimony that you plan on coming back
7 in for cost recovery.

8 **THE WITNESS:** Right.

9 **CHAIRMAN BROWN:** So that's, that's -- so has
10 the utility thought about treating those costs, those
11 carrying costs, 45 million roughly, below the line,
12 meaning ratepayers would not pay for that? You would
13 not seek recovery on those costs.

14 **THE WITNESS:** So we would not seek recovery
15 on -- are we, are we referring to the carrying costs
16 specifically?

17 **CHAIRMAN BROWN:** Yes, yes.

18 **THE WITNESS:** I'm sure the, the management
19 would consider that possible proposal that you would,
20 that you would make.

21 **CHAIRMAN BROWN:** Right.

22 **THE WITNESS:** But, yes, it's a possibility. I
23 can't say that it is or is not definitely something that
24 they would. But certainly if you propose that
25 possibility, we would definitely have to consider that.

1 **CHAIRMAN BROWN:** Thank you. I appreciate
2 that.

3 Commissioner Graham and then Commissioner
4 Polmann.

5 **COMMISSIONER GRAHAM:** I'm sorry. I just have
6 one quick question. You mentioned the number and it's
7 sticking in my head. The scenario you just talked to --
8 talked about with the Chairman, you said the cost would
9 be roughly about \$90 million in 2022; correct?

10 **THE WITNESS:** When we come back in '22, yes,
11 the total revenue requirement that we would put before
12 you for review.

13 **COMMISSIONER GRAHAM:** Now you said about half
14 of that, 45 million would be the carrying costs. Now we
15 already talked about 25 million is going to be the
16 project costs. Where is the other 30 million? What is
17 that?

18 **THE WITNESS:** I think there was some confusion
19 here when we spoke with Mr. Moyle.

20 **COMMISSIONER GRAHAM:** Well, I'm talking about
21 just yesterday we were talking about the project cost is
22 25.

23 **THE WITNESS:** Right. 25 million was the total
24 cost including carrying costs for 2017.

25 **COMMISSIONER GRAHAM:** Uh-huh. Okay.

1 **THE WITNESS:** That, that was the reference
2 there.

3 **COMMISSIONER GRAHAM:** All right. So if the
4 carrying cost in this scenario is 45 million, what do
5 the other 45 million -- what is that cost?

6 **THE WITNESS:** That would be costs that would
7 be capitalized in, in Account, in FERC Account 107, the
8 spend and any normal AFUDC.

9 **COMMISSIONER GRAHAM:** The numbers still aren't
10 working out for me. My understanding, and just walk me
11 through this so I can understand, my understanding was
12 the cost in 2017 is roughly 25 million, which also
13 includes the carrying cost, you said; correct?

14 **THE WITNESS:** Right, carrying costs unrelated
15 (phonetic) to the deferred tax asset.

16 **COMMISSIONER GRAHAM:** That's 2017. Now my
17 understanding was the carrying cost is going to be
18 another \$10 million per year after that to actually
19 maintain the COL?

20 **THE WITNESS:** Okay. I think I see the, the
21 confusion here.

22 **COMMISSIONER GRAHAM:** Okay.

23 **THE WITNESS:** Mr. Scroggs testified to that.
24 In 2017 the total cost, project cost spend as well as
25 carrying costs will be 25. That's my understanding.

1 **COMMISSIONER GRAHAM:** Okay.

2 **THE WITNESS:** And then subsequently the
3 project spend will be ramping down, and the number that
4 he put forth was 10 to 15 per year.

5 **COMMISSIONER GRAHAM:** Okay.

6 **THE WITNESS:** That 10 to 15 is not just
7 project spend but also carrying costs. Does that
8 clarify that -- the situation?

9 **COMMISSIONER GRAHAM:** No. What's, what's the
10 project spend? After you, after you, after you get this
11 COL, what other project costs are out there? I thought
12 we were in a pause mode and that all we were really
13 spending was just making sure that the COL stayed
14 current.

15 **THE WITNESS:** That's correct. That's correct.
16 So the costs would go down considerably. My
17 understanding, based on what the scenario is based on
18 is, for instance, in 2017, for instance, maybe the cost,
19 the spend might be 18 million; whereas, after, we're in
20 the process of getting the license -- yes? -- those
21 activities are continuing through 2017.

22 But once we attain -- obtain the license, the
23 maintenance costs will go down considerably in terms of
24 project spend. So, you know, I believe it would be
25 something like, you know, 7 or 5 million, in that

1 region, going forward in terms of project spend after we
2 obtain the license.

3 **COMMISSIONER GRAHAM:** Thank you.

4 **CHAIRMAN BROWN:** Commissioner Polmann.

5 **COMMISSIONER POLMANN:** Thank you, Madam
6 Chairman.

7 Just a couple of questions. The -- excuse
8 me -- the COL has implicit value in that it represents
9 the conclusion and closure of a necessary step in
10 project development. Do you agree with that?

11 **THE WITNESS:** Yes.

12 **COMMISSIONER POLMANN:** And to acquire the COL,
13 the utility incurred explicit costs; is that correct?

14 **THE WITNESS:** Yes.

15 **COMMISSIONER POLMANN:** So as a result of that
16 the COL is being referred to as an asset. Is that the
17 basis?

18 **THE WITNESS:** All our capital spend in any
19 power plant scenario, those costs are assets. We
20 record -- these, these costs are capitalized. They're
21 assets that have a benefit for future use.

22 The scenario under the nuclear cost recovery
23 is somewhat different, of course, from a non-nuclear
24 scenario. But, yes, it's an asset.

25 **COMMISSIONER POLMANN:** Thank you. One way

1 that, that we could think of this -- let me, let me make
2 this statement, see if you agree -- one way to value an
3 asset is in a transactional context, and this has been
4 referred to, in the free market where a willing buyer
5 and seller settled on a purchase price for that asset.
6 Do you agree with that?

7 **THE WITNESS:** Yes.

8 **COMMISSIONER POLMANN:** Okay. Thank you.
9 That's all I have.

10 **CHAIRMAN BROWN:** Thank you.

11 Redirect.

12 **MR. DONALDSON:** Yes, please.

13 **EXAMINATION**

14 **BY MR. DONALDSON:**

15 **Q** Let me see if I can clarify some of the
16 questions that have been raised. Ms. Grant-Keene, what
17 is a deferred tax asset, or DTA?

18 **A** Are you asking me about -- to define the DTA?

19 **Q** As it relates to this particular docket and
20 the accounting that you've done in this particular
21 docket, what's a DTA?

22 **A** Okay. A deferred tax asset. It arises
23 because for tax purposes there's no recovery of the
24 cost. There's no -- we're not -- for tax purposes, for
25 federal tax purposes on the tax return you're not

1 allowed to take the, the project cost as a deduction.

2 On the other hand, we know that we're
3 recovering these costs year by year. So that
4 difference -- there's a different tax basis for, for
5 these costs that have not been recovered on a tax basis.
6 So that gives rise to a DTA. So it's a difference
7 between how we treat costs for, for a booked financial
8 perspective and how the tax, the tax code treats these
9 costs, and that gives rise to a DTA.

10 Q When you were referring to the 2017 project
11 cost of roughly \$25 million, is a portion of that
12 \$25 million associated with carrying costs related to
13 the DTA?

14 A Yes.

15 Q And what is that amount?

16 A It runs about 7 million annually.

17 Q Okay. So the project spend itself for
18 obtaining the license would be 25 million minus the
19 \$7 million on carrying costs related to the DTA?

20 A Essentially.

21 Q Okay.

22 A In the first year, yes.

23 Q In 2017.

24 A In 2017.

25 Q Okay. And when we were discussing with

1 Commissioner Graham regarding the -- what comprises the
2 \$10- to \$15 million that Mr. Scroggs was referring to in
3 2018 going forward and subsequently decreasing, is the
4 carrying costs on the DTA associated or included in that
5 \$10- to \$15 million number?

6 **A** Yes.

7 **Q** Okay. Does that number change, the DTA, the
8 carrying costs on the DTA?

9 **A** During the deferral period, the balance in the
10 DTA will remain essentially constant, and so --

11 **Q** And -- okay. I'm sorry. Go ahead and finish.

12 **A** And, therefore, the carrying cost of 7 million
13 will also remain a fairly constant amount.

14 **Q** And, and why does the carrying cost on the DTA
15 remain constant? What is that based on?

16 **A** Because the project, the project cost, the
17 project spend is not being recovered during the pause
18 period.

19 **Q** Okay. So is that based on the amount of money
20 that the project had already recovered as of
21 December 31st of 2016?

22 **A** Well, the balance that the carrying charges
23 are calculated on are essentially historic project costs
24 that have not been deducted on the tax return.

25 **Q** Okay. So it's based on all the -- all of the

1 amounts that had already been historically recovered?

2 **A** Yes.

3 **Q** Okay. There was some discussion on what the
4 amount would be in 2022 of -- you said approximately
5 \$90 million?

6 **A** Approximately.

7 **Q** Okay.

8 **A** Looking at the 2017 through 2021 window.

9 **Q** And is half of that amount the carrying costs
10 associated with the return on the DTA that is based on
11 the historical balance?

12 **A** Yes.

13 **Q** Okay. And the other half would be associated
14 with obtaining the license and the project spend with
15 maintaining the license?

16 **A** Essentially, yes.

17 **Q** Okay. If you can turn to your May testimony,
18 page 2, and I'm looking at specifically line 14 -- well,
19 lines 11 through 16 actually, and let me know when
20 you're there.

21 **A** I'm there.

22 **Q** Okay. There's been some discussion from the
23 intervenors as to when FPL was contemplating on
24 returning in some form or fashion before this Commission
25 to give an assessment on where we're going to move

1 forward. Do you remember that?

2 **A** Yes.

3 **Q** That was Mr. Moyle asking you some of that
4 question along with FRF and SACE. Do you recall that?

5 **A** Yes.

6 **Q** Okay. Now when you were responding about
7 coming back in in 2020 or 2021, was that based on your
8 prefiled testimony or based on at least Mr. Scroggs'
9 prefiled testimony?

10 **A** Yes.

11 **MR. MOYLE:** Misleading.

12 **Q** Okay. What was that based on?

13 (Laughter.)

14 **A** It was based on Mr. Scroggs' testimony.

15 **Q** Okay. Are you aware whether or not the
16 company has made a determination to come in at a
17 specific set point in time as of today?

18 **A** Yes. My understanding is that the latest that
19 the company intends to return to the Commission would be
20 2022.

21 **Q** Okay. And when you say return to the
22 Commission in 2022, is there any particular form of what
23 the company may be presenting?

24 **MR. MOYLE:** Again, he's leading the witness.

25 **CHAIRMAN BROWN:** Restate.

1 **BY MR. DONALDSON:**

2 **Q** Okay. So at least we're going to -- you're
3 aware that the company's position is coming in in 2022.

4 **A** Yes.

5 **Q** Okay. Where before that is you're not
6 presenting that at this point in time?

7 **A** Correct.

8 **Q** Okay. One of the other things is OPC, in
9 their cross-examination of you, was mentioning on how
10 will the Commission know what the amount of money FPL is
11 going to be incurring each year during the pause period.
12 Do you recall that line of questioning dealing with the
13 TOR-2?

14 **A** Yes.

15 **Q** Okay. Can you explain to the Commission what
16 that TOR-2 is?

17 **A** The TOR-2 schedule gives a summary of the sunk
18 cost that I actually provide that information to the
19 schedule. So it shows the, the -- a breakdown of the
20 components of what has been spent on the project to
21 date. Okay?

22 That form is -- that schedule is actually
23 provided to the, to the Commission, to the FPSC, on an
24 annual basis. In other words, you, you will know what
25 costs have been -- what the spend, rather, has been from

1 year to year because that form is presented to you on an
2 annual basis. You'll be able to track that.

3 Q Okay. So, for instance, was a TOR-2 presented
4 to this Commission last year in 2016?

5 A Yes.

6 Q Okay. That's an annual filing that we have to
7 make?

8 A Yes, yes.

9 Q That's separate and apart than the NFRs that
10 you were discussing; correct?

11 A That's correct.

12 Q And so if the TOR-2 says as of 2016 there's
13 \$308 million in project spend, will there be an
14 incremental amount shown in 2017?

15 A Absolutely very obvious. You will be able to
16 track the incremental spend from year to year.

17 Q And will there be an incremental spend shown
18 in 2018?

19 A It will be readily obvious.

20 **MR. MOYLE:** Object. I think this is beyond
21 any cross that anybody did on this. This is kind of
22 supplementary redirect.

23 **CHAIRMAN BROWN:** I think, I think counsel has
24 made his point. If you can move along with your
25 questions. Objection sustained.

1 **MR. DONALDSON:** Sure. One, one second.

2 Okay. Thank you. I don't have anything
3 further at this time.

4 **CHAIRMAN BROWN:** Thank you.

5 And this may be a little unconventional here,
6 Commissioners. I do have just one follow-up question
7 that arose from Mr. Donaldson's redirect for the witness
8 regarding the carrying costs. So if you will please
9 oblige. Please feel free to ask a question as well if
10 you have one.

11 Ms. Grant-Keene, just for the period of 2017
12 through 2022, can you parse out the carrying costs for
13 that period, not prior carrying costs to date?

14 **THE WITNESS:** It's roughly half -- well,
15 let's -- are you -- let me clarify. Are you referring
16 to the carrying costs associated with the DTA or just
17 carrying costs in total?

18 **CHAIRMAN BROWN:** Carrying costs in total.

19 **THE WITNESS:** Okay. It's, it's about half
20 of -- definitely about half of the total of cost
21 associated with the pause period.

22 **CHAIRMAN BROWN:** I got a little confused.

23 **THE WITNESS:** Forty-five.

24 **CHAIRMAN BROWN:** From -- okay. So from
25 your -- from counsel's redirect question to you

1 regarding that, that period, I'm just trying to
2 understand annually what the company -- what costs are
3 going to be incurred from 20 -- during the pause period.
4 So during the pause period, what carrying costs just --

5 **THE WITNESS:** Are you referring to -- excuse
6 me -- project spend?

7 **CHAIRMAN BROWN:** No.

8 **THE WITNESS:** Okay. You're, you're concerned
9 with the carrying costs.

10 **CHAIRMAN BROWN:** Yes.

11 **THE WITNESS:** Okay. Half of the total amount
12 for the period, so about 45.

13 **CHAIRMAN BROWN:** Okay. Thank you.

14 Commissioners, any other questions?

15 Any further redirect on the bench?

16 **MR. DONALDSON:** Just one.

17 **FURTHER EXAMINATION**

18 **BY MR. DONALDSON:**

19 Q The carrying costs that we're talking about,
20 are there two portions?

21 **MR. CAVROS:** Objection.

22 **CHAIRMAN BROWN:** Objection overruled.

23 **BY MR. DONALDSON:**

24 Q What makes up the carrying costs, what makes
25 up the carrying costs that we're talking about during

1 this five-year period? I know we said a portion of it
2 is the DTA. Is there another portion of that?

3 **A** I'm sorry. Could you repeat your question?

4 **Q** Sure.

5 **MR. MOYLE:** Non-leading. Okay.

6 **BY MR. DONALDSON:**

7 **Q** What makes up the carrying cost that is going
8 to be incurred during the pause period? What are the
9 components of that?

10 **A** Okay. There's the carrying costs on the
11 related DTA. We mentioned that component. And then
12 there's also another, I think, about -- there's another
13 incremental amount, I would say about 4, 5 million, that
14 is associated with carrying costs, unrecovered carrying
15 costs.

16 **MR. DONALDSON:** Okay. Thank you.

17 **CHAIRMAN BROWN:** All right. Let's get to
18 exhibits. This witness has Exhibits 2, 3, 10, 12
19 through 14.

20 **MR. DONALDSON:** FPL requests to move those
21 into the record, please.

22 **CHAIRMAN BROWN:** Is there any objection to
23 moving in those numbers? Seeing none, we'll go ahead
24 and enter in 2, 3, 10, 12 through 14. We will not be
25 moving in Exhibit 51.

1 (Exhibits 2, 3, 10, 12, 13, and 14 admitted
2 into the record.)

3 All right. Would you like this witness
4 excused?

5 **MR. DONALDSON:** Yes, Madam Chair.

6 **CHAIRMAN BROWN:** Thank you. Thank you for
7 your time.

8 **THE WITNESS:** Thank you, Madam Chairman.

9 **CHAIRMAN BROWN:** All right. Moving on to
10 staff witnesses at this time. We have Ms. Iliana
11 Piedra. Staff, would you like to call her to the stand?

12 **MS. DUVAL:** Yes. Thank you, Madam Chair.
13 Staff calls Iliana Piedra.

14 **CHAIRMAN BROWN:** Ms. Piedra, were you sworn in
15 earlier?

16 **THE WITNESS:** Yes, I was.

17 **CHAIRMAN BROWN:** Thank you.

18 You may proceed.

19 **MS. DUVAL:** Thank you.
20 Whereupon,

21 **ILIANA PIEDRA**

22 was called as a witness on behalf of the Staff of the
23 Florida Public Service Commission and, having been duly
24 sworn, testified as follows:

25 **EXAMINATION**

1 **BY MS. DUVAL:**

2 **Q** Good morning, Ms. Piedra.

3 **A** Good morning.

4 **Q** Would you please state your full name and
5 business address for the record?

6 **A** Yes. My name is Iliana Piedra. My business
7 address is 3625 Northwest 82nd Avenue, Suite 400, Miami,
8 33166.

9 **Q** And by whom are you employed and in what
10 capacity?

11 **A** I'm employed by the Florida Public Service
12 Commission as a professional accountant specialist in
13 the Office of Auditing and Performance Analysis.

14 **Q** Have you prepared and caused to be filed in
15 this proceeding on June 20th, 2017, prefiled direct
16 testimony and two exhibits labeled IHP-1 and IHP-2?

17 **A** Yes.

18 **Q** Do you have any changes or revisions to your
19 prefiled direct testimony or exhibits?

20 **A** No, I don't.

21 **Q** And if I asked you those same questions
22 contained in your direct testimony today, would your
23 answers be the same?

24 **A** Yes.

25 **MS. DUVAL:** Madam Chairman, at this time I

1 would ask that the previously filed direct testimony of
2 Iliana Piedra be entered into the record as though read.

3 **CHAIRMAN BROWN:** We'll go ahead and do that at
4 this time.

5 **MS. DUVAL:** Thank you.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
COMMISSION STAFF
DIRECT TESTIMONY OF ILIANA H. PIEDRA
DOCKET NO. 170009-EI

June 20, 2017

Q. Please state your name and business address.

A. My name is Iliana H. Piedra. My business address is 3625 N.W. 82nd Ave., Suite 400, Miami, Florida, 33166.

Q. By whom are you presently employed and in what capacity?

A. I am employed by the Florida Public Service Commission (FPSC or Commission) as a Professional Accountant Specialist in the Office of Auditing and Performance Analysis.

Q. Briefly review your educational and professional background.

A. I received a Bachelor of Business Administration degree with a major in accounting from Florida International University in 1983. I am also a Certified Public Accountant licensed in the State of Florida. I have been employed by the FPSC since January 1985.

Q. Please describe your current responsibilities.

A. My responsibilities consist of planning and conducting utility audits of manual and automated accounting systems for historical and forecasted data.

Q. Have you presented testimony before this Commission or any other regulatory agency?

A. Yes. I filed testimony in the City Gas Company of Florida’s rate case, Docket No. 940276-GU, the General Development Utilities, Inc. for the Silver Springs Shores Division in Marion County and the Port Labelle Division in Glades and Hendry Counties

1 rate cases in Docket Nos. 920733-WS and 920734-WS, the Florida Power & Light
2 Company's storm cost recovery case in Docket No. 041291-EI, the Embarq's storm cost
3 recovery case in Docket No. 060644-TL, the K W Resort Utilities Corp. rate cases in
4 Docket Nos. 070293-SU and 150071-SU, the Florida Power & Light Company's rate
5 case in Docket No. 160021-EI, the Fuel and Purchased Power Cost Recovery Clause in
6 Docket Nos. 120001-EI, 130001-EI and 140001-EI, and the Nuclear Cost Recovery
7 Clause in Docket Nos. 130009-EI, 150009-EI and 160009-EI.

8 **Q. What is the purpose of your testimony today?**

9 **A.** The purpose of my testimony is to sponsor the staff audit report of Florida Power
10 & Light Company (FPL or Utility) which addresses the Utility's filing in Docket Nos.
11 170009-EI and 160009-EI, Nuclear Cost Recovery Clause (NCRC) for costs associated
12 with its Nuclear Units - Turkey Point Units 6 & 7 (Turkey Point 6 & 7). These audit
13 reports are filed with my testimony and are identified as Exhibits IHP-1 and IHP-2.

14 **Q. Were these audits prepared by you or under your direction?**

15 **A.** Yes, they were prepared under my direction.

16 **Q. Please describe the work you performed in both of these audits.**

17 **A.** Our overall objective was to verify that the Utility's 2016 and 2015 NCRC filings
18 for Turkey Point 6 & 7 in Docket Nos. 170009-EI and 160009-EI are consistent with and
19 in compliance with Section 366.93, Florida Statutes, and Rule 25-6.0423, Florida
20 Administrative Code. Audit staff performed the following procedures to satisfy the
21 overall objective.

22 Construction Work in Progress (CWIP)

23 We sampled and verified the monthly pre-construction expenditures and traced to
24 invoices and other supporting documentation including contracts. We verified various
25 sample items to purchase orders for contracts over \$250,000. We verified a sample of

1 salary expenses and traced to time sheets. We verified a sample of legal fees and traced
2 to invoices. We recalculated Schedule T-6.

3 Recovery

4 We traced the amount collected on Schedules T-1 to the NCRC jurisdictional amount
5 approved in Order Nos. PSC-15-0521-FOF-EI, and PSC-14-0617-PAA-EI, to the
6 Capacity Cost Recovery Clause in Docket Nos. 170001-EI and 160001-EI.

7 Carrying Cost on Deferred Tax Adjustment

8 We recalculated Schedule T-3A. We traced the projected and estimated True-Up amount
9 to prior NCRC Orders. We reconciled the monthly recovered costs to the supporting
10 schedules in the filing. We traced the Allowance for Funds Used During Construction
11 (AFUDC) rate applied to the current rate approved in Order No. PSC-14-0193-PAA-EI,
12 issued April 25, 2014.

13 Other Issues

14 We recalculated Schedule T-2. We traced the projected and estimated true-up amounts to
15 prior NCRC Orders. We traced the beginning balances included in the schedule to the
16 prior docket. We reconciled the monthly costs to the supporting schedules in the filing.

17 True-up

18 We traced the December 31, 2015 and December 31, 2014, Site Selection and Pre-
19 Construction True-Up Provisions to the Commission Order Nos. 15-0521-FOF-EI and 14-
20 0617-FOF-EI. We recalculated the True-Up and Interest Provision amounts as of
21 December 31, 2016 and December 31, 2015 using the Commission approved beginning
22 balances as of December 31, 2015 and December 31, 2014, the approved AFUDC rate,
23 and the 2016 and 2015 costs.

24 **Q. Please review the audit findings in both audit reports, Exhibit IHP-1 and IHP-2.**

25 **A.** There were no findings in either audit.

1 **Q. Does that conclude your testimony?**

2 **A.** Yes.

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1 **BY MS. DUVAL:**

2 **Q** Ms. Piedra, would you please give the
3 Commission a brief summary of your direct testimony?

4 **A** Yes. Commissioners, my name is Iliana Piedra.
5 I served as the audit manager for the financial audit of
6 FP&L's 2015 and 2016 Nuclear Cost Recovery Clause,
7 Dockets No. 20160009-EI and 20170009-EI. The audits
8 were limited to reviewing the historical financial costs
9 in the clause filings.

10 The auditors' reports were issued May 31st,
11 2016, and May 31st, 2017, and did not contain any
12 findings. These reports are exhibits in my prefiled
13 testimony dated June 20th, 2017. This concludes my
14 summary.

15 **MS. DUVAL:** Thank you, Ms. Piedra.

16 Madam Chairman, I tender the witness for
17 cross-exam.

18 **CHAIRMAN BROWN:** All right. Good morning.

19 **THE WITNESS:** Good morning.

20 **CHAIRMAN BROWN:** Public Counsel.

21 **MS. CHRISTENSEN:** Good morning.

22 **EXAMINATION**

23 **BY MS. CHRISTENSEN:**

24 **Q** Good morning, Ms. Piedra.

25 **A** Good morning.

1 **Q** Hopefully we have just a few questions for
2 you.

3 In your testimony on page 2, lines 17
4 through -- excuse me, I'm sorry -- make that lines 17
5 through 20, you state that your audit objective was to
6 verify the 2016 and 2015 NCRC filing for Turkey Point
7 6 and 7 are consistent with the statute and rules; is
8 that correct?

9 **A** Yes.

10 **Q** Okay. And in your testimony, you describe the
11 sampling and other work you performed; is that right?

12 **A** Yes.

13 **Q** Okay. And these tasks were only for costs
14 recorded in 2015 and '16; is that correct?

15 **A** Yes, actual costs.

16 **Q** Okay. Are you aware that the utility has
17 requested to defer cost recovery beginning with those
18 incurred in 2017 and continuing through such time as FPL
19 makes its decision regarding when to initiate
20 preconstruction work?

21 **MS. DUVAL:** Madam Chair, I believe that's
22 outside the scope of this witness's testimony.

23 **CHAIRMAN BROWN:** Can you restate it?

24 **MS. CHRISTENSEN:** Well, I mean, I'm asking --

25 **CHAIRMAN BROWN:** Just restate the question,

1 please.

2 **MS. CHRISTENSEN:** Fine.

3 **BY MS. CHRISTENSEN:**

4 **Q** Are you that FPL in this matter has asked to
5 defer costs for 2017 and beyond?

6 **A** I am aware.

7 **Q** Okay. And are you familiar with the utility's
8 use of the term "pause" or "pause period" to describe
9 this period where they will be deferring these costs?

10 **A** I am aware of the term, but it was not in the
11 scope of my audit. My audit was related to 2015 actual
12 costs and 2016 actual costs.

13 **Q** Okay. Well, let's discuss a little bit about
14 the auditing process. You have, for every year that the
15 nuclear cost recovery has been -- has been in process,
16 you have done an annual audit of the actual cost; is
17 that correct?

18 **A** Yes.

19 **Q** Okay.

20 **A** Myself or other auditors.

21 **Q** Okay. And they've been either done in your
22 office or under your direction in your office; is that
23 correct?

24 **A** Not all of them under my direction.

25 **Q** Okay.

1 **A** The last two years that I am testifying to
2 have been under my direction.

3 **Q** Okay. And that's, I think, sufficient for my
4 next purpose.

5 Have you discussed the requested pause period
6 with the utility or other Commission staff as to how it
7 might affect this auditing process the Commission has
8 used in the past for the future?

9 **A** No, I have not.

10 **Q** Okay. Let's -- I guess my question is if the
11 audit were to -- let's assume that the NCRC recover --
12 costs are recovered at some point in the future, let's
13 say, four years from now.

14 **A** Uh-huh.

15 **Q** Would it be -- would the PSC audit only those
16 costs for the year that they came back in, or would you
17 be looking to audit the costs that were incurred during
18 the pause period, or have you even thought about how
19 that would be audited?

20 **A** I have not because that is really up to my
21 management, my superiors, or the departments that would
22 submit the work for my superiors to bring to us. So I
23 really don't know what I would be auditing in the
24 future.

25 **Q** Okay. Let me turn your attention to your

1 Exhibit IHP-1, page 4 of 8. And in that -- I'm sorry. I
2 will wait until you get there. You're there?

3 **A** Yes.

4 **Q** Okay. In that -- and this is a discussion of
5 general objectives and procedures. And you describe
6 your objectives related to the construction work in
7 progress, or CWIP, to verify that the preconstruction
8 costs were supported by adequate documentation, capital
9 additions were appropriately recoverable through the
10 NCRC and in compliance with the statute and rule.

11 So I just want to clarify, when you say that
12 you verified that the capital additions were
13 appropriately recoverable through the NCRC, you're not
14 making a determination of whether the utility was
15 prudent in continuing to recover or continuing -- I'm
16 sorry -- to pursue the combined operating license; is
17 that correct?

18 **A** No, I was not.

19 **Q** Okay. And this objective would also be true
20 when you audit future costs after the utility's pause
21 period; is that correct?

22 **A** Right.

23 **MS. CHRISTENSEN:** Okay. Just one moment, and
24 that may be all the questions I have.

25 Thank you for your time and thank you for

1 coming out.

2 **THE WITNESS:** Thank you.

3 **CHAIRMAN BROWN:** Thank you.

4 Mr. Moyle.

5 **MR. MOYLE:** Thank you.

6 **EXAMINATION**

7 **BY MR. MOYLE:**

8 **Q** Good morning.

9 **A** Good morning.

10 **Q** I am a little confused by, by some of the
11 language that was used in your testimony and in the
12 report, and specifically where, like, say, in your
13 report the objectives and procedures on page -- this is
14 page 4 of 8 where you just were.

15 **A** Uh-huh.

16 **Q** But at the bottom of the page it's page 2.
17 And you see where it says, "The objective, the objective
18 was to determine whether the utility's 2016 NCR filings
19 in docket 170009 are consistent in compliance with
20 Section 366.93, *Florida Statutes*, and Rule 25-6.0423,
21 *Florida Administrative Code*"? Based on your answers to
22 Public Counsel's question, I'm -- let me just make sure
23 I'm clear on this, that you are not here to talk about
24 and say everything in this, in this rule, in the nuclear
25 cost recovery rule was complied with, like the

1 feasibility analysis and all that? You didn't -- that
2 wasn't within the scope of your audit to look and see
3 whether they filed a feasibility analysis properly;
4 correct?

5 **A** Exactly.

6 **Q** I'm right?

7 **A** Yes, you are.

8 **Q** Okay. In your comments you said that your
9 scope was limited to looking at numbers and costs and --
10 you know. So you're not offering any opinion with
11 respect to whether, whether the utility did indeed
12 comply with either the nuclear statute or the nuclear
13 rule; correct?

14 **A** No, I am not.

15 **Q** Okay. Thank you for that. I had one other
16 question. This is on page 5 of 8 on that same --

17 **CHAIRMAN BROWN:** So 3, page 3 at the bottom?

18 **MR. MOYLE:** Yes, ma'am.

19 **BY MR. MOYLE:**

20 **Q** It says, "Carrying costs on deferred tax
21 adjustment." So as part of what you do -- I mean, you
22 have familiarity with the, with the carrying costs; is
23 that right? It's part of your expertise?

24 **A** It's part of the filing, yes.

25 **Q** Okay. And, and we've been asking questions

1 about carrying costs, and the witness who just left the
2 stand said the carrying cost is approximately half of
3 the monies that are going to be sought in the future.
4 Is that consistent with your understanding of, of
5 carrying costs?

6 **A** I really cannot speak for the future.

7 **Q** Okay.

8 **A** My audit was for the filing, like I said
9 before, for the filing dated March 1st.

10 **Q** Okay. Let me ask you this: If it was half,
11 if the carrying costs were half and you were being asked
12 to say what interest rate is that, that would be a 50
13 percent interest rate, would it not?

14 **MS. DUVAL:** Madam Chair, he's calling for
15 speculation, I believe.

16 **CHAIRMAN BROWN:** I'm going to allow the
17 witness to answer the question if she knows.

18 **THE WITNESS:** I do not know.

19 **MR. MOYLE:** Okay. Thank you. That's all I
20 have.

21 **CHAIRMAN BROWN:** All right. Retail
22 Federation.

23 **MR. WRIGHT:** We have no questions for
24 Ms. Piedra. Thank you.

25 **CHAIRMAN BROWN:** Thank you.

1 SACE.

2 **MR. CAVROS:** We have no questions.

3 **CHAIRMAN BROWN:** Great.

4 Florida Power & Light.

5 **MR. DONALDSON:** No questions.

6 **CHAIRMAN BROWN:** Commissioners?

7 Seeing none, staff redirect.

8 **MS. DUVAL:** We have no redirect. Thank you.

9 **CHAIRMAN BROWN:** All right. I'm sorry you
10 were not stipulated earlier, but it was nice to have you
11 up here in Tallahassee.

12 **THE WITNESS:** Thank you.

13 **CHAIRMAN BROWN:** Would you like to have the
14 exhibits associated with this witness moved into the
15 record?

16 **MS. DUVAL:** Yes, Madam Chair. Staff would
17 request that Exhibits IHP-1 and IHP-2, which are
18 identified as Exhibit Nos. 22 and 23 on the
19 Comprehensive Exhibit List, be moved into the record at
20 this time.

21 **CHAIRMAN BROWN:** All right. Seeing no
22 objection, we'll go ahead and move in 22 and 23 into the
23 record.

24 (Exhibits 22 and 23 admitted into the record.)

25 Thank you, Ms. Piedra, and safe travels back

1 to Miami.

2 **THE WITNESS:** Thank you.

3 **CHAIRMAN BROWN:** All right. The next witness
4 is actually two people, but they're combined, Sophia
5 Lehmann and David Rich. Would you like to call them
6 both up?

7 **MS. MAPP:** Yes. Staff would now like to call
8 Sofia Lehmann and David Rich to the stand.

9 **CHAIRMAN BROWN:** All right.

10 **MR. MOYLE:** Madam Chair, could I just maybe
11 get a quick refresher about how we do it with two? Like
12 if we have questions, whether we say Mr. Rich or the
13 other or kind of just throw it out there and --

14 **CHAIRMAN BROWN:** Well, I'm open to just
15 throwing it out there and see which one answers since I
16 don't know which, which employee did which part.

17 **MR. MOYLE:** Okay.

18 **CHAIRMAN BROWN:** Unless staff has another
19 suggestion.

20 **MS. MAPP:** The counsel may ask the questions
21 however they prefer. They may address it to a specific
22 staff person or just have it generally, and the
23 witnesses will determine amongst themselves how best to
24 answer.

25 **CHAIRMAN BROWN:** Okay. Welcome.

1 **MR. RICH:** Thank you, Madam Chairman.

2 **MS. LEHMANN:** Thank you.

3 **CHAIRMAN BROWN:** Nice to see you.

4 Whereupon,

5 **SOFIA LEHMANN**

6 **and**

7 **DAVID RICH**

8 were called as witnesses on behalf of the Staff of the
9 Florida Public Service Commission and, having been duly
10 sworn, testified as follows:

11 **EXAMINATION**

12 **BY MS. MAPP:**

13 **Q** Good morning, Ms. Lehmann and Mr. Rich. You
14 were both here earlier and were sworn in; correct?

15 **A** (By Ms. Lehmann) Yes.

16 **A** (By Mr. Rich) Yes.

17 **Q** Ms. Lehmann, can you please state your full
18 name and business address for the record?

19 **A** (By Ms. Lehmann) Of course. My name is Sofia
20 Lehmann, and my address is 2540 Shumard Oak Boulevard,
21 Tallahassee, Florida 32399.

22 **Q** By whom are you employed and in what capacity?

23 **A** I'm employed by the Florida Public Service
24 Commission as a public utility analyst II in the Office
25 of Auditing and Performance Analysis.

1 **Q** And have you prepared and caused to be filed
2 in this proceeding direct testimony on June 20th, 2017,
3 and direct attached Exhibit LR-1?

4 **A** Yes.

5 **Q** And did you also prepare and cause to be filed
6 on June 30th, 2017, revised testimony and Exhibit LR-3
7 or -- I'm sorry -- LR-2?

8 **A** Yes.

9 **Q** Do you have any changes or revisions to your
10 revised testimony as filed on June 30th?

11 **A** No. Do.

12 **Q** You have any changes to your attached exhibits
13 LR-1 or LR-2?

14 **A** No.

15 **Q** And If I asked you the same questions today as
16 were stated in your direct joint testimony, would your
17 answers be the same?

18 **A** Yes.

19 **Q** Thank you.

20 And, Mr. Rich, if you can please state for the
21 record your name and business address.

22 **A** (By Mr. Rich) My name is David Rich. My
23 business address is 2540 Shumard Oak Boulevard,
24 Tallahassee, Florida 32399-0850.

25 **Q** By whom are you employed and in what capacity?

1 **A** I'm employed by the Florida Public Service
2 Commission as a public utility analyst IV within the
3 Office of Auditing and Performance Analysis.

4 **Q** And did you prepare and cause to be filed
5 direct testimony on June 20th, 2017, with the attached
6 Exhibit LR-1?

7 **A** Yes.

8 **Q** And did you also prepare and cause to be filed
9 direct testimony on June 30th as revised from your
10 previous testimony with attached Exhibit LR-2?

11 **A** Yes.

12 **Q** And do you have any changes or revisions to
13 your prefiled joint direct testimony?

14 **A** No, I don't.

15 **Q** If I asked you the same questions today as are
16 within your testimony, would your answers be the same?

17 **A** Yes, they would.

18 **Q** Thank you.

19 **MS. MAPP:** Madam Chair, at this time staff
20 would request that the revised direct joint testimony of
21 Sofia Lehmann and David Rich be entered into the record
22 as though read.

23 **CHAIRMAN BROWN:** We will go ahead and do that.

24 **MS. MAPP:** Thank you.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

COMMISSION STAFF

DIRECT JOINT TESTIMONY OF

SOFIA LEHMANN AND DAVID RICH

DOCKET NO. 170009-EI

June 20, 2017

REVISED June 30, 2017

Q. Mrs. Lehmann, please state your name and business address.

A. My name is Sofia Lehmann. My business address is 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850.

Q. By whom are you employed?

A. I am employed by the Florida Public Service Commission (Commission) as a Public Utility Analyst II, within the Office of Auditing and Performance Analysis.

Q. What are your current duties and responsibilities?

A. I perform audits and investigations of Commission-regulated utilities, focusing on the effectiveness of management and company practices, adherence to company procedures and the adequacy of internal controls. David Rich and I jointly conducted the 2017 audit of Florida Power & Light Company’s (FPL) project management internal controls for the Turkey Point 6 & 7 project.

Q. Please describe your education and relevant experience.

A. I earned a Bachelor of Arts degree in Economics and Asian Studies from Furman University. I have worked for the Commission for four years conducting operational audits and investigations of regulated utilities.

Q. Have you filed testimony in any other dockets before the Commission?

1 A. Yes. I filed similar testimony in Docket No. 160009-EI.

2 **Q. Mr. Rich, please state your name and business address.**

3 A. My name is David Rich. My business address is 2540 Shumard Oak Boulevard,
4 Tallahassee, Florida 32399-0850.

5 **Q. By whom are you employed?**

6 A. I am employed as a Public Utility Analyst IV by the Florida Public Service
7 Commission in the Office of Auditing and Performance Analysis.

8 **Q. What are your current duties and responsibilities?**

9 A. I perform audits and investigations of Commission-regulated utilities, focusing on the
10 effectiveness of management and company practices, adherence to company procedures and
11 the adequacy of internal controls. With Mrs. Lehmann, I conducted the 2017 audit of FPL's
12 project management internal controls for the Turkey Point 6 & 7 new nuclear construction
13 project.

14 **Q. Please describe your education and relevant experience.**

15 A. In 1978, I graduated from the United States Military Academy at West Point with a
16 Bachelor of Science degree and a concentration in Engineering. A Masters of Art degree in
17 National Security Affairs from the Naval Postgraduate School followed in 1987. I also
18 graduated from the Republic of Korea Army Command and General Staff College in 1989 and
19 the United States Army Command and General Staff College in 1990. My relevant work
20 experience includes fourteen years with the Florida Public Service Commission in
21 management and controls auditing, utility performance analysis, process reviews, and trend
22 analysis. I have participated in numerous audits of utility operations, processes, systems, and
23 internal controls.

24 **Q. Have you filed testimony in any other dockets before the Commission?**

25 A. Yes. I have filed similar testimony in Docket Nos. 090009-EI, 100009-EI, 110009-EI,

1 120009-EI, 130009-EI, 140009-EI, 150009-EI and 160009-EI.

2 **Q. Please describe the purpose of your testimony in this docket.**

3 A. Our testimony presents the attached audit report entitled *Review of Florida Power &*
4 *Light Company's Project Management Internal Controls for Turkey Point 6 & 7 Construction*
5 (Exhibit LR-1). This audit is completed each year to assist the Commission's annual
6 evaluation of nuclear cost recovery filings. The audit assesses the internal controls and
7 management oversight of the Turkey Point 6 & 7 project.

8 **Q. Please summarize the areas examined by your review of controls.**

9 A. The primary objective of this audit was to assess and evaluate key project
10 developments, along with the organization, management, internal controls, and oversight that
11 FPL used or plans to employ for this project. The internal controls examined were related to
12 the following key areas of project activity: planning, management and organization, cost and
13 schedule controls, contractor selection and management, and auditing and quality assurance.

14 **Q. Are you sponsoring any exhibits?**

15 A. Yes, our audit report is attached as Exhibit LR-1. We are also filing Exhibit LR-2,
16 *Review of Florida Power & Light Company's Project Management Internal Controls for*
17 *Turkey Point 6 & 7 Construction* published in June 2016. This report was previously filed by
18 Commission audit staff in Docket No. 160009-EI.

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

20 A. Yes.

21

22

23

24

25

1 **BY MS. MAPP:**

2 Q Have you prepared a summary of your testimony
3 today?

4 A We have.

5 Q Please read the Commission your summary.

6 A Good morning, Madam Chairman and
7 Commissioners. Our testimony presents two management
8 audit reports completed in 2016 and 2017 addressing
9 the project management internal controls Florida
10 Power & Light Company employs for the Turkey Point
11 6 and 7 project.

12 The Commission audit staff concluded in
13 both 2016 and 2017 audits that FPL's Turkey Point
14 6 and 7 project internal controls were adequate,
15 reasonable, effective, and are being employed adequately
16 -- appropriately.

17 Commission audit staff finds the process by
18 which FPL reached its decision to continue the delay in
19 preconstruction activities was reasonable. The internal
20 controls examined were related to the following key
21 areas of project activity: Planning, management and
22 organization, cost and schedule controls, contractor
23 selection and management, and auditing and quality
24 assurance.

25 Our approach to this audit included data

1 gathering primarily through interviews with key FPL
2 personnel and documents requested from the company. The
3 information gathered was questioned, cross verified with
4 relevant documentation, and analyzed against best
5 industry practices. The use of hindsight in evaluating
6 company actions was excluded. Only information known
7 and knowable at the time of any action taken by FPL was
8 considered in our analytical framework. This concludes
9 the summary of our testimony.

10 **MS. MAPP:** Thank you. We tender Ms. Lehmann
11 and Mr. Rich for cross-examination.

12 **CHAIRMAN BROWN:** Thank you.

13 All right. We'll start with Public Counsel,
14 Mr. Sayler.

15 **MR. SAYLER:** Good morning, Madam Chair,
16 Commissioners.

17 **EXAMINATION**

18 **BY MR. SAYLER:**

19 **Q** Good morning, Ms. Lehmann and Mr. Rich. I
20 have maybe a dozen questions, so hopefully we can get
21 through this pretty quickly.

22 As part of your testimony, you're both
23 sponsoring, jointly sponsoring LR-1; is that correct?

24 **A** (By Ms. Lehmann) Yes.

25 **Q** All right. And that is entitled the,

1 basically the project management internal controls for
2 Turkey Point 6 and 7 construction; correct?

3 **A** Yes.

4 **Q** All right. And in your testimony you both
5 state that you audited FPL's project management internal
6 controls for Turkey Point 6 and 7; correct?

7 **A** Yes.

8 **Q** All right. For the purposes of this
9 transcript or for the record, is it fair to say to call
10 it just a management audit? Is that an accurate
11 description?

12 **A** It is.

13 **Q** All right. Do you have a, a different way of
14 referring to it?

15 **A** Can you clarify that for me?

16 **Q** I mean, when you refer to this -- the Florida
17 Power & Light project management internal controls for
18 Turkey Point 6 and 7, that review, what do you call it?
19 What's your shorthand for it?

20 **A** We, we call it the project management review.

21 **Q** Project management review? Okay. All right.
22 And besides this year's project management
23 review, Ms. Lehmann, you sponsored one last year; is
24 that correct?

25 **A** Yes.

1 **Q** All right. And, Mr. Rich, you have sponsored
2 a project management review every year since 2009;
3 correct?

4 **A** (By Mr. Rich) That's correct.

5 **Q** All right. Would you please turn to your
6 LR-1 attached to your testimonies, and if you will turn
7 to page 15 of 19.

8 **A** We're there.

9 **CHAIRMAN BROWN:** Page 9 at the bottom.

10 **MR. SAYLER:** Yes. Page 9 at the bottom.

11 Thank you, Madam Chair.

12 **A** We're there.

13 **Q** Okay. And I want to focus your attention on
14 the section entitled "2.19 Project or FPL project
15 Feasibility Analysis." Do you see that?

16 **A** (By Ms. Lehmann) Yes.

17 **Q** And it is accurate to say that FPL submitted a
18 feasibility analysis annually through 2015; correct?

19 **A** Correct.

20 **Q** All right. And in that second paragraph your
21 report states that FPL did not produce or submit one in
22 2016; correct?

23 **A** Correct.

24 **Q** And that your report says, referring to an
25 order from last year, that -- it stated that FPL

1 intended to file an analysis this year; correct?

2 **A** Can you point me to that, the specific line?

3 **Q** Yes, ma'am. If you look at the second
4 paragraph, the last sentence that says, "The order
5 decision stated that FPL intended to file a 2017
6 feasibility analysis."

7 **A** Correct.

8 **Q** All right. And in the third paragraph it
9 indicated that FPL again did not file a 2017 feasibility
10 analysis; correct?

11 **A** Correct.

12 **Q** All right. And the last sentence of your
13 report indicates no cost recovery has been filed by FPL
14 for 2017 as of the date of the report publication;
15 correct?

16 **A** Correct.

17 **Q** All right. Would you turn back to page 11 of
18 19. It's also page 5 of your report.

19 **A** We're there.

20 **Q** Okay. And you would agree that this Exhibit 1
21 on this page shows the estimated current timeline; is
22 that correct?

23 **A** Yes.

24 **Q** All right. And in the bottom phase under
25 construction there's some red brackets in there and an

1 arrow. Can you explain what that is?

2 **A** Yes. The red brackets, the red brackets
3 around the construction, those will be shifting whenever
4 the company decides to start preconstruction, if they
5 decide to start the preconstruction. So we just wanted
6 to show that that will be out in the future. That is --
7 the way that it is laid out now, it is pre-pause what
8 the timeline would have been.

9 **Q** All right. But during this pause period, FPL
10 will still be engaging in the activities necessary to
11 defend and maintain the COL associated permits,
12 licenses, certifications, and approvals; correct?

13 **A** Correct.

14 **Q** And during this period, are you aware if FPL
15 will be incurring COL-related costs?

16 **A** I believe so.

17 **Q** And you're aware that FPL is asking to defer
18 cost recovery for those; correct?

19 **A** Yes.

20 **Q** All right. Would you turn to the next page,
21 page 6 of your report? At the top it says, "Page 12 of
22 19." Are you there?

23 **A** Yes.

24 **A** (By Mr. Rich) Yes.

25 **Q** All right. And under this section you detail

1 a project cost estimate; correct?

2 **A** (By Ms. Lehmann) Correct.

3 **Q** All right. And if you look at the 2014 cost,
4 it shows a high of 18.1 million and a low of 20 -- or
5 12.6 million; correct?

6 **A** Correct.

7 **Q** And as of the filing of your report, that has
8 increased to 21.9 and 15 billion; is that correct?

9 **A** Correct.

10 **Q** All right. And in your discussion of this
11 section under Exhibit 2, you stated that -- or the
12 report states that FPL assumes a 2.5 percent
13 year-to-year escalation rate consistent with past
14 practices?

15 **A** Correct.

16 **Q** Let's turn to the next page under the section
17 "Toshiba/Westinghouse bankruptcy." Are you there?

18 **A** Yes.

19 **Q** Would you please read the last sentence in
20 that paragraph, in that section that starts, "With the
21 impacts"?

22 **A** The first sentence of the last paragraph?

23 **Q** Just the entire -- yeah, the, the -- read the
24 entire last paragraph starting with the first sentence,
25 "With the impacts."

1 **A** Of course. "With the impacts of the
2 Westinghouse bankruptcy still unknown, FPL states that
3 the project could still proceed without an EPC contract.
4 Westinghouse could provide engineering procurement
5 services while another company or group of companies
6 could fulfill the construction services. However, under
7 a possible reorganization or buyout of Westinghouse, an
8 EPC contract approach could still be an option."

9 **Q** All right. And in looking at that paragraph,
10 by my count your report uses the word "could" I think on
11 four occasions. Is that accurate?

12 **A** I would have to count, but sure.

13 **Q** All right. Subject to check?

14 **A** Subject to check.

15 **Q** All right. All right. And -- all right.
16 Under page 9 of 19 or page 3 of your executive summary,
17 the last bullet states: "The process by which FPL
18 reached its decision to continue the delay and
19 preconstruction activities is reasonable." Do you see
20 that?

21 **MS. DUVAL:** I would object to this question as
22 it pertains directly to Issue 1, which OPC has taken no
23 position.

24 **CHAIRMAN BROWN:** Mr. Sayler?

25 **MR. SAYLER:** Madam Chair, this report touches

1 on Issues 6B, 9, and 10. So we are asking questions
2 within the scope of their report, and that's why we're
3 asking this question. And if you're willing I can ask
4 my two questions and then --

5 **CHAIRMAN BROWN:** Yeah. That was -- I didn't
6 know how much you counted a dozen, by the way. I was at
7 three so far, three dozen, but go ahead.

8 **MR. SAYLER:** Thank you, ma'am. All right. A
9 Commission dozen. All right. Okay.

10 **BY MR. SAYLER:**

11 **Q** What do you mean by the word "process" in that
12 sentence?

13 **A** What we as -- in our group what we define
14 process is the process in which a decision is made. So
15 looking at how it -- how does it -- what was taken into
16 consideration for that decision to be made, not the
17 decision itself.

18 **Q** Okay. And according to this report, the
19 report is only opining as to the process, not making the
20 ultimate conclusion as to the reasonableness; is that
21 correct.

22 **A** Correct.

23 **Q** All right. And my last question is during the
24 pause period what will -- will there be any further
25 management audits of this utility? I mean, what's going

1 to happen during the pause period of the process, if you
2 know it?

3 **A** We do not know. We are asked by Commission
4 staff to come in and do this. So it is up to Commission
5 staff to see whether or not we will come in next year or
6 the next and the frequency of those audits.

7 **MR. SAYLER:** All right. Thank you very much
8 much. You did an excellent job. No further questions.

9 **CHAIRMAN BROWN:** FIPUG.

10 **MR. MOYLE:** Thank you.

11 **EXAMINATION**

12 **BY MR. MOYLE:**

13 **Q** I have some questions and I may direct them to
14 particular witnesses. But let me, let me start with,
15 with the report itself, if I could, and this is similar
16 to a question I asked the last witness.

17 On page 2, and I'm going by the bottom of the
18 page numbers, not the, not the top. There's a --

19 **MS. CANO:** Excuse me. I apologize, but there
20 were two reports attached to the testimony. Could I
21 just get clarification?

22 **MR. MOYLE:** Sure.

23 **CHAIRMAN BROWN:** LR-1 or LR-2?

24 **MR. MOYLE:** LR-1.

25 **BY MR. MOYLE:**

1 **Q** And the reports are similar in many respects;
2 correct?

3 **A** (By Ms. Lehmann) Correct. Our scope and
4 methodology has not changed.

5 **Q** Okay. So, so this is a scope and methodology
6 question, so I assume your answer would apply to both
7 reports -- is that fair? -- whatever your answer is?

8 **A** Yes.

9 **Q** Okay. All right. So this goes to the review
10 of applicable laws and regulations. You state in the
11 last paragraph of Section 1.22 on scope that, that --
12 there's a phrase "compliance with applicable laws and
13 regulations."

14 You, you didn't look at, in your audit, FPL's
15 documents and make a determination as to whether they
16 complied with the nuclear cost recovery statute or the
17 rule in totality; correct?

18 **A** Correct.

19 **Q** Okay. And specifically, you know, there's an
20 issue in this case with respect to the feasibility
21 analysis. You have some language in the feasibility
22 analysis. But you're not offering an opinion saying
23 they did comply with that or they didn't comply with the
24 feasibility requirements of the rule; am I correct?

25 **A** Correct.

1 **Q** Okay. Mr. Rich, let me ask you this question.
2 On the first page of the executive summary -- let me
3 back up. Would you both just explain your respective
4 roles because that may help me focus my questions?

5 **A** We both co-authored the report. We both
6 looked at the same exact information; however, I'm
7 taking most of the questions because -- as the project
8 manager.

9 **Q** Okay. And, Mr. Rich, what did you do?

10 **A** (By Mr. Rich) I was the co-worker on this
11 assigned project. I was a deputy.

12 **Q** Okay. Okay. And so, like for example, I read
13 in the report that you all sat down and you did a whole
14 host of interviews with FPL executives; correct?

15 **A** (By Ms. Lehmann) Correct.

16 **A** (By Mr. Rich) Yes.

17 **Q** And when you would do that, would both of you
18 go to the interviews --

19 **A** (By Ms. Lehmann) Yes.

20 **Q** -- or would one of you? Would you split them
21 up?

22 **A** No, we do everything together. So interviews,
23 both of us are there.

24 **Q** Okay. Who, who did you interview?

25 **A** We would have to check our work papers, but

1 just off the top of my head, Mr. Scroggs and Mr. Bill
2 Maher.

3 Q Okay. Do you -- so you didn't interview
4 anyone in senior management? I don't mean to --
5 Mr. Scroggs, I'm not sure -- assume Mr. Scroggs is --
6 put him aside. Did you review anybody else, Mr. Silagy
7 or any, any vice president level?

8 A No. We -- looking -- Mr. Scroggs has most of
9 the information. He's in charge of the project
10 management of this project.

11 Q Okay.

12 A And that is what we're looking at is project
13 management internal controls. So we did not deem it
14 necessary.

15 Q Okay. In the first -- in your first, 1.1, you
16 say, "Currently the pause is expected to last at least
17 four years." What was the basis for that conclusion?

18 A In our interviews Mr. Scroggs had said that
19 they had said that it would last around -- not around
20 but they would last at least four years.

21 Q Did he give you a top end range or did you ask
22 and say, "What's the maximum range?"

23 A No. Again, we're not looking at -- it is
24 outside of the scope of our audit to see how long this
25 is going to last.

1 **Q** All right. Mr. Rich, let me ask you this
2 question. I want to -- on the bottom of page 1 there's
3 discussion about, about risk. It says, "Risk must be
4 timely and accurately identified with adequate
5 safeguards created, vetted, and actively employed to
6 control scheduling costs." Did you all make any
7 judgments with respect to risk?

8 **A** (By Mr. Rich) No, we did not. We looked at
9 risk registers. We looked at monthly meetings that
10 accounted for risk. But, no, we looked at the process,
11 not the decisions.

12 **Q** Okay. And when you're looking at risk, I
13 assume you're looking at risk as it befalls Florida
14 Power & Light Company and not customers; is that right?

15 **A** (By Ms. Lehmann) I think we're looking at the
16 risks of the project.

17 **Q** Okay. And did you make any, any qualitative
18 judgments about is this project risky compared to a
19 combined cycle project or a solar project or --

20 **A** (By Mr. Rich) No.

21 **Q** And so, like, the Westinghouse bankruptcy, I
22 know there's a section in your report about the
23 Westinghouse bankruptcy. That was not something that
24 you factored in in making any kind of risk judgments or
25 analysis?

1 **A** (By Ms. Lehmann) No. I think you're talking
2 about different kinds of risks.

3 **Q** Okay. On page 3, the last bullet point, on
4 there it says, "The process by which FPL reached its
5 decision to continue the delay in preconstruction
6 activities is reasonable." And my question is what was
7 the process that FPL used?

8 **A** Well, as Mr. Scroggs has stated, they have
9 always utilized a stepwise approach to their decision
10 making. Specifically for the pause they, they looked at
11 the different options of what to do after the COL was
12 obtained. They -- it was reviewed by the proper chain
13 of command. They were always watching what the first
14 wave is -- and the lessons from that.

15 They're always -- also they considered the
16 demand growth projections, their own demand growth
17 projections, and also their own cost range projections,
18 and they acted within the appropriate procedures that
19 they had set in place.

20 **Q** So, so you had answered that question by
21 talking about they looked at the options about what to
22 do after the COL is obtained. What, what were those
23 options? I assume it's move forward, not move forward,
24 wait longer. I mean, I don't -- just tell me the
25 options that you were made aware of.

1 **A** That analysis is considered confidential, has
2 been requested confidential by the company, so I don't
3 know If I should answer.

4 **CHAIRMAN BROWN:** Ms. Mapp?

5 **MS. MAPP:** I believe I would look to FPL
6 counsel as to what the witness may or may not speak of
7 as you would know it more than I.

8 **CHAIRMAN BROWN:** Ms. Cano?

9 **MS. CANO:** It's fine for the witness to
10 discuss at a high level the various options considered
11 by the company. We have no problem.

12 **CHAIRMAN BROWN:** Okay. Please proceed.

13 **A** (By Ms. Lehmann) Well, again, I would have to
14 check my work papers, but I believe that the company had
15 two options. One was to take a pause and the other one
16 was to keep going. But, again, that is subject to
17 check. It is in my work papers.

18 **Q** You would agree that there's an option of not
19 moving forward as well; correct?

20 **A** That is outside the scope of my testimony.

21 **Q** All right. And then, and then how did you get
22 this information? Did you see it in a document. I
23 guess you said there was a report, a confidential
24 report?

25 **A** Yes, there is a document.

1 **Q** Okay. Is that report, do you know, part of
2 the record in this case?

3 **A** No.

4 **Q** It's not.

5 **A** No.

6 **Q** Okay. So you -- in terms of this Commission
7 having to make judgments, your audit is a piece of
8 information that gives them some information; is that
9 right?

10 **A** Correct.

11 **Q** Okay. But the document, the document that
12 says "Here are the options" -- and I assume it had some
13 rationale and reasons as to why to choose this option or
14 the other option. I mean, how long was the document?

15 **A** No, it was simply a recommendation. And that
16 recommendation was then proposed to the upper management
17 of this project. And so it was just a recommendation.

18 **Q** Okay. Was there any qualitative evaluation
19 done with respect to that recommendation looking at
20 costs and --

21 **A** I do not know.

22 **Q** Okay. Let me flip on through the report, if
23 you would. And this is on page 5. There's an
24 Exhibit 1. It says, "During this phase, FPL will be
25 engaging in activities necessary to defend and maintain

1 COL-associated permits, licenses, certifications, and
2 approvals."

3 Did you all look at, at that issue as to what
4 would be needed to defend and maintain COL-associated
5 permits, licenses, certification, and approvals,
6 Mr. Rich?

7 **A** (By Mr. Rich) No, we didn't.

8 **Q** Okay. So you don't have any, any view or
9 opinion -- I think we determined that the annual costs
10 are between 10 and 15 million bucks and half of it's
11 interest. So with respect to \$5- or \$7.5 million being
12 supported by information to show, hey, it's going to
13 actually cost 5 to 7.5 million to, you know, meet with
14 the NRC and do things, you don't have any information as
15 to whether that number is a good number or not?

16 **MS. MAPP:** I would object to this question as
17 it is outside the scope of the witnesses' testimony.
18 They only testify as to the processes that FPL
19 undergoes. They do not testify as to the numbers that
20 FPL is putting forward.

21 **CHAIRMAN BROWN:** Objection sustained.

22 **BY MR. MOYLE:**

23 **Q** Flipping to the next page, page 6, Mr. Sayler
24 asked some of my questions about the, about the increase
25 from 2016 to 2017, so I'll pass on those.

1 But I did have a question with respect to
2 Exhibit 3 down at the very bottom. It's true that
3 there's been a 9.5 percent increase from, from last year
4 to this year in the nuclear cost. Correct, Mr. Rich?

5 **A** Correct.

6 **Q** Okay. And the preceding sentence says, "2.5
7 percent of that is, is consistent with the past
8 practices of FPL related to rate, rate escalations";
9 correct?

10 **A** Could you refer me to where you are?

11 **Q** Sure.

12 **A** I'm looking at the exhibit.

13 **Q** Sure. See the Exhibit 2, and then down below
14 there's a sentence and it says, "FPL assumes 2.5 percent
15 year-to-year escalation rate consistent with past
16 practices." That's right?

17 **A** That's correct.

18 **Q** Okay. So, but it's a 9.5 percent increase, so
19 I'm curious as to what makes up the other 7 percent
20 annual increase.

21 **MS. MAPP:** Again, I would object to this
22 question as it's delving into the specific numbers and
23 costs that FPL is putting forward and are outside the
24 scope of these witnesses' testimony.

25 **CHAIRMAN BROWN:** I will allow the question if

1 the witness is able to answer it.

2 **BY MR. MOYLE:**

3 Q Either one.

4 A I don't know the answer to that.

5 Q Okay.

6 **CHAIRMAN BROWN:** Ms. Lehmann, I think he's
7 looking at you too.

8 A (By Ms. Lehmann) Oh, I'm sorry.

9 Q Yeah. Do you know the answer to that?

10 A FPL did give us additional reasons. But just
11 looking at this without my analysis to back it up, this
12 is a, the cost estimate of -- I think it's a compounded
13 2.5 each year because these are looking at the, at the
14 time when the plants will be in service. So the
15 2.5 might be compounding into it; however, I would have
16 to check.

17 Q Okay. When you said FPL gave you additional
18 reasons, do you recall what those additional reasons
19 were with respect to the increase?

20 A Yes, but I would have to look at my work
21 papers.

22 Q Are those handy?

23 A Yes. Hold on.

24 **MR. MOYLE:** We are on track for noon, before
25 noon.

1 **CHAIRMAN BROWN:** Oh, I'm watching that clock
2 like a hawk.

3 **THE WITNESS:** You just have to give us a
4 second.

5 **MR. MOYLE:** Okay.

6 **MS. MAPP:** And I would just caution the
7 witnesses to please make sure the information you're
8 sharing is not under a request for confidentiality.

9 **MR. MOYLE:** I've signed a confidentiality
10 agreement.

11 **CHAIRMAN BROWN:** Okay. FPL? Mr. Moyle?

12 **MR. MOYLE:** With most of the utilities we have
13 a, you know, we sign it and we treat it confidential.
14 We'll treat it -- we're happy to represent we're not
15 going to disclose anything. If we didn't sign it, it
16 was an oversight.

17 **CHAIRMAN BROWN:** It's up to FPL.

18 **MS. CANO:** For purposes of the hearing, you
19 know, there's a procedure laid out in the Prehearing
20 Order that we're happy to abide by where information is
21 distributed that the counsel would like to use in red
22 folders. It's recollected at the end. If it's entered
23 into the record, we would seek a formal ruling.

24 But in terms of a public discussion that
25 reveals confidential information, that's not

1 contemplated in the Prehearing Order.

2 **CHAIRMAN BROWN:** Right.

3 **MR. MOYLE:** So I think, I think we may be
4 getting ahead of ourselves because I'm not even sure
5 that we've determined whether it's confidential or not.
6 But Florida has a rich history of transparency and we're
7 talking about customer money and --

8 **CHAIRMAN BROWN:** Okay. Now we're getting
9 really -- yeah, all right.

10 **MR. MOYLE:** I think the company would say,
11 yeah, sure, if there are other good reasons why it went
12 up, tell us.

13 **CHAIRMAN BROWN:** I would like Ms. Lehmann to
14 see if she's obtained the work papers that are being
15 asked.

16 **THE WITNESS:** Yes. I misspoke. There were no
17 additional reasons. FPL claims -- when they -- when we
18 asked for that information, they stated that it's mostly
19 driven by the 2.5 increase.

20 **CHAIRMAN BROWN:** There you go.

21 **BY MR. MOYLE:**

22 **Q** Okay. And I don't understand -- I'm not that
23 great a math. I don't understand how a 2.5 percent
24 annual cost increase then means it's nearly 10 percent,
25 9.5 percent. Like, how, how one relates to the other.

1 **A** I think you're looking at two very different
2 things. One is a year-to-year increase. You're looking
3 at this specific of what they have, what they project,
4 just a 1 percent increase. But if you look at the
5 graph, I mean, it's different information. I mean --

6 **Q** Right. But doesn't the graph show, like, the
7 high end increase from, you know, from 20 billion to
8 22 billion, you know, 21.9? I mean, that's a 10 percent
9 increase -- right? -- 9.5 percent year to year,
10 Mr. Rich?

11 **A** (By Mr. Rich) It does. But in the interest of
12 clarity, if I could refer you to the second to the last
13 paragraph on page 6 where it speaks of the project pause
14 pushing testing and startup dates four years into the
15 future, that increases time-related project costs as we
16 mentioned. Those are assumed in those numbers, those
17 increases, along with the 2.5 year to year that FPL has
18 used historically. I think that might add some clarity.

19 **Q** Okay. So given that and your understanding of
20 the, of the interest, with respect to 2018 would you
21 expect that the numbers would continue to rise if
22 they're applying a 2.5 percent escalation factor?

23 **A** (By Ms. Lehmann) No, unless, unless the dates
24 that they have here that they gave us, which are 2031,
25 2032, if those are pushed forward, then the 2.5

1 escalation rate will be applied to that. But if they
2 maintain it, then it will stay the same.

3 Q Okay. And you have a section about the site
4 certification. I assume you looked at documents related
5 to the site certification issue on appeal. We talked
6 with Mr. Scroggs about that yesterday; correct?

7 A Correct.

8 Q All right. And you have no indication as to
9 when that issue will be resolved; is that right?

10 A Correct. We were not given a date.

11 Q Okay. The feasibility analysis, you're aware
12 there's a rule that addresses the feasibility analysis;
13 correct? You cite it in your report?

14 A Correct. We are aware of the rule.

15 Q Okay. As an auditing professional, do you
16 believe that having real-time information and data with
17 respect to making decisions is important and helpful in
18 making good decisions?

19 A In general, yes.

20 Q And, and so having -- this Commission is being
21 asked to make a decision with respect to ratepayers and
22 charging them money and authorizing approval of money.
23 Doesn't it put them at a disadvantage not having a
24 feasibility study for more than two years in your, in
25 your view?

1 **A** That is asking us to give a legal opinion, and
2 we cannot do that. That is outside of our scope.

3 **Q** That might be an accounting opinion, but are
4 you not comfortable sharing your opinion with respect to
5 that, given your background and expertise?

6 **A** No.

7 **Q** Mr. Rich, I mean, you served in the military
8 many years. When the military were making decisions,
9 were they using information two and half years old?

10 **CHAIRMAN BROWN:** Mr. Moyle.

11 **A** (By Mr. Rich) Yes, I'm comfortable making
12 decisions.

13 **Q** But you like to have current information;
14 correct?

15 **A** It's not within the scope of this testimony
16 today, sir.

17 **CHAIRMAN BROWN:** Spoken like a West Point
18 grad.

19 **MR. MOYLE:** Thank you both for, you know, for
20 testifying. A lot of times staff witnesses are
21 stipulated, but I appreciate you both coming and
22 testifying and found it to be helpful. So thank you.

23 **MS. LEHMANN:** You're welcome.

24 **MR. RICH:** Thank you, Mr. Moyle. My best to
25 your son.

1 **MR. MOYLE:** Thank you.

2 **CHAIRMAN BROWN:** Thank you.

3 That's right, your son is going into the Air
4 Force.

5 **MR. MOYLE:** Right.

6 **CHAIRMAN BROWN:** All right. Retail
7 Federation.

8 **MR. WRIGHT:** Thank you, Madam Chairman. I
9 have taken the lesson from Mr. Sayler's experience and
10 I'm not going to say I just have a couple of questions
11 because sometimes predicate questions get in there and
12 run the number up. But I will be very brief. Thank
13 you.

14 **EXAMINATION**

15 **BY MR. WRIGHT:**

16 **Q** Good morning, Ms. Lehmann, Mr. Rich.

17 **A** (By Ms. Lehmann) Good morning.

18 **A** (By Mr. Rich) Good morning, Mr. Wright.

19 **Q** I'm Schef Wright and I'm an alumnus of the PSC
20 staff. It's nice to see y'all.

21 A few minutes ago I think Ms. Lehmann
22 testified that FPL considered whether to pause the
23 process or go forward. Do you remember making that
24 statement, Ms. Lehmann?

25 **A** (By Ms. Lehmann) It's Lehmann, but, yes.

1 Lehmann.

2 Q Lehmann. Thank you. Do you know whether FPL
3 considered terminating or abandoning the project at the
4 same time they were considering whether to pause or go
5 forward?

6 A I am not sure.

7 Q Mr. Rich, do you know?

8 A (By Mr. Rich) No, I don't.

9 Q Thank you. I understood your earlier
10 testimony to be that in your -- in the course of your
11 employment and what you do at the PSC, you do audits and
12 reviews as requested by the staff; is that accurate?

13 A (By Ms. Lehmann) That's correct.

14 Q So during the pause, could the staff request
15 that you conduct a management audit or what I think you
16 call a project management review of the Turkey Point
17 project?

18 A That is correct.

19 Q If you -- what, what would you think the
20 purpose of such a management audit or performance --
21 project management review would be?

22 A Well, as -- if you look back to page 7 of the
23 exhibit or Page 1 at the bottom, we clearly state that
24 the primary objective of this audit is to provide an
25 independent account of project activities and to

1 evaluate internal project controls.

2 Q Is that functionally equivalent to an
3 analysis -- a management audit type analysis of whether
4 the project is being well managed?

5 A Yes.

6 MR. WRIGHT: Thank you very much. That's all
7 I had.

8 CHAIRMAN BROWN: Thank you, Mr. Wright.
9 Mr. Cavros.

10 MR. CAVROS: Commissioner, just one question.

11 **EXAMINATION**

12 **BY MR. CAVROS:**

13 Q Good morning.

14 A (By Ms. Lehmann) Good morning.

15 A (By Mr. Rich) Good morning, Mr. Cavros.

16 Q In your testimony and exhibits you're not
17 making any legal conclusions as to the appropriateness
18 of FPL's decision to ask this Commission for the
19 so-called pause; is that correct?

20 A (By Ms. Lehmann) That is correct.

21 MR. CAVROS: Thank you.

22 CHAIRMAN BROWN: Thank you, Mr. Cavros.
23 FPL.

24 MS. CANO: No questions. Thank you.

25 CHAIRMAN BROWN: Thank you.

1 Redirect? Oh, Commissioners. Sorry. I got
2 ahead of myself.

3 Commissioner Polmann.

4 **COMMISSIONER POLMANN:** Thank you, Madam
5 Chairman.

6 **COMMISSIONER POLMANN:** Good morning.

7 **MS. LEHMANN:** Good morning.

8 **MR. RICH:** Good morning, Commissioner.

9 **COMMISSIONER POLMANN:** There have been a
10 number of questions here regarding your Exhibit LR-1.
11 And in reading that document and a number of questions
12 that concern statements, multiple statements that appear
13 there, in fact, paragraphs within that exhibit that
14 provide general information about the project or
15 referencing the industry. Can you explain why that type
16 of general information is included in your report?

17 **MS. LEHMANN:** Can you repeat that one more
18 time?

19 **COMMISSIONER POLMANN:** There is included in
20 your report general information about the project and
21 about the industry. Can you please explain why that
22 general information is included in your report?

23 **MS. LEHMANN:** So while we did not use that
24 information specifically for our analysis, we did want
25 to inform our readers, specifically you, you four,

1 that -- of what is going on. And we are generally aware
2 of what's going on in the nuclear industry and we did
3 want to put that into the report just to make the reader
4 generally aware of what is going on.

5 **COMMISSIONER POLMANN:** So is it correct that
6 the information is provided, that general information is
7 provided in order to set a context for the project?

8 **MS. LEHMANN:** That is correct.

9 **COMMISSIONER POLMANN:** Thank you. I believe
10 you indicated and simply by title that what you are
11 reviewing are project management internal controls; is
12 that correct?

13 **MS. LEHMANN:** That is correct.

14 **COMMISSIONER POLMANN:** And if I understand
15 project management internal controls, is it correct that
16 what you are focused on -- in fact, your task is
17 reviewing the company's processes and procedures; is
18 that correct?

19 **MS. LEHMANN:** That is correct.

20 **COMMISSIONER POLMANN:** And, in fact, you -- I
21 believe it has been asked, but let me, let me ask it
22 just so I'm clear, you are not reviewing or making any
23 assessment of project decisions; is that correct?

24 **MS. LEHMANN:** That is correct.

25 **COMMISSIONER POLMANN:** Thank you. That's all

1 I have, Madam Chairman.

2 **CHAIRMAN BROWN:** Any other Commissioners?

3 I just have one question on the page 8 of your
4 LR-1, the project joint ownership.

5 **MR. RICH:** Page 8 of the exhibit, Madam
6 Chairman?

7 **CHAIRMAN BROWN:** Yes. Yes, sir. You said
8 that there were no formal discussions other than that
9 one May 26th, 2016, meeting with -- is that correct?

10 **MS. LEHMANN:** That is correct.

11 **MR. RICH:** That's correct.

12 **CHAIRMAN BROWN:** Have you reviewed any
13 materials associated with joint ownership?

14 **MS. LEHMANN:** No. That is -- we looked at the
15 specific minutes and the presentation that was given on
16 May 26th. But beyond that, we do not believe that there
17 are anymore.

18 **CHAIRMAN BROWN:** So from May 26th on, onward,
19 you didn't see any other materials related to joint
20 ownership?

21 **MS. LEHMANN:** No.

22 **CHAIRMAN BROWN:** Okay. Commissioners, any
23 other questions? Thanks.

24 Redirect.

25 **MS. MAPP:** We have no redirect.

1 **CHAIRMAN BROWN:** All right. Let's go to the
2 exhibits for these witnesses. We've got 24 and 25.
3 Would you like those --

4 **MS. MAPP:** Yes, we'd like to enter those into
5 the record.

6 **CHAIRMAN BROWN:** Seeing no objection, we will
7 go ahead and enter into the record 24 and 25.

8 (Exhibits 24 and 25 admitted into the record.)

9 And Ms. Lehmann and Mr. Rich, you are excused.
10 I hope you have a great day.

11 **MR. RICH:** Thank you, Madam Chairman. Thank
12 you.

13 **MS. LEHMANN:** Thank you.

14 **CHAIRMAN BROWN:** And thank you, Mr. Rich, for
15 your service.

16 **MR. RICH:** Thank you.

17 **CHAIRMAN BROWN:** All right. So that concludes
18 all of the witnesses as well as the exhibits in this
19 proceeding. Staff, are there any other matters that
20 need to be addressed?

21 **MS. MAPP:** Staff would just like to inform all
22 parties that post-hearing briefs are due August 31st,
23 2017, and that the Levy Nuclear Project portion for the
24 DEF portion of this docket will commence on
25 October 25th, 2017, and all other dates are set forth in

1 Order No. PSC-2017-0260-PCO-EI.

2 **CHAIRMAN BROWN:** Thank you, Ms. Mapp. Do we
3 have a time certain for that October 25th hearing?

4 **MS. MAPP:** Yes. I believe it is set for 9:30
5 on that date.

6 **CHAIRMAN BROWN:** Okay. Thank you.
7 Do any of the parties have any additional
8 matters that need to be addressed in this proceeding?

9 **MS. CHRISTENSEN:** Yes, Madam Chair, just a
10 brief inquiry. Since the briefs are due August 31st,
11 which I believe is, like, two weeks from now, do we have
12 an idea of when the transcripts will be issued for the
13 hearing?

14 **CHAIRMAN BROWN:** Transcripts?

15 **MS. CHRISTENSEN:** Transcripts from the
16 hearing.

17 **CHAIRMAN BROWN:** I'm looking to --

18 **THE COURT REPORTER:** The 23rd.

19 **CHAIRMAN BROWN:** The 23rd.

20 Any other, any other questions,
21 Ms. Christensen?

22 **MS. CHRISTENSEN:** No, but that does help us
23 prepare to write the brief because we use those
24 transcripts heavily.

25 **CHAIRMAN BROWN:** Okay. Thank you. Ms. Cavros

1 -- Mr. Cavros. Sorry.

2 **MR. CAVROS:** Yes, Madam Chair, yesterday I
3 made a request to enter Exhibit 49 into the record.
4 That's an excerpt from a PSC order.

5 **CHAIRMAN BROWN:** Let me go back. Yes.

6 **MR. CAVROS:** Yes, I would like to withdraw
7 that request.

8 **CHAIRMAN BROWN:** Okay. I think we already
9 went ahead and entered that into the record
10 procedurally. Staff? It's an order. So we already
11 entered it in in whole.

12 **MR. HETRICK:** Madam Chair, it's an order of
13 the Commission. It's entered -- it speaks for itself.
14 You can give it the weight it's due. It's already into
15 the record.

16 **CHAIRMAN BROWN:** Mr. Cavros.

17 **MR. CAVROS:** Very well.

18 **CHAIRMAN BROWN:** Thank you. It's already out
19 there for the world.

20 Any other preliminary matters? Seeing none,
21 Commissioners, any concluding comments? All right.
22 Well, I'd like to say thank you all for your
23 professionalism in this proceeding. Appreciate it. And
24 we will see you all later. Safe travels. This hearing
25 is adjourned. Thank you so much.

(Hearing adjourned at 11:28 a.m.)

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

3
4 I, LINDA BOLES, CRR, RPR, Official Commission
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
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8 IT IS FURTHER CERTIFIED that I
9 stenographically reported the said proceedings; that the
10 same has been transcribed under my direct supervision;
11 and that this transcript constitutes a true
12 transcription of my notes of said proceedings.

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

18 DATED THIS 23rd day of August, 2017.

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