

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 110009-EI

In the Matter of:
NUCLEAR COST RECOVERY CLAUSE.

VOLUME 3

Pages 290 through 498

PROCEEDINGS: HEARING

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

DATE: Wednesday, August 10, 2011

TIME: Commenced at 1:51 p.m.
Concluded at 3:19 p.m.

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

REPORTED BY: JANE FAUROT, 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

(Transcript continues in sequence from Volume 2.)

CHAIRMAN GRAHAM: We will reconvene. Let the record show that it's 1:50. We left the question in the hands of our staff attorney. And, I guess, put us in the correct posture, or where do we go from here, or what have you decided?

MR. YOUNG: Mr. Chairman, it's my understanding that Mr. Whitlock is going to withdraw his previous questions of previous documents and move forward with his cross-examination.

CHAIRMAN GRAHAM: Okay.

MR. WHITLOCK: May I proceed, Mr. Chairman?

CHAIRMAN GRAHAM: Sure.

MR. WHITLOCK: Thank you.

STEVEN D. SCROGGS

continues his testimony under oath from Volume 2:

CONTINUED CROSS EXAMINATION

BY MR. WHITLOCK:

Q. Mr. Scroggs, I believe I asked you before lunch, and I just want to touch base back on this, your May 2nd testimony of this year, Page 4, Line 11.

A. I'm there.

Q. Okay. You state that in doing so, which is

1 obtaining the licenses, FPL is creating a valuable
2 option that can be exercised at the most opportune time
3 for the benefit of FPL customers, correct?

4 A. That's correct.

5 Q. Okay. And I think we established before, that
6 does not say it will be exercised, correct?

7 A. That's correct.

8 Q. Okay. Mr. Scroggs, as we sit here today, FPL
9 has not made a decision to construct Turkey Point 6 and
10 7, the final decision, has it?

11 A. That is correct, FPL has not made a final
12 decision.

13 Q. Of whether to construct, correct?

14 A. I'm not sure of your meaning. We clearly
15 intend to construct.

16 Q. Okay.

17 A. We are going through all the necessary
18 preliminary approvals and licenses to do so.

19 Q. But as we sit here today, FPL has not made a
20 decision whether or not to actually construct Turkey
21 Point 6 and 7, has it?

22 A. No. That decision is going to be based on the
23 economics and the events as they unfold over the next
24 several years.

25 Q. Thank you.

1 Earlier, upon questioning by Ms. Kaufman, you
2 testified about the schedule revision, the modified
3 approach that FPL was taking to the project, I think
4 beginning in early 2010, correct?

5 A. We had talked about the schedule revision,
6 correct.

7 Q. Okay. And, of course, the revision of that
8 schedule led to FPL taking certain steps, would that be
9 accurate to say?

10 A. That's correct.

11 Q. Okay. And one of those steps was deferring a
12 decision on entering into an EP or an EPC contract?

13 A. That's correct, we did not.

14 Q. Okay. And as we sit here today, has FPL
15 entered into an EP or an EPC contract?

16 A. No, it has not.

17 Q. Okay. And certainly it would be accurate to
18 say that FPL will have to enter into one of these
19 contracts, whichever form it takes, before you can
20 actually construct Turkey Point 6 and 7, correct?

21 A. That's correct, at the appropriate time.

22 Q. Okay. FPL also in early 2010 negotiated the
23 deferral of long-lead material procurement, is that
24 correct?

25 A. That's correct.

1 Q. Okay. If you would, just explain to the
2 Commission and to me in some more detail exactly what
3 types of long-lead materials are these?

4 A. The long-lead materials are basically heavy
5 forgings and heavy component parts that make up the key
6 components for the nuclear project. They take
7 significant time to put them through the foundry, finish
8 them to their finished stage, so there's a long lead
9 time for them to be manufactured. And a few of them
10 have specific manufacturing requirements that only a few
11 places in the world can construct.

12 Q. And so you said these are key components to
13 construction?

14 A. That's correct.

15 Q. And as we sit here today, has FPL initiated
16 procurement of these items?

17 A. Well, under a reservation agreement we
18 reserved manufacturing space for those components, and
19 we have kept that agreement alive as we have moved
20 forward with different milestones. It was initially
21 envisioned that that agreement would be rolled into an
22 EP or EPC contract at the end of 2009. Since we chose
23 not to do that, we've negotiated extensions that change
24 no material aspects of the agreement up to recently.

25 Q. And that didn't entirely answer my question,

1 but if you want to talk about the extensions of the
2 forging reservation agreement, we can go there. In your
3 supplemental testimony to your May 2nd testimony, that
4 forging reservation agreement has now been extended
5 again until September 16th of this year, is that
6 correct?

7 A. If you're speaking of the errata to the May
8 2nd testimony where we identified that it has been
9 extended to September 15th, that's correct.

10 Q. I apologize. I thought that might have been
11 supplemental. Thank you for the correction.

12 Now, how many extensions of the forging
13 reservation agreement have there been to date?

14 A. I believe this would be the fourth.

15 Q. The fourth. And what has been the cost of
16 negotiating those extensions, if any?

17 A. There has been no cost for extending that
18 agreement, and no changes to the conditions of it.

19 Q. Is that an agreement with Westinghouse?

20 A. Yes, it is.

21 Q. And if ultimately if that agreement was
22 canceled, there would be a cancellation or cancellation
23 of reservation fees, correct?

24 A. That's to be negotiated. If you go with the
25 explicit reading of the current agreement, there is a

1 cancellation cost.

2 Q. And what is that cost?

3 A. Different agreements are under different
4 situations. If Westinghouse is able to remarket or
5 reuse the slots, we would get an 85 percent refund.

6 Q. So there has been four extensions negotiated,
7 and certainly at some point before construction can
8 commence, you're going to have to enter into a finalized
9 forging reservation agreement, correct?

10 A. That may or may not take the same form. The
11 final EPC or EP agreement might encompass the contents
12 of the current reservation agreement.

13 Q. Now, going back to my original question. FPL
14 is going to have to initiate procurement of the
15 long-lead materials significantly in advance of
16 construction, correct?

17 A. That is correct.

18 Q. And that has not been done to date, correct?

19 A. That's correct.

20 Q. Okay.

21 A. At this time it looks like we wouldn't need to
22 initiate that until 2015 in order to maintain our
23 current project schedule.

24 Q. To maintain the 2022/2023 projected in-service
25 date?

1 A. Correct.

2 Q. Okay. Now, in 2010 FPL also withdrew its
3 limited work authorization request with the NRC, is that
4 right?

5 A. That's correct.

6 Q. And that limited work authorization or LWA, as
7 I will refer to it, that would allow for the initiation
8 of certain construction activities prereceipt of your
9 combined operating license, correct?

10 A. That's the function of the limited work
11 authorization, to identify specific portions of the work
12 that can be initiated before the combined operating
13 license. But the reality of the situation, in our view,
14 was that in discussing what the reality of the schedule
15 may be is the introduction of a limited work
16 authorization may have actually added time to the
17 overall license review process. So the value that it
18 might have offered to start earlier could have been
19 taken away by an extension of the overall review time.

20 Q. So any early construction activities are no
21 longer a possibility, correct, in regards to Turkey
22 Point 6 and 7 under the limited work authorization?

23 A. Under limited work authorization, which is a
24 significantly confined portion of the work related to
25 the NRC's purview. There's a significant amount of work

1 related to site preparation, roads, and other
2 construction that isn't safety related that can be
3 undertaken without an LWA.

4 Q. Okay. So as we sit here today, FPL has no
5 engineering procurement or construction contract,
6 correct?

7 A. That's correct.

8 Q. FPL has not initiated procurement of long-lead
9 materials for construction, key components as you called
10 them, correct?

11 A. That's correct.

12 Q. And FPL has just recently negotiated the
13 fourth extension of this forging reservation agreement
14 with Westinghouse, correct?

15 A. Correct.

16 Q. Okay. If you would, if I could ask you to
17 look over at the bottom of Page 4 of your May 2nd
18 testimony, please, sir?

19 A. I'm there.

20 Q. Okay. And you state there at Line 23, the
21 projected in-service dates of 2022 and 2023 are based on
22 the premise that predictability will be developed to
23 begin preparation phase activities in late 2012 and
24 early 2013; is that accurate?

25 A. That is our schedule. That's correct.

1 Q. Okay. Now, it says based on a premise. So is
2 it your testimony that the current, the current
3 projected in-service dates are based on a premise?

4 A. Correct. As was the original project plan, we
5 assumed that certain levels of predictability and
6 stability would be achieved by 2010 in order to make
7 2018 and 2022 --

8 Q. And that didn't happen, correct?

9 A. That didn't happen. So in a similar way --

10 Q. Again, this premise might not happen either,
11 Correct?

12 A. That's correct.

13 Q. And that would, again, result in pushing out
14 the projected in-service dates.

15 A. It would result in pushing out the projected
16 in-service dates. And without money flowing to EPC
17 contracts or other costly early expenditures, the
18 customers would be protected by not having those
19 expenditures charged.

20 Q. On page -- turning over to Page 6 of your
21 testimony, on the majority of that page there you talk
22 about the expected benefits, excuse me, of Turkey Point
23 6 and 7, do you see that?

24 A. That's correct.

25 Q. Now, if Turkey Point 6 and 7 is never

1 constructed and brought on-line, these benefits would
2 not be realized by FPL ratepayers, is that correct?

3 A. That's correct. I mean, that's really the
4 story here is it is a balance of pursuing significant
5 benefits that are available to our customers uniquely
6 offered by this type of technology, and doing the hard
7 work early to create that opportunity. And that's
8 exactly what 6 and 7 is about.

9 Q. To create the option, correct?

10 A. I said create the opportunity; create the
11 option is another way of saying it.

12 Q. Okay. Over on -- if you could turn over to
13 Page 15. I think the page is captioned, "Issues
14 Potentially Affecting Project"?

15 A. Yes, I'm there.

16 Q. Thank you. Now, are these -- and I'm not
17 sure -- are these kind of the qualitative issues in your
18 feasibility analysis?

19 A. They certainly have a bearing on it. I think
20 I referred to this as indicators in the first question.

21 Q. Okay.

22 (Cell phone ringing.)

23 **CHAIRMAN GRAHAM:** Really? Really. Where's
24 your right hand?

25 Thank you. I'm sorry.

1 **MR. WHITLOCK:** No. Thank you, Commissioner.
2 It was some much-needed laughs in the middle of my
3 boring cross-examination here.

4 **BY MR. WHITLOCK:**

5 **Q.** One of the -- you talk about four areas of
6 issues potentially affecting the Turkey Point project,
7 correct, Mr. Scroggs?

8 **A.** That is correct.

9 **Q.** Okay. And first you talk about the Fukushima
10 disaster, correct?

11 **A.** Correct.

12 **Q.** Okay. Are you familiar with the NRC task
13 force report that has been issued?

14 **A.** Yes, sir.

15 **Q.** Arising out of that?

16 **A.** I have seen it.

17 **MR. WHITLOCK:** Okay. If I could, I'll mark
18 this for purposes of identification -- or request that
19 this be marked for purposes of identification as Exhibit
20 Number 194.

21 **MR. YOUNG:** 195.

22 **MR. WHITLOCK:** 195. Okay.

23 **MR. YOUNG:** You withdrew 194.

24 **MR. WHITLOCK:** Okay. We withdrew 194?

25 **CHAIRMAN GRAHAM:** So the current 194 we had is

1 no longer there. We pulled that off. So this is now
2 194?

3 **MR. YOUNG:** No. We keep -- the way the
4 process works is we keep the number as -- we keep it as
5 numbered. And if the party wishes not to enter the
6 exhibit as marked, we just continue sequentially with
7 those numbers.

8 **CHAIRMAN GRAHAM:** Okay. So this would be
9 marked as 195?

10 **MR. YOUNG:** Yes.

11 **CHAIRMAN GRAHAM:** Gotcha.

12 (Exhibit Number 195 marked for
13 identification.)

14 **MS. CANO:** Excuse me. I would just note for
15 the record that Nils Diaz is also a witness in this
16 case, and he has provided testimony specifically on
17 these topics. So I'm not objecting at this point, but
18 that may be a more appropriate witness to spend our time
19 with on this report.

20 **CHAIRMAN GRAHAM:** It sounds like you're
21 objecting, but go ahead.

22 **BY MR. WHITLOCK:**

23 Q. Mr. Scroggs, I would represent to you this is
24 just the executive summary of the NRC task force report
25 entitled, "Recommendations For Enhancing Reactor Safety

1 in the 21st Century." Would you agree with that?

2 A. I'll take your word for it.

3 Q. Thank you. If I could, if you could turn over
4 to page, I believe it's Roman numeral IX, where the
5 recommendation starts. It starts with Number 1 at the
6 top of the page.

7 A. I'm there.

8 Q. Okay. And the recommendation from the task
9 force -- the first recommendation was the recommendation
10 to clarify the regulatory framework, is that accurate?

11 A. That's a paraphrase, yes.

12 Q. Okay. Do you agree with that recommendation,
13 that that is a needed change that needs to be made in
14 the wake of the Fukushima disaster?

15 A. You know, I'm not an expert in NRC regulatory
16 policymaking. I would prefer to defer that to Witness
17 Diaz.

18 Q. You are certainly familiar -- in your
19 capacity, you're certainly familiar with regulatory
20 issues surrounding the AP1000 surrounding new nuclear
21 generation, are you not?

22 A. I am.

23 Q. Okay. The second recommendation ensuring
24 protection. Number 2 states the task force recommends
25 the NRC require licensees to reevaluate and upgrade as

1 necessary the design-basis seismic and flooding
2 protection of structure systems and components for each
3 operating reactor, is that correct?

4 A. That's what it says, yes.

5 Q. Okay. Now, in fact, there is already concerns
6 with the AP1000 design as it relates to seismic impacts,
7 are there not?

8 A. I think through the course of the NRC's really
9 detailed review, there has certainly been questions.
10 But with the issuance of the staff's final safety
11 evaluation report last week, I think the staff feels
12 that those questions have been answered.

13 Q. So it's your testimony today that the Revision
14 19 that was submitted by Westinghouse in June, that all
15 of those technical issues have now been resolved?

16 A. Again, I can't speak to the NRC's regulatory
17 purview and their opinion, but what I can say is they
18 have moved on. They have issued the final safety and
19 evaluation report that addresses those issues, so
20 apparently the NRC is ready to move forward with the
21 AP1000 design certification amendment process.

22 Q. And the rulemaking has commenced based on
23 Revision 18, correct?

24 A. Again, I'm not an expert in that process. I
25 would defer that to --

1 Q. So you are not up-to-date with the current
2 design certification document for the AP1000, that's
3 your testimony today?

4 A. That is not my testimony. If you are asking
5 me -- the rulemaking for Revision 19 has not begun. It
6 is in process.

7 Q. Okay. Now, if you turn over to the last page
8 of this executive summary, that top paragraph there --
9 let's see, starting with the third line down with
10 recognizing, it says recognizing that rulemaking is in
11 subsequent implementation typically takes several years
12 to accomplish, the task force recommends interim actions
13 to enhance protection mitigation and preparedness while
14 the rulemaking activities are conducted, correct?

15 A. That's what it says.

16 Q. Okay. Now, have those interim actions, to
17 your knowledge, been initiated?

18 A. Not to my knowledge. What I understand is
19 that the NRC Commission itself is deliberating on what
20 is a task force recommendation, and that there is a
21 fairly wide range of opinion amongst the Commissioners
22 at the NRC as to what the right and appropriate
23 follow-on action is. So I think that that is still
24 being deliberated. And it is yet to be seen what final
25 actions might be handled as orders from the Commission

1 or what final actions might be handled in rulemaking
2 from the Commission.

3 Q. And that certainly creates more uncertainty,
4 does it not, regulatory uncertainty?

5 A. Well, again, we are watching --

6 MS. CANO: Excuse me. At this time I am going
7 to go ahead and object. We have been going down this
8 line for a few minutes now. The NRC rulemaking process
9 is not within the scope of Mr. Scroggs' testimony. Mr.
10 Diaz has addressed that, and he is available to answer
11 questions on this topic. Thank you.

12 CHAIRMAN GRAHAM: Before I go to staff for
13 some clarification, it appears that the questions that
14 he is asking him, some of whom he can answer, some he
15 cannot answer, and I think the witness has done a fair
16 job of saying the things that he is not technically an
17 expert to answer and the ones that he can answer. In
18 some they have asked specifically in his opinion. Now,
19 what is outside of his specific testimony, I will defer
20 to staff on that one.

21 MR. YOUNG: I think, Mr. Chairman, you hit it
22 right on the head. I think, based on his expertise,
23 Mr. Whitlock has asked him based on his expertise as
24 relates to him, his duties as the Senior Director of
25 Power Development, and he specifically stated that his

1 assignment is the Turkey Point 6 and 7 projects.

2 **CHAIRMAN GRAHAM:** So I will not agree with the
3 objection. And, Mr. Whitlock, you can continue on.
4 And, Witness, the questions you can answer you can
5 answer.

6 **THE WITNESS:** Yes, sir.

7 **MR. WHITLOCK:** Thank you, Mr. Chairman.

8 **BY MR. WHITLOCK:**

9 Q. Mr. Scroggs, I'm going to show you what I'm
10 going to ask to be marked as Exhibit 196 for purposes of
11 identification. Mr. Scroggs, I would represent to you
12 this is an article from the *New York Times* entitled,
13 "Countdown to a Nuclear Renaissance."

14 **CHAIRMAN GRAHAM:** Mr. Whitlock, just for a
15 second.

16 **MR. WHITLOCK:** I'm sorry.

17 **CHAIRMAN GRAHAM:** I think there are some other
18 FPL people who need some copies.

19 **MR. YOUNG:** And, I'm sorry, Mr. Chairman.
20 Also, if Mr. Whitlock can give the title. I know he put
21 it on the document, but for the record, if he could give
22 the title.

23 **MR. WHITLOCK:** Mr. Young, I don't have a copy
24 of the cover page with me. I apologize. The
25 description of Exhibit 196 is *New York Times*, "Countdown

1 to a Nuclear Renaissance."

2 **CHAIRMAN GRAHAM:** And since we are there, what
3 is the description of 195?

4 **MR. WHITLOCK:** 196.

5 **CHAIRMAN GRAHAM:** No, what was the one before
6 that?

7 **MR. YOUNG:** Executive Summary, NRC Task Force
8 Review of the Fukushima Disaster.

9 **CHAIRMAN GRAHAM:** Okay.

10 **MR. WHITLOCK:** Thank you, Mr. Young.

11 (Exhibit Number 196 marked for
12 identification.)

13 **BY MR. WHITLOCK:**

14 Q. Mr. Scroggs, I would like to focus your
15 attention on the second page of this article, a little
16 bit more than halfway down the page. Meanwhile, do you
17 see that paragraph?

18 A. I do.

19 Q. And it says, "Meanwhile, Mr. Jaczko," and that
20 would be the Chairman of the NRC, correct?

21 A. That's correct.

22 Q. "Testifying on Tuesday before the Senate
23 Committee on Environment and Public Works about the
24 schedule for new rules after the Fukushima accident on
25 March 11th in Japan, gave another reason why Vogtle

1 might be delayed. He wants the Commissioners to focus
2 on deciding within 90 days whether to accept
3 recommendations from a task force that studied the
4 accident's implications for American reactors." And
5 that would be the recommendations, some of which we were
6 just looking at, correct?

7 A. It's my understanding that that statement is
8 wholly speaking about the task force recommendations.
9 And as I mentioned in my previous response, this is a
10 subject of debate amongst NRC Commissioners at this
11 point in time. Mr. Jaczko is the sole Commissioner that
12 holds that opinion.

13 Q. Right. And I think your opinion -- that you
14 are going to be proven right by the next sentence, which
15 says, "But a majority of the Commission's members say
16 that some of the recommendations need a lot more study,"
17 correct?

18 A. That's correct.

19 Q. However, after that, Chairman Jaczko states,
20 "You delay and create uncertainty, and pretty soon
21 people are afraid to invest without a prompt decision."
22 Is that accurate?

23 A. That's what the article states.

24 Q. Okay. And then he states in his opinion it
25 could create delay, correct?

1 A. That's correct. And all of this is, you know,
2 quite recognized by FPL from the very beginning. And,
3 in fact, is a driving focus for us to be first of the
4 second wave so that we can learn from these projects as
5 they go through these initial stages as uncertainties
6 creep up, get them resolved, and make our decision at
7 the right time.

8 Q. And you agreed with Ms. Kaufman earlier that
9 certainly Fukushima and the task force report and the
10 manner in which those recommendations are acted upon
11 could potentially affect projected in-service dates of
12 Turkey Point 6 and 7, correct?

13 A. That's correct.

14 Q. And could also affect the total project cost,
15 correct?

16 A. That's a possibility.

17 Q. Okay. Going back to your May testimony, I
18 believe on Page 21. Page 21, correct.

19 A. 21?

20 Q. Yes.

21 A. I'm there.

22 Q. On Line 10 you are asked about the economic
23 developments impacting the FPL system and project
24 feasibility analysis?

25 A. That's correct.

1 Q. And you note there that the economic slowdown
2 has resulted in reduced demand for electricity on the
3 FPL system, correct?

4 A. That's correct.

5 Q. As well as reduced consumption?

6 A. Correct.

7 Q. And going down to Line 16 you talk about the
8 fact that the price of natural gas is low, correct?

9 A. Today, yes.

10 Q. Today, yes. And is it also accurate there's
11 no price of carbon, no greenhouse gas legislation
12 enacted to date?

13 A. That's correct.

14 Q. Okay. And would you agree that the price of
15 natural gas and the cost of carbon are two of the major
16 drivers of the feasibility of nuclear power?

17 A. I believe that they are influential drivers to
18 the overall cost-effectiveness for the economic or
19 quantitative feasibility of the project. But the
20 project, as we've stated many times, has qualitative
21 benefits particularly called out in the need
22 determination rule for fuel diversity, reliability, and
23 stability of costs.

24 Q. And we have talked about the uncertainty
25 surrounding some of those qualitative factors, haven't

1 we?

2 A. Correct.

3 Q. Okay. And there's also a lot of uncertainty
4 around the quantitative factors, isn't there?

5 A. Well, there's uncertainty. But through the
6 long-run feasibility analysis process that we have
7 adopted at the direction of the Public Service
8 Commission, we look at multiple scenarios, and we
9 believe that we are able to bracket the reasonable range
10 of outcomes.

11 Q. Is it your testimony that as we sit here today
12 it would be cost-effective to build a new nuclear power
13 plant?

14 A. That's what our feasibility analysis shows,
15 yes.

16 Q. So that is your testimony?

17 A. Correct.

18 Q. And did you prepare that, or did you play a
19 role in preparing that feasibility analysis?

20 A. My role in preparing the feasibility analysis
21 is the capital cost estimate, and we provided that to
22 Witness Sim and his group to do the full analysis.

23 Q. And I just want to make sure I'm clear, the
24 results of that analysis -- or it is your testimony that
25 that analysis shows that it would be cost-effective --

1 with no price of carbon and with natural gas at its
2 current prices, it would be cost-effective to build a
3 nuclear power plant today?

4 A. That's not the annual feasibility analysis,
5 and that's not my testimony.

6 Q. Well, I just asked you that question, and I
7 think you answered yes. So let's make sure we are
8 clear.

9 Would it be cost-effective today for FP&L to
10 build Turkey Point 6 and 7?

11 A. A project is not built overnight and not built
12 with variables frozen in an individual point in time.
13 The Commission has over the years relied on a very
14 vetted process to project out into the future what the
15 most cost-effective generation technology will be to
16 meet the company's needs. Through that process, which
17 is embodied in the feasibility analysis, we are
18 demonstrating today that this project under this
19 schedule with these assumptions is cost-effective in all
20 scenarios cost competitive with natural gas in the
21 lowest gas price, lowest emissions cost scenario, and
22 adds the qualitative benefits that natural gas cannot.

23 Q. Thank you. And just as we move ahead, I would
24 ask if I ask you a question that you can answer yes or
25 no, if you would answer it yes or not and then you are

1 welcome to explain as much you want to, okay?

2 A. Yes.

3 Q. But it would not be cost-effective today to
4 build a new nuclear power plant, correct?

5 A. Yes, it would be if you apply the appropriate
6 feasibility analysis, which is what my response is.

7 Q. Do you agree with me that the intent to create
8 an option is much different than the intent to exercise
9 that option, generally speaking?

10 A. No.

11 Q. You would not agree with that statement?

12 A. No.

13 Q. And could you explain your basis for
14 disagreement?

15 A. They don't happen at the same time. In order
16 to exercise an option you have to create an option, so I
17 don't see them as the same thing.

18 Q. Well, I asked you if they were different
19 things.

20 A. Okay. Sorry, I misheard you.

21 Q. Okay. No problem. So I will ask you again.
22 The intent to create an option is much different than
23 the intent to exercise that option, correct?

24 A. Correct. Creating an option and exercising an
25 option are two different things, but you cannot do one

1 without the other.

2 **MR. WHITLOCK:** Thank you. No more questions,
3 Mr. Chairman.

4 **CHAIRMAN GRAHAM:** Does that conclude all the
5 questions of the intervenors?

6 Yes, ma'am.

7 **MS. WHITE:** I have a couple.

8 **CROSS EXAMINATION**

9 **BY MS. WHITE:**

10 **Q.** Good afternoon.

11 **A.** Good afternoon.

12 **Q.** I would like to talk briefly about the COLA,
13 the cost of licensing application. And I'm referring, I
14 believe, to Exhibit SDS-12 and SDS-20.

15 **A.** Okay.

16 **Q.** Okay. Can you tell me how much FPL has spent
17 on securing the COLA to date?

18 **A.** I can give you a rough estimate on that, yes.
19 Roughly about \$70 million.

20 **Q.** Thank you. And can you tell me how much FPL
21 estimates to spend on securing the COLA, totally, from
22 this point forward?

23 **A.** Probably around 140 million.

24 **Q.** So just so that I'm clear, the 140 is
25 inclusive of the 70, is that correct?

1 A. Correct.

2 MS. WHITE: Okay. Thank you. Nothing else.

3 CHAIRMAN GRAHAM: Does that conclude your
4 questions.

5 MS. WHITE: It does. Thank you.

6 CHAIRMAN GRAHAM: And that concludes all the
7 questions from the intervenors? I'm coming to you,
8 staff. All right. Let the record show that it is
9 just -- Staff, questions?

10 MR. YOUNG: No questions.

11 MR. WHITLOCK: Mr. Chairman, could I ask that
12 Exhibits 195 and 196 be entered into the record at this
13 time?

14 MR. YOUNG: I think, Mr. Chairman, if we could
15 hold that off until after rebuttal, I mean, redirect,
16 then we can pick up exhibits.

17 CHAIRMAN GRAHAM: I was going to do that, but
18 thank you.

19 Redirect.

20 MS. CANO: No redirect. Thank you.

21 CHAIRMAN GRAHAM: Now, Mr. Whitlock, you want
22 to enter --

23 MR. WHITLOCK: Thank you, Mr. Chairman. I
24 would like to ask that Exhibits 195 and 196 be entered
25 into the record.

1 **CHAIRMAN GRAHAM:** Let Exhibits 195 and 196 be
2 entered into the record.

3 (Exhibits 195 and 196 admitted into evidence.)

4 **MS. CANO:** Mr. Chairman, sorry. I do not
5 object to either of those exhibits, however, I would
6 note that with respect to 195, pursuant to the Code of
7 Evidence, parties are permitted to introduce other
8 portions of a document when only a portion is being
9 introduced. And so with that in mind, FPL would move
10 the entirety of the NRC task force review into the
11 record as Exhibit 195, or in addition to Exhibit 195.

12 **CHAIRMAN GRAHAM:** Staff?

13 **MS. HELTON:** I agree with counsel for Florida
14 Power and Light that they have that option to admit the
15 entire exhibit. My question is will you be providing a
16 copy of the entire exhibit for everyone?

17 **MS. CANO:** Sure will.

18 **CHAIRMAN GRAHAM:** And should we include that
19 all as 195, or should we create another one as 197 to
20 include it all?

21 **MS. HELTON:** I don't know that I have a -- do
22 you have a preference, Mr. Chairman?

23 **CHAIRMAN GRAHAM:** No, I do not.

24 **MS. HELTON:** Then maybe for efficiency's sake,
25 let's just say it's 195. I'm not sure that that really

1 makes a difference for the record.

2 **CHAIRMAN GRAHAM:** Okay. And so just so I
3 know, what is now the description of 195?

4 **MS. HELTON:** Let me ask this question. Is the
5 entire document still an executive summary, or do we
6 just strike that portion of the title?

7 **MS. CANO:** I think we would just strike the
8 executive summary portion of the title.

9 **CHAIRMAN GRAHAM:** Okay. So the title is NRC
10 Task Force Review of the -- that word that is the
11 disaster. Okay. That's the technical term. All right.
12 So we have entered 195 and 196 into the record.

13 Do you have something to add?

14 **MS. CANO:** Yes. FPL would move what has been
15 premarked by staff as Exhibits 2 through 21, which are
16 Mr. Scroggs' prefiled exhibits.

17 **CHAIRMAN GRAHAM:** Mr. Scroggs' Prefiled
18 Testimony 2 through 21 will be also moved into the
19 record.

20 (Exhibit Numbers 2 through 21 admitted into
21 the record.)

22 **CHAIRMAN GRAHAM:** Is there anything else
23 before we dismiss this witness?

24 **MS. CANO:** I would just like to point out that
25 Mr. Scroggs has no rebuttal testimony. So when he is

1 dismissed, we ask that he be excused from the remainder
2 of the hearing.

3 **CHAIRMAN GRAHAM:** Staff?

4 **MR. YOUNG:** Staff has no objections.

5 **CHAIRMAN GRAHAM:** Intervenors?

6 **MR. WHITLOCK:** No objection.

7 **CHAIRMAN GRAHAM:** Consider the witness excused
8 for the rest of the hearing. Thank you, sir, for your
9 time and your testimony.

10 **THE WITNESS:** Thank you.

11 **MR. ANDERSON:** FPL will call as its next
12 witness Doctor Nils Diaz. He will be presented by Mitch
13 Ross of Florida Power and Light Company.

14 **CHAIRMAN GRAHAM:** And with each one of the
15 witnesses that come up, if we can confirm that he has
16 been sworn.

17 **MR. ROSS:** Yes, Mr. Chairman. Doctor Diaz was
18 sworn this morning.

19 **NILS DIAZ**

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

23 **DIRECT EXAMINATION**

24 **BY MR. ROSS:**

25 **Q** Good afternoon. Would you please state your

1 name and business address?

2 A. My name is Nils Diaz. I am the Managing
3 Director of The ND2 Group, LLC.

4 Q. And would you please state your business
5 address?

6 A. My business address is 2508 Sunset Way,
7 St. Pete Beach, Florida 33706.

8 Q. And were you previously sworn for your
9 testimony here?

10 A. Yes, I was.

11 Q. Doctor Diaz, have you prepared and caused to
12 be filed 32 pages of Prefiled Direct Testimony in this
13 proceeding on March 1st, 2011?

14 A. Yes. Yes, I did.

15 Q. Do you have any changes or revisions to your
16 Prefiled Direct Testimony filed on March 1st?

17 A. Yes, I do.

18 Q. Would you please note those for the
19 Commission.

20 A. Yes. I would like to direct the Commission to
21 Page 24 of my testimony. On Line Number 4, the word
22 that is written in the testimony is "conducted," it
23 should be replaced by "completed."

24 Q. Thank you. Doctor Diaz, have you prepared and
25 caused to be filed 11 pages of Prefiled Direct Testimony

1 in this proceeding on May 2nd, 2011?

2 A. Yes, I did.

3 Q. Do you have any changes or revisions to your
4 May 2nd prefiled testimony?

5 A. No, I don't.

6 Q. If I asked you the same questions contained in
7 your two sets of prefiled direct testimony, as
8 corrected, would your answers be the same?

9 A. Yes.

10 MR. ROSS: Mr. Chairman, I ask that the
11 Prefiled Direct Testimony of Doctor Diaz be inserted
12 into the record as though read.

13 CHAIRMAN GRAHAM: We will insert the testimony
14 of Doctor Diaz into the record as though read.

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **DIRECT TESTIMONY OF NILS J. DIAZ**

4 **DOCKET NO. 110009-EI**

5 **MARCH 1, 2011**

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

8 A. My name is Nils J. Diaz. My business address is 2508 Sunset Way, St.
9 Petersburg Beach, Florida, 33706.

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

11 A. I am the Managing Director of The ND2 Group (ND2). ND2 is a consulting
12 group with a strong focus on nuclear energy matters. ND2 presently provides
13 advice for clients in the areas of nuclear power deployment and licensing,
14 high level radioactive waste issues, and advanced security systems
15 development.

16 **Q. Please describe your other industry experience and affiliations.**

17 A. I presently hold policy advising and lead consulting positions in government
18 and industry, as well as board memberships in National Labs and private
19 institutions. I previously served as the Chairman of the United States Nuclear
20 Regulatory Commission (NRC) from 2003 to 2006, after serving as a
21 Commissioner of the NRC from 1996 to 2003. Prior to my appointment to the
22 NRC, I was the Director of the Innovative Nuclear Space Power and
23 Propulsion Institute for the Ballistic Missile Defense Organization of the U.S.

1 Department of Defense, and Professor of Nuclear Engineering Sciences at the
 2 University of Florida. I have also consulted on nuclear energy and energy
 3 policy development for private industries in the United States and abroad, as
 4 well as the U.S. Government and other governments. I have testified as an
 5 expert witness to the U.S. Senate and House of Representatives on multiple
 6 occasions for the last 25 years. I recently served as Commissioner, Florida's
 7 Energy and Climate Commission. Additional details are provided in my
 8 Summary Resume, which is attached as Exhibit NJD-1.

9 **Q. Are you sponsoring any exhibits in this case?**

10 A. Yes. I am sponsoring Exhibits NJD-1 through NJD-5, which are attached to
 11 my direct testimony.

12	Exhibit NJD-1	Summary Resume of Nils J. Diaz, PhD
13	Exhibit NJD-2	NRC Combined Licensing Processes
14	Exhibit NJD-3	New Reactor Licensing Applications
15	Exhibit NJD-4	Nuclear Power Plant Technology Evolution
16	Exhibit NJD-5	NRC Letter to FPL Regarding Withdrawal of
17		EPU LAR for St. Lucie Unit 1

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

19 A. The purpose of my testimony is to provide a summary of the role of the NRC
 20 in licensing FPL's Turkey Point Units 6 and 7 and to discuss issues important
 21 to the continuing project decision-making process. I arrive at the conclusion
 22 that FPL's management approach to the Turkey Point 6 & 7 project and
 23 related decisions is consistent with the overriding objective of minimizing

1 nuclear power plant cost and schedule risks, in accordance with the U.S.
2 system of regulation of nuclear power and with best management practices. I
3 also address one issue related to FPL's pursuit of NRC licensing approval for
4 the Extended Power Uprate project at its St. Lucie Nuclear Plant, Unit 1.

5 **Q. Please describe how your testimony is organized.**

6 A. My testimony includes the following sections:

- 7 1. Roles and Responsibilities of the NRC
- 8 2. Statutory Responsibilities of the NRC
- 9 3. New 10 CFR Part 52 Reactor Licensing Framework
- 10 4. Generation III+ Reactors and AP1000 Design Certification Status
- 11 5. Spent Fuel Disposition and Waste Confidence Decision
- 12 6. FPL's Project Management Approach to Turkey Point 6 & 7
- 13 7. FPL's Pursuit of NRC Licensing Approval for St. Lucie Unit 1
- 14 Extended Power Uprate

15 **Q. Please summarize your testimony.**

16 A. My testimony addresses the NRC's role and responsibility to conduct an
17 effective and efficient licensing process for new nuclear power plants, as well
18 as other regulatory and oversight activities in which the NRC engages to
19 accomplish its safety objectives. The testimony discusses opportunities for
20 public participation in NRC licensing, and the protection afforded by
21 employee concerns programs that were encouraged by NRC policy
22 statements. The NRC, as the successor to the Atomic Energy Commission
23 (AEC), is endowed by the Atomic Energy Act of 1954, as amended, with

1 exclusive jurisdiction over nuclear safety and by the additional enacted laws
2 forming the statutory frame for protection of public health and safety and the
3 environment. Next, a summary discussion is provided for the primary nuclear
4 power plant regulation, 10 CFR Part 50, and the enhanced licensing process
5 codified in 1989 by the NRC at 10 CFR Part 52. Then, I discuss the risk
6 minimization advantages and benefits implemented by the combined licensing
7 process of Part 52, including a brief description of the synergy between a
8 Combined Operating License Application (COLA) and a Design Certification.
9 The status of the Turkey Point 6 & 7 COLA is addressed within the context of
10 the Generation III+ AP1000 technology advantages and its design
11 certification. A brief update is then provided on the spent nuclear fuel (SNF)
12 disposition program and the NRC Waste Confidence Decision, again placed in
13 the context of the ongoing licensing proceedings for the Turkey Point COLA.
14 I review FPL management decisions for the deployment of their nuclear
15 power plants. Based on my experience, a review of FPL's decisions leads me
16 to conclude that the stepwise approach to licensing and project scheduling for
17 the Turkey Point new units, and its decision to extend their target operation
18 dates, is prudent and reasonable. Finally, I conclude that FPL's decision to
19 withdraw and refile the NRC's License Amendment Application for St. Lucie
20 Unit 1 was prudent.

21

22

23

Roles and Responsibilities of the NRC

1

2

3 **Q. What are the responsibilities and mission of the NRC?**

4 A. The NRC was created as an independent agency by the Energy
5 Reorganization Act of 1974, which abolished the AEC and transferred its
6 regulatory functions to the NRC. The Atomic Energy Act of 1954, as
7 amended, provides the foundation for regulating the nation's commercial
8 nuclear power industry. The Act imposes on the NRC the obligation to
9 protect the public health and safety and to ensure that all civilian nuclear
10 materials are used in a safe and proper manner. The NRC's mission is to
11 license and regulate the nation's civilian use of byproduct, source, and special
12 nuclear materials to ensure adequate protection of public health and safety,
13 promote the common defense and security and protect the environment. The
14 NRC achieves its mission by imposing and regulating a series of safety
15 objectives that enables the safe and secure use and management of radioactive
16 materials and nuclear fuels for beneficial civilian purposes.

17 **Q. What primary NRC activities are conducted to accomplish its safety
18 objectives?**

19 A. The NRC conducts multiple primary activities to accomplish its safety
20 objectives, including: developing regulations and guidance related to the uses
21 of nuclear materials; licensing or certifying applicants to use nuclear
22 materials, operate nuclear facilities, and decommission facilities; inspecting
23 and assessing licensee operations and facilities to ensure that licensees comply

1 with NRC requirements and taking appropriate enforcement action when
2 necessary; evaluating operational experience of licensed facilities, activities
3 and events; conducting research, holding hearings, and obtaining independent
4 reviews to support regulatory decisions; and conducting activities related to
5 the common defense and security, specifically controlling access to nuclear
6 materials and coordinating with international efforts to control the
7 proliferation of nuclear materials.

8 **Q. How is NRC's radiological safety oversight exercised?**

9 A. The NRC sets the rules that users of radioactive materials must follow to
10 prevent or minimize radiation exposure, with 10 CFR Part 20 as the primary
11 set of standards and regulations. The NRC's regulations are intended to
12 protect workers using radioactive materials and the general public from the
13 potential hazards of radioactivity. In fact, radiological protection is the
14 primary objective for achieving the NRC mission of protecting public health
15 and safety. Therefore, NRC regulations are constantly reviewed and updated
16 to improve radiological protection, including efforts to minimize exposure
17 below regulatory standards. Changes to the regulations and new regulations
18 are implemented using standard federal practices, based on recommendations
19 from the NRC staff, industry organizations and academia, and interested
20 members of the public to improve radiological protection for individuals and
21 the public. The radiological protection record of workers and the public at
22 nuclear power plants continues to surpass conservative regulatory
23 requirements.

1 **Q. Please explain how NRC licensing conditions are monitored at operating**
2 **nuclear power plants.**

3 A. An NRC license authorizes an applicant to operate a nuclear facility in
4 accordance with very specific licensing conditions and referenced applicable
5 regulations and standards. The license describes the approved conditions and
6 technical basis the NRC relies on for the safety and security of the public, and
7 therefore, the corresponding oversight to ensure compliance. The NRC
8 conducts inspections during construction to ensure the plant is being
9 constructed as licensed, and during operations to ensure the plant is operated
10 as licensed and with adequate protection of public health and safety, and the
11 environment. Both routine and special inspections are conducted, using
12 “resident” inspectors at each of the nuclear power plant and major industrial
13 facilities and inspection teams from any one of four NRC regional offices and
14 from NRC headquarters. The objective of the inspection program during plant
15 operation is to monitor performance in three key areas: (1) facility safety,
16 achieved by avoiding accidents and reducing the consequences of accidents if
17 they occur; (2) radiation safety for plant workers and the public, to avoid
18 unnecessary radiation exposure during routine operations; and (3) safeguards,
19 to protect plants against sabotage or other security threats. The NRC uses a
20 risk-informed and performance-based approach for most of its monitoring
21 programs. NRC inspections are focused on activities where the potential risks
22 are greatest, and include a process for assessing licensee performance. The
23 performance assessment uses objective measures in key areas referred to as

1 the “cornerstones” of safety and security. The associated enforcement process
2 provides a systematic way to respond to violations in a consistent and
3 predictable manner, in accordance with the potential safety impact.

4 **Q. Please explain how the NRC investigates allegations and ensures that**
5 **licensees implement effective employee concerns programs.**

6 A. The NRC conducts investigations of allegations of wrongdoing or intentional
7 violation of NRC regulations or license requirements, and has established
8 practices to encourage concerned individuals to report potential safety or
9 security issues, and a systematic process for evaluating allegations and
10 investigation findings.

11
12 The NRC has a well-established and tested framework for protecting the
13 rights of individuals to raise safety concerns without fear of retaliation. The
14 Energy Reorganization Act of 1974 that created the NRC included provisions
15 for “whistleblower protection.” The NRC subsequently extended the
16 principles of “whistleblower” protection to a process for managing the
17 “differing professional opinions” of the NRC staff and to establish a policy
18 expectation for licensees to establish “employee concerns programs” to
19 promote an environment that encourages individuals to raise safety concerns.

20
21 In 1989, the NRC published its “Policy Statement on the Conduct of Nuclear
22 Power Plant Operations” to clarify the NRC’s expectations regarding personal
23 commitment and accountability of all individuals engaged in any activity

1 affecting the safety of nuclear power plants. In 1996, the NRC published a
2 policy statement, "Freedom of Employees in the Nuclear Industry to Raise
3 Safety Concerns Without Fear of Retaliation," which sets forth its expectation
4 that licensees and other employers subject to NRC authority will establish and
5 maintain safety-conscious environments in which employees feel free to raise
6 safety concerns, both to their management and to the NRC, without fear of
7 retaliation. The NRC is currently considering regulatory action in the area of
8 nuclear safety culture to enhance the commitment to a working environment
9 and encourages individuals to raise safety and security concerns without fear
10 of retaliation.

11 **Q. How are public concerns addressed during the NRC licensing process?**

12 A. The Atomic Energy Act of 1954 provides an opportunity for a hearing to any
13 person whose interest may be affected by Commission proceedings on the
14 granting, suspending, revoking or amending a reactor license. The NRC's
15 regulations have established the process for conducting public hearings, in
16 accordance with the federal administrative procedures. The NRC has
17 established licensing boards, including appointed administrative judges, to
18 implement the hearing process and establish a record for any subsequent
19 litigation. The adjudicatory process is described in more detail below, under
20 the discussion of the reactor licensing process.

21

22

23

Statutory Responsibilities of the NRC

1

2

3 **Q. Please describe the responsibilities of the NRC.**

4 A. The NRC is the independent Government oversight agency regulating the
5 civilian uses of nuclear materials, with responsibilities for protection of public
6 health and safety, the environment and the common defense and security. It is
7 empowered by the Atomic Energy Act with exclusive jurisdiction over the
8 safe operation of nuclear power plants. NRC's implementing regulations are
9 contained in Title 10 of the Code of Federal Regulations (10 CFR).

10

11 Subsequent to enactment of the AEA, additional laws were enacted
12 establishing the present NRC's statutory framework, and contributed to the
13 establishment of the regulatory practices associated with the safe use of
14 nuclear materials. These enacted laws are briefly summarized below.

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- The Energy Reorganization Act of 1974 establishes the NRC as an independent agency responsible for the safety regulation of the civilian uses of nuclear materials. This statute gave the NRC its collegial commission structure and established its major offices. A later amendment to the Act also provided protections for employees who raise nuclear safety concerns.
- The Nuclear Waste Policy Act of 1982 establishes the federal government's responsibility to provide for the permanent disposal of high-level radioactive waste and SNF, and the industry's responsibility

1 to bear the costs of permanent SNF disposal. Amendments to this Act
2 have mostly focused on the efforts of DOE to develop a national
3 repository at Yucca Mountain, Nevada. The resolution of SNF
4 disposal is now on hold and surely to be revised since the Executive
5 Branch announced the termination of the Yucca Mountain project and
6 the formation of a Blue Ribbon Commission to make
7 recommendations on permanent SNF disposal options.

8 • The Low-Level Radioactive Waste Policy Amendments Act of 1985
9 gives the states the responsibility to dispose of low-level radioactive
10 waste (LLW) generated within their borders and allows the states to
11 form compacts to locate facilities to serve a group of states. This Act
12 provides that LLW facilities will be regulated by the NRC or by states
13 that have entered into agreements with the NRC under section 274 of
14 the Atomic Energy Act.

15 • The Uranium Mill Tailings Radiation Control Act of 1978 establishes
16 programs for the stabilization and control of mill tailings at uranium or
17 thorium sites, both active and inactive, in order to prevent or minimize,
18 among other things, the diffusion of radon into the environment. Title
19 II of the Act gives the NRC regulatory authority over mill tailing at
20 sites under NRC licenses on or after January 1, 1978.

21 • The Nuclear Non-Proliferation Act of 1978 seeks to limit the spread of
22 nuclear weapons by, among other things, establishing criteria

- 1 governing U.S. nuclear exports licensed by the NRC and taking steps
2 to strengthen the international safeguards system.
- 3 • The National Environmental Policy Act (NEPA) establishes that, for
4 any major federal action that could significantly affect the quality of
5 the environment, a detailed environmental impact statement must be
6 prepared describing the environmental impacts of, and possible
7 alternatives to, the proposed action. NEPA also provides that an
8 environmental impact statement must accompany proposals involving
9 major federal actions through the agency review process. NEPA also
10 establishes the Council on Environmental Quality, which issues
11 regulations on the preparation of environmental impact statements and
12 on public participation in the preparation of the statements.
 - 13 • The Administrative Procedure Act (APA in 5 U.S.C. Chapters 5
14 through 8) is the fundamental law governing the processes of federal
15 agencies. Its original focus was on rulemaking and adjudication. It
16 requires, for example, that affected persons be given adequate notice
17 of proposed rules and an opportunity to comment on the proposed
18 rules, to be published in the Federal Register. This Act gives
19 interested persons the right to petition an agency for the issuance,
20 amendment, or repeal of a rule. It also provides standards for judicial
21 review of agency actions. The APA has been amended often and now
22 incorporates several other acts that cover a range of administrative
23 processes, including the Freedom of Information Act. The

1 Government in the Sunshine Act requires that collegial bodies such as
2 the Commission hold their meetings in public, with certain exceptions
3 for meetings on matters such as national security or personnel.
4

5 **10 CFR Part 52 Reactor Licensing Framework**

6
7 **Q. Please describe the current NRC nuclear plant licensing structure.**

8 A. It is appropriate to first review the regulatory framework for the licensing of
9 nuclear power plants that was in place prior to 1989 to better understand the
10 current licensing process. The original NRC licensing process for nuclear
11 reactors, codified in section 189 of the AEA, was set forth with more
12 specificity in Part 50 of Title 10 of the Code of Federal Regulations; it was
13 used to license all power reactors presently operating in the United States.
14 The main requirements for nuclear power plant regulation are, henceforth,
15 established by Part 50 and the current licensing process and ensuing
16 regulations are subjected to its implementation, with the notable exceptions of
17 the issuance of a combined construction and operating license and other
18 licensing improvements effected by Part 52.

19
20 The original Act imposed a two step licensing process on an applicant for an
21 operating license, as regulated by Part 50. First, the applicant was required to
22 obtain a construction permit. The construction permit application was a
23 significant undertaking, requiring the preparation of a Preliminary Safety

1 Analysis Report, demonstrating the reactor technology and site suitability, and
2 preparation of an Environmental Report to satisfy NEPA requirements.
3 Section 189 of the AEA then required the NRC to hold a mandatory hearing
4 for all construction permit applications, regardless of whether any interested
5 party sought to contest the application. In the second step of the process, after
6 securing the construction permit, the applicant was required to obtain an
7 operating license to authorize plant operations, after construction was
8 completed. To complicate matters, plant construction was started before the
9 design was substantially completed and regulatory reviews of technical issues
10 continued during construction. The operating license application was also a
11 significant undertaking, the goal of which was to enable the NRC to make the
12 findings required by the AEA and NEPA. The applicant was required to
13 submit a Final Safety Analysis Report and an Environmental Report with the
14 operating license application. Section 189 of the AEA requires the NRC to
15 provide an additional hearing opportunity at the operating license stage.
16 Numerous operating license proceedings were challenged at this stage, after
17 significant investments were made and plant construction was substantially
18 completed. Extensive delays in nuclear plant licensing became common and
19 costly.

20
21 In 1989, the NRC adopted a streamlined, combined licensing process for
22 nuclear power plants, embodied in Part 52 of NRC's regulations. This process
23 was codified in Section 185(b) of the AEA by the Energy Policy Act of 1992,

1 to achieve straightforward objectives of plant standardization and financial
2 risk minimization, with well-defined safety and environmental reviews as a
3 backbone. Part 52 allows for a single license to be issued to an applicant,
4 consisting of a combined construction permit and operating license, after
5 fulfilling all pertinent safety requirements. In essence, the revised NRC
6 licensing process still contains the elements needed to make the necessary
7 reviews and safety determinations, including public involvement, safety
8 review, independent review by the Advisory Committee on Reactor
9 Safeguards (ACRS), environmental review, public hearing and continued
10 NRC oversight, in a more efficient and effective package. Part 52 provides
11 applicants with the opportunity to request early approval of sites for nuclear
12 plants, in advance of an application to construct and operate a nuclear power
13 plant, and to reference a Certified Design that has complied with safety
14 requirements and is approved by NRC in a rulemaking proceeding.

15 **Q. Please explain the advantages of the Part 52 Licensing Process.**

16 A. The revised combined licensing using Part 52 shifts the burden of proof for
17 Combined Operating License (COL) applicants to the front end, deferring and
18 therefore reducing financial and construction risks until the licensing review is
19 favorably advanced. Part 52 is a brief yet powerful addition to nuclear power
20 plant regulations that should resolve many of the problems of the two-step
21 Part 50 licensing process. Part 52 consists of three separate and interacting
22 components, as shown on Exhibit NJD-2, which can be used independently or
23 jointly: the Early Site Permit, the Standard Design Certification and the COL.

1 The most important aspect of Part 52 is the COL because it is the only license
2 that allows plant construction and operation. The Part 52 approach allows
3 early resolution of safety and environmental issues. The issues resolved by
4 the design certification rulemaking process and during the early site permit
5 hearing process are not reconsidered during the combined license review.
6 However, the Part 52 licensing process allows for full public participation, so
7 that the issues associated with the design and site can be resolved before
8 construction begins.

9 **Q. What are the benefits of using the Design Certification process for a**
10 **COL?**

11 **A.** The Standard Design Certification is a significant complement to the COL
12 license. The benefits of referencing a certified standard design in the COL
13 application is that plant design issues that were resolved by NRC in the design
14 certification process are entitled to finality in the COL process. Therefore, a
15 COL applicant that references a certified design reduces the scope and length
16 of the safety review, minimizes risk and costs, and adds predictability to the
17 process by placing the burden of reactor safety reviews on a rulemaking that is
18 not subject to subsequent adjudication. Under Part 52, the NRC can certify a
19 reactor design for 15 years through the rulemaking process, independent of a
20 specific site. An application for a standard design certification must contain
21 the technically relevant design information, a design-specific probabilistic risk
22 assessment and proposed Inspections, Tests, Analyses, and Acceptance
23 Criteria (ITAAC) which are necessary and sufficient to provide reasonable

1 assurance that the plant is built and will operate in accordance with the design
2 certification. The issues that are resolved in a design certification rulemaking
3 are subject to more restrictive change processes than issues that are resolved
4 through the issuance of a license. Important certified design requirements can
5 only be changed by rulemaking, and the rule describes limited circumstances
6 for other changes, maintaining the stability and standardization characteristics
7 demanded of the Design Certification Rule (DCR).

8 **Q. What are the key features of a COL?**

9 A. A COL authorizes construction and conditional operation of a nuclear power
10 plant. The COL application must contain essentially the same information
11 required in an application for an operating license issued under 10 CFR Part
12 50, including financial and antitrust information. The application must also
13 describe the ITAAC that are necessary to ensure that the plant has been
14 properly constructed and will operate safely. When the application references
15 a standard design certification, the applicant must perform the ITAAC for the
16 certified design and the site-specific design features.

17
18 After issuing a COL, the NRC verifies that the licensee has completed the
19 required ITAAC, and that the acceptance criteria have been met before the
20 plant can operate. The NRC will then publish notice of the successful
21 completion of the ITAAC. At least 180 days before the scheduled initial fuel
22 loading, the NRC will publish a notice providing an opportunity for members
23 of the public to participate in a hearing conducted by the Atomic Safety and

1 Licensing Board. The NRC considers a request for a hearing only if the
2 request demonstrates that the licensee has not met the acceptance criteria
3 specified in the COL.

4 **Q. What is the status of FPL's COLA?**

5 A. FPL submitted its COLA for Turkey Point Units 6 and 7 on June 30, 2009,
6 and it was docketed by the NRC on September 4, 2009. The estimated
7 schedule for a typical COLA review is approximately 30 months and 12
8 months for the final mandatory hearing, for a total of 42 months for the
9 process leading to a COL. Based on the projected schedule, NRC review of
10 the Turkey Point Units 6 and 7 COLA should be completed in 2013. It is
11 important to note that the NRC is reviewing COL applications based on the
12 reactor technology cited in the application, and is using a "Design-Centered
13 Review Approach" to expedite review and approval of already reviewed
14 identical parts of an application. In this approach, a lead application is
15 selected as a Reference COL (R-COL) and subsequent "identical"
16 applications as surrogates. All issues reviewed and resolved for the R-COL
17 are considered resolved for all subsequent applications that conform to the
18 same requirements; one expert NRC staff team is formed to review each R-
19 COL and the subsequent "identical" COLAs. Only the site specific
20 information, including environmental features, water usage, electrical grid
21 requirements, and others, are reviewed individually. There are efficiencies to
22 be gained in the timely and cost-efficient reviews using this method by both
23 the NRC and the industry. The Turkey Point COLA cites the AP1000 reactor

1 technology and its associated design certification, and now uses the Vogtle
2 COLA submitted by Southern Nuclear Operating Company as the reference
3 plant. The Turkey Point COL is therefore depending on the progress of these
4 proceedings.

5
6 The NRC has received petitions to intervene and for a hearing on the Turkey
7 Point Units 6 and 7 project. The proposed contentions have been briefed and
8 argued and are pending before the NRC's Atomic Safety and Licensing
9 Board. The Board's decision whether to admit one or more contentions for
10 litigation is expected in February 2011. If a contested hearing is held on the
11 Turkey Point Units 6 and 7 COLA, it could delay issuance of the COL by
12 several months.

13

14 **Generation III+ Reactors and AP1000 Design Certification Status**

15

16 **Q. What are Generation III+ reactors and what are their advantages?**

17 A. Generation III reactors were the first generation of advanced nuclear reactors
18 with standardized designs to be considered under the new NRC licensing
19 regulations (Part 52) in the 1990s. They were light water reactors with
20 significant evolutionary improvements over the types of reactors in service
21 today. The next generation of nuclear power plants is called Generation III+
22 reactors, which offer additional improvements over Generation III reactors in
23 the areas of safety, state-of-the-art advances in Instrumentation and Controls,

1 materials, technology and construction techniques, economics and operational
2 simplicity. Shown on Exhibit NJD-4, is a graphic representation of the
3 evolution of nuclear power plant technology as a function of time, beginning
4 with the first demonstration commercial reactors, employing Generation I
5 technology.

6
7 The design enhancements for Generation III+ reactors were focused on
8 increased plant safety, ensuring improvements to core cooling, containment
9 integrity, and the capability to prevent or mitigate the consequences of
10 accidents which could result in potentially hazardous offsite radiation doses.
11 There was a definite emphasis in simplification, standardization, and the use
12 of inherent safety features to carry out the intended safety functions. The
13 bottom line objective was clear: new reactors were to be measurably safer,
14 simpler, more independent of operator actions, and easier to operate and
15 maintain. A new measuring stick employing probabilistic risk assessments
16 was used to establish the safety case, supported by better documented
17 operational experience and models. What was sought, and eventually built
18 into the Generation III+ advanced designs, was one to two orders of
19 magnitude improvement in the key risk factors, relative to present reactors.
20 The designs were to be standardized to secure the safety gains and the
21 reliability and economic advantages.

22

1 The AP1000 Nuclear Power Plant, the reactor selected by FPL for Turkey
2 Point 6 & 7, is a Generation III+ reactor with passive safety features.
3 Westinghouse was issued a Final Design Certification for the AP1000 in
4 2006. Westinghouse filed an Amendment to update the Design Certification
5 (DC), including major improvements to meet enhanced NRC aircraft impact
6 design standards. The AP1000 Design Amendment received a favorable
7 review by the NRC in December 2010, with the issuance of the Final Safety
8 Evaluation Report and approval by the Advisory Committee on Reactor
9 Safeguards, and is pending an expected September 2011 rulemaking. Two
10 AP1000s are under construction in China and the technology has been
11 selected by seven US utilities for deployment as base-load units. This passive
12 reactor design relies on redundant safety systems using inherent or passive
13 means to maintain core cooling and integrity, without active injection of
14 coolant by pumps, for the dominant spectrum of postulated accident
15 conditions. The AP1000 design leads to a significant reduction of pipes,
16 pumps, valves and cables, and therefore, to simplicity in operation and
17 maintenance.

18
19 In summary, the AP1000 reactor attributes include: passive safety with no
20 active control or operator intervention needed to avoid accidents; low accident
21 probability (less than one core damage event for 1 million years of operation);
22 modular design and construction for fewer components, less materials and less
23 welding; improved fuel design for higher fuel burnup; standardized certified

1 design to expedite licensing and reduce capital cost; aircraft crash resistance;
2 higher availability and operating life of 60 years or more and better load-
3 following capability. It presently appears to be a best reactor technology and
4 overall leading nuclear power plant for FPL's time frame and economical
5 considerations.

6 **Q. What is the status and significance of the AP1000 design certification?**

7 A. On January 27, 2006, the NRC issued the original DCR for the AP1000
8 design in the Federal Register (71 FR 4464). While there was enough
9 information provided for the NRC to make a safety determination, there were
10 several important design issues that were not completed or needed upgrades to
11 the 2006 AP1000 design certification, including a more comprehensive
12 seismic safety analysis, updated Instrumentation and Control, Control Room
13 Habitability, redesigned fuel racks and improved fuel design. Furthermore, the
14 NRC issued revised requirements in 2007 to enhance the protection against
15 aircraft impacts, which resulted in significant changes to the AP1000 Shield
16 Building Design.

17
18 On September 22, 2008, Westinghouse made an update to its application to
19 amend the original AP1000 Design Control Document (DCD). The update,
20 Revision 17, contains changes from those submitted in May, 2007, under
21 Revision 16. Revision 17 is referenced in the FPL COLA for Turkey Point 6
22 & 7. The innovative Shield Building design of the AP1000 was evaluated
23 during the review process by the new, strict NRC requirements for airplane

1 impacts and other external events, resulting on an October 15, 2009 NRC
2 notice establishing the need for Westinghouse to demonstrate the Shield
3 Building capabilities to withstand severe external events. These requirements
4 included: the design of the entire structure to function as a unit during Design
5 Basis Event (DBE), the connection between the major structural components
6 that must function after a DBE, and that the design of the tension-girder must
7 be supported by a confirmatory test or validated analysis. To conform to these
8 requirements, Westinghouse further enhanced the Shield Building structures
9 design and provided requisite analysis confirming its functionality. On
10 December 1, 2010, Westinghouse submitted Revision 18 to complete the
11 documentation required for issuance of the staff's final evaluation. The NRC
12 staff subsequently issued its Advanced Final Safety Evaluation, and concluded
13 the AP1000 meets all regulatory safety requirements. On December 21, 2010
14 the Advisory Committee on Reactor Safeguards, an independent body
15 advising the NRC on reactor safety matters, accepted the AP1000 design as
16 safe to build and operate. On February 11, 2011, the NRC published for
17 comment the proposed rule that would amend Westinghouse's certified
18 AP1000 reactor design for use in the United States. As shown on Exhibit
19 NJD-3, the current NRC published schedule expects the AP1000 DC
20 rulemaking to be issued by approximately September 2011.

21

22 It is important to note the significance of this complete design certification
23 rulemaking for the licensing of COLAs referencing the AP1000, and

1 especially so for the lead applications, like Southern Nuclear's Vogtle and
2 South Carolina Electric and Gas Company's Summer plant. Since the DC is
3 cited in the COL applications for the leading reactor projects, the final or
4 mandatory adjudication proceedings for the COL cannot be ~~conducted~~ ^{completed} until
5 the DCR is finalized. Therefore, the expected issuance of the final DCR
6 design for the AP1000 is one of the major considerations in the deliberate
7 process that FPL is conducting for Turkey Point 6 & 7 licensing, including the
8 fact that FPL will be using NRC's Design-Centered Review Approach to
9 obtain schedule, costs and predictability improvements. Under this approach,
10 all issues reviewed for the Reference COL are considered resolved for all
11 subsequent applications that conform to the same requirements.

12

13 **Spent Fuel Disposition and Waste Confidence Decision**

14

15 **Q. Please summarize the present status of the spent fuel disposition program**
16 **for commercial operating reactors.**

17 A. The United States Government has not fulfilled its statutory requirement to
18 establish a permanent geologic repository for SNF from commercial nuclear
19 reactors. Furthermore, DOE has announced that it seeks to terminate with
20 prejudice the application to the NRC for a license to construct and operate a
21 geologic repository at the Yucca Mountain Site in Nevada. On March 1,
22 2010, the Executive Branch filed with Congress an Advisory Committee
23 Charter that sets the objectives and scope of activities for the "Blue Ribbon

1 Commission on America's Nuclear Future" (BRC). The stated purpose of the
2 BRC is "to conduct a comprehensive review of the policies for managing the
3 back end of the nuclear fuel cycle, including all alternatives for the storage,
4 processing, and disposal of civilian and defense spent nuclear fuel, high-level
5 waste, and materials derived from nuclear activities." The BRC is to provide
6 advice, evaluate alternatives, and make recommendations on a variety of
7 issues, including "options for permanent disposal of spent fuel and/or high-
8 level nuclear waste, including deep geologic disposal." A draft report from
9 the BRC is due in September 2011 and a final report is due in March 2012.

10
11 A factual review of the above occurrences, and of the history and realities of
12 spent fuel disposition, reveals the long running political uncertainty as well as
13 the bottom line: the U.S. will deal with SNF in a manner that protects public
14 health and safety, the environment, and the common defense and security.
15 SNF is safely and securely stored on-site in storage pools or dry casks, and
16 can be safely transported as needed. Nevertheless, a comprehensive policy to
17 address the disposition of commercial SNF is needed sooner rather than later
18 to provide requisite predictability to this long-standing issue, and it should be
19 made a national priority.

20 **Q. How does the NRC's revised Waste Confidence Decision affect the**
21 **Turkey Point Units 6 & 7 project?**

22 **A.** On December 23, 2010, the NRC published its revised Waste Confidence rule.

1 This rule reaffirmed and amended the NRC's generic determinations
2 regarding the environmental impacts of SNF storage at, or away from, reactor
3 sites after the expiration of reactor operating licenses. The Commission (a)
4 reaffirmed its finding of reasonable assurance that safe disposal of SNF in a
5 mined geologic repository is technically feasible; (b) found reasonable
6 assurance that sufficient mined geologic repository capacity will be available
7 to dispose of SNF generated in any reactor when necessary; (c) found
8 reasonable assurance that SNF will be managed in a safe manner until
9 sufficient repository capacity is available to assure the safe disposal of all
10 SNF; (d) found reasonable assurance that, if necessary, SNF can be stored
11 safely and without significant environmental impacts at reactor sites for at
12 least 60 years beyond the licensed life for operation of that reactor; and (e)
13 found reasonable assurance that safe, independent onsite SNF storage or
14 offsite SNF storage will be made available if needed. In my view, the revised
15 Waste Confidence rule will enhance the viability of the licensing,
16 construction, and operation of the Turkey Point 6 & 7 project by precluding
17 litigation of SNF issues in the licensing proceeding for Turkey Point Units 6
18 and 7.

19
20 **FPL's Project Management Approach to Turkey Point 6 & 7**

21
22 **Q. Has a national policy related to risk minimization for nuclear projects**
23 **been articulated?**

1 A. Yes. The 1992 Energy Policy Act contained three implied strategies to
2 minimize financial and regulatory risk: 1) licensing decisions are to be
3 finalized before major construction begins; 2) utilities would order plants after
4 regulatory/financial risks are mitigated by satisfactory COL progress; and 3)
5 limited site work could begin prior to COL issuance when warranted by
6 effective project management. Furthermore, the 2005 Energy Policy Act
7 (EPAC 05) established additional criteria and tools to enable the deployment
8 of nuclear power reactors with reduced regulatory and financial risks.

9 **Q. Was the Turkey Point licensing approach in the 2009-2010 timeframe**
10 **consistent with the risk minimization and standardization purposes of the**
11 **1992 Energy Act?**

12 A. Yes. In fact, FPL's recognition of the need to achieve a higher degree of
13 predictability in regulatory review schedules and outcomes, as well as
14 commercial issues affecting deployment of the new nuclear projects is entirely
15 consistent with the strategies identified in the 1992 Energy Act. FPL has
16 consistently made project management decisions in accordance with the law
17 and these intended purposes. For example, FPL made conscious decisions to
18 defer certain long lead procurement decisions and has not entered into an
19 Engineering, Procurement and Construction contract for the project. By
20 choosing to reserve these expenditures until a later time, FPL will be able to
21 make these decisions with more complete and mature information in the
22 future. This naturally has an effect on the projected in-service dates. I believe
23 the Turkey Point project management has been taking the enabling steps

1 necessary to maintain a project schedule and cost capable of delivering
2 reliable, cost-effective and fuel diverse generation to FPL customers.
3 Moreover, FPL continues to monitor the development and implementation of
4 tools enacted by EPAC 05, which have been slowly evolving, for potential
5 enhancement of project cost reduction and risk minimization strategies.

6 **Q: Are FPL's decisions and approach consistent with best management**
7 **practices for Generation III+ nuclear power projects?**

8 Yes. I agree with FPL that the primary focus of the current stage of the
9 project should be to obtain the necessary federal, state and local approvals for
10 construction and operation of the Turkey Point 6 & 7 project. Our country has
11 experienced financial turmoil, multiple major proposed national energy policy
12 changes, electrical demand reduction, and fluctuations in the predicted cost of
13 new nuclear generation and natural gas. The licensing of the lead nuclear
14 power plants will serve as learning opportunities for the Turkey Point 6 & 7
15 project as those other projects progress. These developments, combined with
16 the need for predictable and cost-effective detailed engineering, procurement
17 and construction arrangements, lead me to conclude that FPL's stepwise
18 approach to managing the Turkey Point Project is both prudent and
19 reasonable.

20

21

22

1 **FPL's Pursuit of NRC Licensing Approval for St. Lucie Unit 1 Extended**

2 **Power Uprate**

3

4 **Q. Can you please explain the circumstances surrounding FPL's withdrawal**
5 **of the License Amendment Request (LAR) for the St. Lucie Unit 1**
6 **Extended Power Uprate (EPU)?**

7 A. Yes. FPL submitted its initial EPU LAR for St. Lucie Unit 1 on April 16,
8 2010. The NRC has an internal process for the Staff's processing of EPU
9 requests called "LIC 109." Once the LAR is submitted, the NRC Staff can
10 take up to about two months to perform a technical review to determine
11 whether the LAR is acceptable for docketing, and the NRC has significant
12 discretion to determine whether an application should be docketed. During
13 the acceptance review the NRC Staff will often have questions in regard to
14 some of the technical attributes of the LAR, since the LAR does not include
15 every single supporting engineering analysis or calculation supporting its
16 conclusions.

17

18 The NRC's technical analysis and regulatory reviews of proposed extended
19 power uprates are about the most exacting and rigorous evaluations conducted
20 for power reactors. Extended power uprates change the design basis for full
21 power operations and impact many important safety issues. The NRC has
22 established strict safety and analytical requirements for extended power uprate
23 applicants. The NRC conducts these reviews pursuant to the NRC Review

1 Standard for extended power uprates. These applications and reviews often
2 dwell into reactor-specific conditions that were not fully analyzed by reactor
3 vendors and sometimes the NRC will venture outside its own review standard.
4 Furthermore, extended power uprates are reviewed by the NRC under an
5 efficiency standard established by the Commission, and therefore follow firm
6 scheduling guidelines. The combination of these factors results in a
7 demanding and exacting process; additional requirements or new information
8 that could be considered safety-related will lengthen the schedule for review
9 and approval. It has been demonstrated that it is eventually more expedient
10 and effective to have the entire set of safety-related issues, including those
11 new or additional issues raised by the NRC staff, on a complete package
12 encompassing the full scope of reviewable conditions than with a break due to
13 rejection for lack of additionally required analysis.

14
15 In this case, the NRC technical reviewers had unexpected questions in three
16 technical areas: spent fuel criticality analysis, a reactor control rod withdrawal
17 event, and then some clarification around an event called a station blackout
18 event. However, the information requested was beyond the original design
19 basis of the plant. These questions represent a change to the scope of the
20 NRC technical staff's typical review of an EPU LAR to determine its
21 acceptability for docketing, and FPL had no reason, from prior NRC Staff
22 guidance or reviews of other uprate applications, to anticipate that analyses on
23 these topics would be requested.

1 **Q. What were FPL's options upon learning that the changing regulatory**
2 **requirements required additional analyses?**

3 A. FPL had two options: it could let the NRC reject its LAR for docketing, or it
4 could withdraw the LAR, participate in public meetings with the NRC Staff to
5 understand the Staff's issues, and then resubmit the LAR.

6
7 In this case, FPL chose to withdraw the LAR and did so on August 13, 2010.
8 Following the withdrawal of the LAR, FPL then performed the requested
9 analyses and resubmitted the LAR for docketing on November 22, 2010.

10 **Q. In your opinion, is the need to withdraw and resubmit a LAR evidence**
11 **that the LAR was prepared imprudently?**

12 A. No. In this case, the need to withdraw and resubmit the LAR was driven by
13 evolving NRC expectations.

14 **Q. Do you believe that FPL's withdrawal of the St. Lucie Unit 1 EPU LAR**
15 **on August 13, 2010 was a prudent course of action?**

16 A. Yes. FPL wanted to obtain details from the NRC Staff on the specific
17 additional information that was required to make the resubmittal of the LAR
18 successful. In order to obtain these details quickly, FPL's decision was to
19 withdraw the LAR on August 13, rather than let it be rejected and later learn
20 the details necessary for resubmittal, both after further delay. This decision
21 was prudent, even in hindsight, since NRC sent FPL a letter on August 13 –
22 the same day as the withdrawal – detailing the information that would be
23 required for FPL to submit a docketable LAR. This letter is attached to my

1 testimony as Exhibit NJD-5. FPL and NRC then held a meeting on August 18
2 at which FPL received additional technical details on the areas in question. If
3 FPL had let the LAR be rejected or delayed the decision to withdraw, it could
4 have substantially delayed the docketing and ultimate approval of the LAR.

5 **Q. Does this conclude your direct testimony?**

6 **A. Yes.**

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **DIRECT TESTIMONY OF NILS J. DIAZ**

4 **DOCKET NO. 110009-EI**

5 **MAY 2, 2011**

6

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

8 A. My name is Nils J. Diaz. My business address is 2508 Sunset Way, St. Petersburg
9 Beach, Florida, 33706.

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

11 A. I am the Managing Director of The ND2 Group (ND2). ND2 is a consulting group with a
12 strong focus on nuclear energy matters. ND2 presently provides advice for clients in the
13 areas of nuclear power deployment and licensing, high level radioactive waste issues, and
14 advanced security systems development.

15 **Q. Please describe your other industry experience and affiliations.**

16 A. I presently hold policy advising and lead consulting positions in government and
17 industry, as well as board memberships in National Labs and private institutions. I
18 previously served as the Chairman of the United States Nuclear Regulatory Commission
19 (NRC) from 2003 to 2006, after serving as a Commissioner of the NRC from 1996 to
20 2003. Prior to my appointment to the NRC, I was the Director of the Innovative Nuclear
21 Space Power and Propulsion Institute for the Ballistic Missile Defense Organization of
22 the U.S. Department of Defense, and Professor of Nuclear Engineering Sciences at the
23 University of Florida. I have also consulted on nuclear energy and energy policy

1 development for private industries in the United States and abroad, as well as the U.S.
2 Government and other governments. I have testified as an expert witness to the U.S.
3 Senate and House of Representatives on multiple occasions for the last 25 years. I
4 recently served as Commissioner, Florida's Energy and Climate Commission.

5 **Q. Have you previously provided testimony in this docket?**

6 A. Yes.

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

8 A. The purpose of my testimony is to describe the recent events at the Fukushima Daiichi
9 Nuclear Plant Japan and the potential impacts of those events on Florida Power & Light
10 Company's (FPL) new nuclear and extended power uprate projects.

11 **Q. Please describe the events in Japan affecting the Fukushima Daiichi Nuclear Plant.**

12 A. The following reflects my understanding of the situation in Japan from reports by the
13 Japanese Government, Tokyo Electric Power Company (the plant owner and operator),
14 the International Atomic Energy Agency, the NRC, and from my discussions with
15 sources in Japan.

16
17 The initiating events that led to the accidents at the Fukushima Daiichi nuclear plant were
18 extraordinary natural forces far beyond the plant's design parameters and historical
19 records. After suffering a 9.0 earthquake, the strongest in Japanese modern recorded
20 history, and a subsequent massive tsunami with a surge as high as 43 feet above normal
21 sea level at the plant site, the Fukushima Daiichi nuclear plant first lost the connections to
22 the electrical grid which provide off-site power to the units. Units 1 through 3 shut down
23 automatically after the earthquake, and emergency core cooling systems were activated.

1 Electrical power was temporarily provided for about an hour by the plants on-site
2 emergency diesel generators, and after these failed, emergency battery power provided
3 the controls needed to maintain reactor core cooling. Due to the severe infrastructure
4 damage in the entire area, no additional emergency power was made available and
5 eventually the battery power was exhausted, and resulted in the loss of backup decay heat
6 removal systems. The resulting situation is called a "station blackout." The station
7 blackout affected the capability of the plant to provide cooling to the reactor core, and
8 eventually to the spent fuel pools on site, resulting in Units 1 through 3 with core
9 degradation and Units 1 through 4 four with inadequate spent fuel cooling. The fuel
10 degradation resulted in hydrogen generation from the metal-to-water reaction of the fuel
11 cladding and subsequent explosions. Therefore, four reactor units have different degrees
12 of damage with radiological consequences.

13
14 Station blackout is considered a primary accident precursor for nuclear power plant
15 accidents. The plant should have been well supported by on-site and off-site resources to
16 restore cooling prior to impacts on the reactor core and spent fuel pools. However, it
17 seems that too much time elapsed from the first indication of loss of emergency power to
18 the time that significant resources were brought to bear in the management of the
19 situation.

20
21 The situation in Japan was completely unexpected because it was caused by an
22 inordinately strong earthquake and tsunami combination that paralyzed Japan's national
23 response capabilities. The Fukushima Daiichi units are the first reactors in the world to

1 experience core degradation and release significant radioactivity off-site due to a
2 catastrophic external event and complete loss of cooling capability. Additionally, the
3 situation was initiated by external events far beyond the plant's design basis and
4 historical norms. Two reactors were severely damaged by an earthquake in Armenia on
5 December 7, 1988; however, both reactors were successfully shutdown and cooled,
6 preventing a major accident and radioactive release. Moreover, it appears that nuclear
7 reactor accident management was wanting in Fukushima when compared to the manner,
8 timing, and intensity of plans in place for the U.S. nuclear fleet for responses to any
9 internal or external events impacting plant safety.

10
11 Nuclear plant accident management is predicated on a series of simple-to-understand yet
12 complex-to-execute instructions: maintain core cooling; maintain cooling of spent fuel
13 pools; maintain containment integrity; and minimize radiological releases to the public
14 and the environment. All of these goals are collapsed into a dominant reactor safety
15 requirement: provide adequate heat removal for heat generating sources. Reactor
16 accidents or incidents can be effectively managed if adequate cooling is provided when
17 needed and maintained.

18
19 While the full extent of damage to these reactors still is not well known, it appears there
20 was a lack of timely and adequate cooling of the over-pressurized boiling-reactor cores at
21 the Fukushima plants, and later of the open spent fuel pools, due to a generalized loss of
22 electrical power. The recurrent loss of cooling to the reactors and spent fuel pools at
23 Fukushima Daiichi Units 1-4 resulted in hydrogen generation and explosions in the

1 reactor systems and in loss of water inventory and cooling of spent fuel pools, with the
2 ultimate result of degradation to nuclear fuel and radioactive contamination on-site and
3 off-site.

4 **Q. Does the U.S. nuclear regulatory scheme address the scenario that occurred at the**
5 **Fukushima Daiichi Nuclear Plant?**

6 A. Yes. First, NRC regulations at 10 CFR Part 50, Appendix A, "General Design Criteria
7 for Nuclear Power Plants," General Design Criterion (GDC) 2, "Design Bases for
8 Protection against Natural Phenomena," requires that structures, systems, and
9 components important to safety be designed to withstand the effects of natural
10 phenomena such as earthquakes, tornadoes, hurricanes, floods, tsunami, and seiches
11 without loss of capability to perform their safety functions. The established Defense-in-
12 Depth approach for US nuclear power plants also require the capability to cope with
13 beyond design basis events.

14
15 All U.S. nuclear plant designs include appropriate consideration of seismic events and
16 tsunamis, which includes the most severe of the natural phenomena that have been
17 historically reported for the site and surrounding area, with sufficient margin to ensure
18 performance of safety functions. These catastrophic natural events are very region- and
19 location-specific, based on tectonic and geological fault line locations; therefore, it is
20 important not to extrapolate earthquake and tsunami data from one location of the world
21 to another when evaluating these natural hazards. The geologic makeup of the U.S. and
22 its surrounding areas is very different from the geologic makeup of Japan and its
23 surrounding areas.

1 Second, U.S. nuclear power plants are designed to cope with a station blackout event that
2 involves a loss of offsite power and onsite emergency power. The NRC's detailed station
3 blackout regulations at 10 CFR 50.63 address this scenario. U.S. nuclear plants are
4 required to conduct a "coping" assessment and develop a strategy to demonstrate to the
5 NRC that they could maintain the plant in a safe condition during a station blackout
6 scenario. These assessments, proposed modifications, and operating procedures to deal
7 with a station blackout event were reviewed and approved by the NRC for the entire U.S.
8 fleet. Several plants added additional alternating current power sources to comply with
9 this regulation.

10
11 Third, in the aftermath of the 9/11 terrorist attacks, the NRC moved quickly to enhance
12 already existing layers of defense at nuclear power plants. These programs culminated in
13 a series of orders and rulings that require nuclear power plant licensees to maintain safety
14 margins under extreme conditions, regardless of origin. These requirements are known
15 collectively as "B.5.b" (from the section of the Security Order mandating these
16 requirements) which requires licensees to adopt mitigation strategies using readily
17 available resources to maintain or restore core cooling, containment, and spent fuel pool
18 cooling capabilities to cope with the loss of large areas of the facility due to large fires
19 and explosions from any cause, including beyond-design basis aircraft impacts. The
20 NRC Staff and the nuclear industry also developed guidance for implementing B.5.b
21 requirements, including best practices and strategies for mitigating losses of large areas
22 of the plant and measures to mitigate fuel damage and minimize radiological releases,
23 including adding make-up water to spent fuel pools, spraying water on spent fuel,

1 enhanced initial command and control activities for challenges to core cooling and
2 containment, and enhanced response strategies for challenges to core cooling and
3 containment. These safety enhancements, if effectively and timely implemented in
4 Japan, would have mitigated the events facing the operator of the Fukushima Daiichi
5 reactors.

6
7 Finally, the continued implementation and enhancement of these measures are inspected
8 and monitored by the NRC to ensure that plant safety is maintained under most severe
9 challenges, with the support of specified on-site resources and procedures and established
10 off-site support, as needed. The most critical element in the management of potential
11 nuclear accidents remains the establishment and continuity of command and control
12 activities and emergency preparedness activities, which are routinely exercised by the
13 nuclear industry, by the NRC, by the Federal Emergency Management Agency, and by
14 state and local governments.

15 **Q. Have there been any external weather-driven events in the U.S. that have challenged**
16 **the design and safety of U.S. nuclear plants?**

17 A. Yes. In 1992, Hurricane Andrew, a category 5 storm, passed directly over FPL's Turkey
18 Point Nuclear Plant. Despite damage to offsite power sources, road access,
19 communications, fire protection, and security systems, there were no radiological
20 impacts, and Turkey Point Unit 4 was restarted without incident approximately 30 days
21 after the storm. Following a previously scheduled refueling and maintenance outage,
22 Turkey Point Unit 3 was restarted approximately 90 days after the storm. In fact, in
23 contrast to the events in Japan, the emergency diesel generators (EDGs) at Turkey Point,

1 which are housed in seismic Category 1 steel-reinforced concrete structures, were not
2 affected by the storm. The EDGs and their safety-related buses remained operable to
3 supply power for cooling functions when the off-site power supply was unavailable. This
4 challenge clearly demonstrated the robust nature of the Turkey Point design to be able to
5 withstand one of the most severe hurricanes on record.

6 **Q. Do the nuclear plant designs currently under review in connection with combined**
7 **operating license applications (COLAs) provide enhanced margin to address events**
8 **such as the ones affecting the Fukushima Daiichi Nuclear Plant?**

9 A. Yes. The current generation of nuclear power plant designs that are the subject of
10 COLAs, such as the Westinghouse AP1000 design that is referenced in the Turkey Point
11 Units 6&7 COLA, are more robust than the existing plants in the areas shown to be
12 compromised by the earthquake/tsunami combination in Japan. Specifically, the
13 Westinghouse AP1000 new nuclear power plants planned for Florida have passive
14 reactor cooling safety systems that do not require electrical power for operation, provide
15 spent fuel pools with enhanced security and cooling, and also include the B.5.b measures
16 and additional requirements. The B.5.b requirements were codified into the Code of
17 Federal Regulations for all existing and new reactors in March 2009, and additional
18 requirements for consideration of aircraft impacts for new reactors, amending 10 CFR
19 Part 50 and Part 52, were added in September 2009, further enhancing protection and
20 response requirements for all new reactors, including the AP1000.

21 **Q. What are the potential impacts of the Japan incident for the fleet of U.S. commercial**
22 **nuclear reactors?**

1 A. The global consequences of the nuclear accidents in Japan will be the subject of much
2 discussion and debate. It appears that the severity of the accidents is more significant
3 than the Three Mile Island (TMI) accident and less than the Chernobyl accident, from the
4 overriding radiological protection viewpoint. TMI experienced core degradation with
5 severe contamination limited to the reactor core and primary coolant system and very
6 limited release of radioactivity off-site. The fact that measurable radioactive
7 contamination is being detected off-site around the Fukushima plant area, even though at
8 levels not considered to present a serious health hazard, will present multiple challenges
9 to the nuclear community and Governments at large. The fact that there is substantial
10 radioactive contamination outside of the pressure vessel and reactor coolant systems
11 present an additional level of severity and complication in effectively managing the
12 accidents.

13
14 It is important, therefore, to place the U.S. existing and proposed new-built nuclear
15 reactors safety and accident management programs in perspective. Existing nuclear
16 power reactors in the U.S. are considered safe to operate due to the stringent requirements
17 that have been systematically improved since the TMI accident. The consideration of
18 station blackout events was the earliest regulatory requirement imposed from the
19 probabilistic safety analysis of reactors following the TMI accident, and continues to be
20 reviewed and upgraded. U.S. nuclear power plants have received significant additional
21 regulatory and licensee enhancements to satisfy safety, reliability, and security
22 requirements.

23

1 The NRC is currently conducting an in-depth review of the safety of existing and new
2 nuclear power plants in the U.S. NRC announced a 90-day preliminary review followed
3 by a more systematic analysis to ensure that any lessons learned from the accidents at
4 Fukushima are incorporated into U.S. nuclear power accident management plans. The
5 standard to be followed has been established by law and affirmed by the Courts: the
6 operation of U.S. nuclear reactors shall provide reasonable assurance of adequate
7 protection of public health and safety and the environment. In consideration of the
8 existing safety requirements and in light of these activities, it is likely that the NRC will
9 deny a request filed in all COL and license renewal proceedings in April 2011 to suspend
10 these proceedings pending a review of the events in Japan.

11
12 Although I fully expect that NRC will mandate some additional improvements arising out
13 of these analyses, my view is that current U.S. plant designs and safety margins provide
14 adequate protection to public health and safety, and that additional requirements arising
15 out of the Japan situation will enhance safety but will not radically change U.S. nuclear
16 power safety regulation. My observation that there will be no radical changes in NRC
17 regulation of nuclear power plants is supported by NRC decisions in the wake of the
18 events in Japan to renew the operating license of the Vermont Yankee and Palo Verde
19 nuclear plants, to defend the issuance of the renewed operating license for the Oyster
20 Creek nuclear plant in a federal court proceeding, and to approve extended power uprates
21 for the Point Beach Nuclear Plants.

1 In this regard, I believe that FPL's strategy to pursue licensing for Turkey Point Units 6
2 and 7 and for the extended power uprate projects for Turkey Point Units 3 and 4 and St.
3 Lucie Units 1 and 2 continues to be prudent and that, assuming that all NRC requirements
4 are met, the NRC should approve the license applications for these projects.

5 **Q. Does this conclude your direct testimony?**

6 A. Yes.

1 BY MR. ROSS:

2 Q. Doctor Diaz, are you also sponsoring exhibits
3 to your direct testimony?

4 A. Yes, I have.

5 Q. And do those exhibits consist of documents
6 labeled NJD-1 through NJD-5?

7 A. Yes.

8 MR. ROSS: And, Mr. Chairman, those exhibits
9 have been marked as Exhibits 22 through 26 on staff's
10 exhibit list.

11 BY MR. ROSS:

12 Q. Doctor Diaz, have you prepared a summary of
13 your testimony for the Commission?

14 A. Yes, I have.

15 Q. Would you please provide that summary now?

16 A. It's my pleasure.

17 Good afternoon, Mr. Chairman and
18 Commissioners. It is, again, my distinct pleasure to
19 testify at the Florida PSC. I have the privilege of
20 visiting and working with your predecessors and with
21 Commissioner Edgar before during my ten-year tenure at
22 the NRC, and afterwards providing expert testimony to
23 the Commission.

24 There is a strong nexus between safety,
25 reliability, predictability, and economics, and I look

1 forward to our work here today. I have reviewed FPL's
2 approach to its Turkey Point Units 6 and 7 new nuclear
3 project. The step wise decision for the pursuit of
4 Turkey Point Units 6 and 7 and the extension of the
5 project target in-service dates are prudent and
6 reasonable.

7 FPL is taking advantage of an NRC regulatory
8 process that includes the stability and predictability
9 of reactor licensing. The FPL application references a
10 nuclear power plant design that has been approved or
11 certified by the NRC thereby generically resolving
12 safety issues which are not subject to adjudication for
13 conforming applications. FPL's application also lags
14 the lead applicant for a combined operating license for
15 a Westinghouse design. This strategy will enable FPL to
16 incorporate lessons learned from their review of the
17 Westinghouse design and should result in a combined
18 construction and conditional authority to operate the
19 plant issued prior to construction, reducing project and
20 financial risk.

21 The NRC revised its waste confidence rule by
22 extending the period of environmentally sound storage of
23 the spent fuel to at least 60 years beyond the licensed
24 life of each nuclear reactor. The NRC confirmed its
25 finding of reasonable assurance that sufficient disposal

1 capacity will be available for reactors when necessary.
2 The NRC is conducting in-depth reviews to ensure that
3 lessons learned from the Fukushima accident in Japan are
4 addressed with U.S. nuclear plants.

5 Although current U.S. plants provide adequate
6 protection to public health and safety, I expect that
7 the NRC will mandate safety enhancements without
8 radically changing US nuclear power regulation. Reactor
9 accidents can be effectively managed whenever adequate
10 cooling and power is provided. The Fukushima accident
11 occurred because the plant operator failed to meet this
12 basic requirement and a sustained loss of power or
13 blackout resulted in core degradation and radiological
14 releases.

15 In contrast, the U.S. nuclear regulatory
16 scheme on operator capabilities specifically address the
17 blackout scenario that occurred at Fukushima. The
18 continued implementation and enhancement of
19 comprehensive safety measures are a priority for U.S.
20 operators and are monitored by the NRC to ensure that
21 plant safety is maintained on the most severe challenges
22 supported by on-site and off-site resources with
23 continuity of critical command and control and emergency
24 response activity.

25 FPL plants have successfully endured severe

1 external events. In 1992, Hurricane Andrew passed
2 directly over FPL's Turkey Point Nuclear Plant. There
3 were no radiological impacts from this Category 5 storm,
4 and both Turkey Point units were restarted without
5 incident.

6 The new generation of reactors employ safety
7 enhancements and address most of the issues posed by the
8 Fukushima accident. The Westinghouse reactor proposed
9 for Turkey Point Units 6 and 7 has passive reactor
10 cooling safety systems that do not require electrical
11 power for operation. It incorporates enhanced seismic
12 protection and extended fuel pool cooling, and measures
13 to address potential losses of large areas of the plant
14 to external damage, otherwise known as D5D (phonetic)
15 protections.

16 In summary, there will be regulatory and
17 operator (inaudible) nuclear plant enhancements,
18 specifically for station blackouts scenarios, seismic
19 protection, and for strengthening D5D (phonetic)
20 measures and emergency preparedness. However, I do not
21 expect there to be impediments to FPL receiving a
22 combined license for the Turkey Point Units 6 and 7
23 project or to obtaining NRC approval for the extended
24 power uprate project arising out of the Fukushima safety
25 review.

1 That concludes my summary.

2 **MR. ROSS:** Mr. Chairman, we tender Doctor Diaz
3 for cross-examination.

4 **CHAIRMAN GRAHAM:** Thank you.

5 Okay. Who's first?

6 **MS. CHRISTENSEN:** Office of Public Counsel.

7 We have no questions.

8 **CHAIRMAN GRAHAM:** Okay.

9 **CROSS EXAMINATION**

10 **BY MS. KAUFMAN:**

11 **Q.** Good afternoon, Doctor Diaz.

12 **A.** Good afternoon.

13 **Q.** It's a pleasure to meet you.

14 **A.** My pleasure.

15 **Q.** Were you in the room for the discussion that
16 we had with Mr. Scroggs earlier?

17 **A.** Yes, I was.

18 **Q.** And you heard some discussion about some of
19 the uncertainties that face new nuclear units coming
20 on-line?

21 **A.** Yes, I did.

22 **Q.** And I think you even mentioned in your summary
23 that you expect there might be the need for regulatory
24 enhancements due to the Fukushima incident?

25 **A.** There will be.

1 Q. And would you agree that depending upon the
2 NRC's ultimate review of the task force recommendations
3 and what ultimate action they take that that could
4 result in a delay of the Turkey Point units coming
5 on-line?

6 A. It could, but it should not. If it please the
7 Commission, I think really there is a paragraph that
8 needs to be read from the task force conclusions. It's
9 just takes one minute, but I think it is very germane to
10 the discussion.

11 **CHAIRMAN GRAHAM:** Ms. Kaufman, does it answer
12 your question?

13 **MS. KAUFMAN:** I think that he answered my
14 question. I think that if counsel wants to do that on
15 redirect, they can do it.

16 **CHAIRMAN GRAHAM:** Sure. Continue.

17 **BY MS. KAUFMAN:**

18 Q. Doctor Diaz, would you agree with me that is
19 certainly possible that there will be delays in the
20 Turkey Point units due not only to the Fukushima
21 incident, but other reviews that the NRC and other
22 agencies may have to complete?

23 A. It is possible, but right now I believe we are
24 on a very good solid ground to accommodate the schedule
25 that the units at Turkey Point 6 and 7 are, and I do not

1 expect significant delays. But, yes, they could be.

2 MS. KAUFMAN: Thank you. That's all I have.

3 CHAIRMAN GRAHAM: SACE.

4 MR. WHITLOCK: Thank you, Mr. Chairman. Just
5 a couple of questions.

6 CROSS EXAMINATION

7 BY MR. WHITLOCK:

8 Q. Good afternoon, Doctor Diaz.

9 A. Good afternoon.

10 Q. I just have a couple of questions for you.

11 A. Sure.

12 Q. I'm sure you are used to that, a lawyer's
13 famous last words, right?

14 On Page 5 of your testimony, prefiled
15 testimony dated May 2nd, 2011 --

16 A. Uh-huh.

17 Q. -- you were asked a question at Line 4, does
18 the U.S. Nuclear Regulatory scheme address the scenario
19 that occurred at the Fukushima Daiichi Nuclear Plants.
20 Do you see that question?

21 A. Yes.

22 Q. And your response generally was yes, is that
23 correct?

24 A. That's correct.

25 Q. Okay. I don't know, do you have a copy of the

1 task force report there in front of you?

2 A. I actually do.

3 Q. And I just want to make sure I understand. On
4 the first page of the executive summary, below the three
5 bullet points?

6 A. Uh-huh.

7 Q. There's a paragraph that starts with this
8 regulatory approach?

9 A. Yes.

10 Q. It says, "This regulatory approach established
11 and supplemented piece by piece over the decades has
12 addressed many safety concerns and issues using the best
13 information and techniques available at the time. The
14 result is a patchwork of regulatory requirements and
15 other safety initiatives all important, but not all
16 given equivalent consideration and treatment by
17 licensees or during NRC technical review and
18 inspection." Is that correct?

19 A. That's what it says.

20 Q. Okay. And then when you go over the very
21 first recommendation that the task force made was that
22 the task force recommends establishing a logical
23 systematic and coherent regulatory framework for
24 adequate protection that appropriately balances defense
25 in-depth and risk considerations, correct?

1 A. Correct.

2 Q. Okay. So I guess I'm just trying to reconcile
3 your statement that in your opinion the regulatory
4 scheme already addressed a disaster like this, when it
5 seems to me that the task force found something
6 different. Could you point out to me --

7 A. No, it did not find something different, no.

8 Q. Okay.

9 A. If I may explain, the language of the NRC,
10 which is a different language than other languages --
11 you don't have that problem, do you, the different
12 languages? (Laughter.) But what it is saying is
13 something extremely simple. It is practically all
14 regulatory commissions build on an original foundation
15 and make changes and actually make corrections and make
16 improvements and make things better. And the NRC after
17 TMI started with a complete new way of enhancing its
18 regulations called probabilistic risk assessment, and
19 what it does is it provides a tool that allows to make
20 better decisions.

21 What the staff is saying, and by the way, you
22 can read one of my speeches of 2002 on the proposal,
23 that, yes, it is time that we eventually take portions
24 of the regulations and bring them into a more coherent
25 set of regulations. That is a long process. It will

1 take years to embody those regulations into a coherent
2 patchwork, because every nuclear power plant in this
3 country complies with reasonable assurance of adequate
4 protection or they will not be -- they will not be
5 operating. Let repeat that. They are in full
6 compliance with reasonable assurance of adequate
7 protection of public health and safety and of the
8 environment or they will not be operating. They do that
9 every day, every minute, every year, time after time.

10 What the staff is saying is it is about time
11 that we pause and bring this things that we did better
12 and better and better into a more cohesive set, and that
13 is one the discussions of the Commission. The
14 Commission is saying what is the time frame, how do we
15 select. I think we know pretty much that we are going
16 to take all of these regulations that address serious
17 accidents and have probabilistic risk assessment, and we
18 probably will put them in a new body or a new part or a
19 new appendix, and I think that will be good. It will
20 take a tremendous amount of time.

21 But what the task force clearly says is that
22 new reactors already have practically all of these
23 enhancements. On Page 71 of the report it clearly
24 states that the AP1000, if I may please the Commission,
25 it actually says the task force knows that to the signed

1 certifications currently in the rulemaking process,
2 i.e., the AP1000 and the SPWR passive safety systems, by
3 the nature of their passive safety system and adhering
4 72-hour coping capability for core containment and spent
5 fuel pool cooling needs no operator action required.
6 The SPR and AP1000 design have many of the design
7 features and attributes necessary to address the task
8 force recommendations.

9 What is missing is very simple. Station
10 blackout is going to be strengthened a little bit.
11 Emergency preparedness will be strengthened. Multi-unit
12 issues is going to be strengthened. But they already
13 have the seismic all practically done. They already
14 have the cool pool capability with major accidents. In
15 other words, after 9/11 we, and especially myself,
16 conducted a major federal effort to bring into place
17 resources on-site and off-site to take care of a major
18 external event. And the external event was a big, big
19 airplane. Big, big, big airplane filled with a
20 tremendous amount of fuel collapsing, you know, the
21 structures in a nuclear power plant, and we have to
22 recover it on time. And that is in place.

23 But what the staff is saying is that every
24 piece of this equipment doesn't meet every single
25 nuclear quality qualifications, and they would like to

1 eventually bring them into an orderly process. So
2 really you have to speak, you know, NRCese to understand
3 what they are meaning. And, fortunately, I do.

4 Q. And unfortunately I don't. So, thank you.
5 It's my understanding, and I had asked Mr. Scroggs about
6 this, and I believe he might have deferred to you that
7 Revision 19 to the design certification document for the
8 AP1000, the NRC had requested that in May of this year
9 because of concerns, some of which related to seismic
10 concerns, correct?

11 A. No, it was not only ready, there was a minor
12 portion, but it really concerns two issues. One, it was
13 the capability of the entire building to sustain stress
14 at different, you know, parts of the building. And also
15 it was an issue of the composition of the material, and
16 they actually require a test that was done at Purdue
17 University that was completed satisfactory. They were
18 also addressing a particular calculation that was done,
19 and I am very proud of the NRC staff that they actually
20 realized that the calculation was not fully explained
21 and justified, and that just brings significant
22 confidence in the way that the NRC actually does its
23 business.

24 Regardless of how advanced something is, if
25 there is an issue it will actually be reviewed, it will

1 be gone over. If it takes more time, it will take time.
2 So I think the process actually worked very well, and
3 they eventually were satisfied that the AP1000 complied
4 with all safety requirements, that's why they issued the
5 final safety evaluation report.

6 Q. And does that final safety evaluation report
7 incorporate Revision 19?

8 A. That's correct.

9 Q. Okay. Are you familiar with -- and I imagine
10 you probably worked with him, Doctor John Mott?

11 A. I did not work with Doctor John Mott, but I
12 know who he is.

13 Q. Okay. Are you familiar with his
14 nonconcurrence?

15 A. I am familiar with his different professional
16 opinion, correct.

17 Q. And do you agree with Doctor Mott's
18 nonconcurrence?

19 A. No, I don't, but I'm not an expert on the
20 issue. But I have taken from people that are much
21 better than I am that do not agree with him.

22 Q. Am I correct that Doctor Mott had concerns
23 that NRC or Westinghouse had exploited a loophole in the
24 definition of earthquakes and in their modeling had
25 underestimated seismic impacts?

1 A. I think that's a claim, but I am not so sure
2 that many people agreed with it. I think staff has
3 undergone intensive review. Chairman Jaczko himself got
4 involved in the BPO. He actually interviewed Doctor
5 Mott. There is always a panel that is put together. I
6 have participated in those panels before. It is an
7 exhaustive process. And eventually, if there is an
8 issue, it will be brought up. I think the present
9 ruling is that it has been done adequately enough to
10 provide reasonable assurance of adequate protection that
11 the suggestions of Doctor Mott will enhance what it is,
12 but unnecessarily so. In other words, it doesn't need
13 to be more than what it is. You can always make it
14 stronger. You can make it better. You can make
15 anything stronger or better, but it was not needed to
16 provide the adequate design and protection of the public
17 health and the environment. That, I believe, was the
18 decision.

19 Q. Even post-Fukushima you would agree with that?

20 A. Absolutely.

21 Q. You heard me talk with Mr. Scroggs briefly
22 earlier about the conflicts between the NRC about
23 implementing the near-term recommendations of the task
24 force?

25 A. Yes, I have.

1 Q. And does that give you pause for concern as it
2 does the current chairman?

3 A. No, because I understand what the difference
4 is. There are requirements that will be issued that are
5 what I will call short-term requirements, and this will
6 be station blackout, emergency preparedness,
7 multi-units, issues that might include flooding or
8 seismic for the other units, not for the new reactors,
9 because those already have them. It will include a
10 review of emergency planning and integration of the
11 three things that we use in the power plants to deal
12 with accidents, which is the emergency plan, severe
13 accident management guidelines, and extensive, you know,
14 accident management guidelines. There are three sets of
15 those.

16 What the staff is saying, those are very good,
17 but let's integrate them and make sure we train on them,
18 and they want to train at a higher level. I think that
19 is great. I think it should be done, and I think it
20 will be done. But what Chairman Jaczko was saying, and
21 especially in the article on the *Wall Street Journal*,
22 and I watched the hearing --

23 Q. Good. I was going to ask you about that, I'm
24 glad you --

25 A. Every single minute of it. Okay. And the

1 issue, there is -- oh, I would call it a disagreement
2 between the Commissioners among the time to implement.
3 And, I'm sorry, I just have this bad habit of looking at
4 who was talking to me, and I forget to look at the
5 Commission. Let me turn my back on you, and that will
6 be better. (Laughter.) The reality is that the
7 controversy is not on the majority of the actions that
8 will improve the present established nuclear power
9 plants.

10 **CHAIRMAN GRAHAM:** Doctor Diaz, can I get you
11 to pull that mike down and make sure you are clearly on
12 the record.

13 **THE WITNESS:** Yes, sir.

14 **CHAIRMAN GRAHAM:** Just pull them down a little
15 bit.

16 **THE WITNESS:** Excuse me?

17 **CHAIRMAN GRAHAM:** No, if you can just pull the
18 two mikes down a little bit, just to make sure that you
19 are clearly on the record.

20 **THE WITNESS:** I'm sorry. Yes. What I did was
21 I turned my back on him, and that created a problem.

22 The controversy is a little bit of do we make
23 a decision in 90 days about every single one of the
24 recommendations of the task force, or do the Commission
25 makes a decision on all of those things that the

1 Commission agrees should be done, and then in the ones
2 that require additional input from the staff,
3 additional, you know, analysis, do we, you know, put
4 those into another time frame, say, add another three
5 months to it or whatever it is. I have no idea what
6 they are saying. And then actually bring experts to say
7 this is the framework, this is the timing, this is the
8 sequence. That's where the issue is.

9 And what Chairman Jaczko was actually saying
10 when he says this could provide uncertainty and delay,
11 he was defending making all the decisions in 90 days.
12 He's saying, you know, let's make -- let's decide what
13 we are going to do, and what a few of the other
14 Commissioners are saying is let's decide all we can as
15 soon as we can, because we've got certainty in what that
16 means, and let's go ahead and decide on the difficult
17 long-term issues on a scale that allows to make better
18 decisions.

19 And I believe that out of that there will be
20 more certainty and more predictability. After all this
21 is what this industry has always wanted is more
22 predictability. And I believe the Commission is very
23 aware of the predictability for this particularly. And
24 I think very good, you know, energy technology of this
25 country, predictability is indispensable to be able to

1 make the right decisions in the regulatory arena and to
2 provide, you know, a base for the industry to make
3 appropriate decisions.

4 **BY MR. WHITLOCK:**

5 Q. Mr. Diaz, I just have -- or, Doctor Diaz,
6 excuse me. I just have one more question. You don't
7 disagree with Mr. Scroggs' testimony that Fukushima,
8 and, you know, the task force report and the
9 implementation of the recommendations could potentially
10 affect the schedule for Turkey Point 6 and 7, do you?

11 A. It could potentially, but, you know, I'm a
12 little more of an optimist, and I don't have the
13 restraints that Mr. Scroggs has in his view of the NRC.
14 I actually believe that out of the Fukushima accident we
15 are going to be gaining a nuclear power industry that
16 has more confidence, that all of this severe accident
17 issue will be taken care of and will provide a
18 predictability and an economic platform that will allow
19 the country to actually proceed into nuclear power.

20 If I may explain what I mean. One of the key
21 issues with the economics of nuclear power is its
22 reliability and credibility. When some of these
23 Fukushima, especially the short-term fixes are made,
24 nuclear power plants will increase the capability of
25 staying on-line without being challenged by issues that

1 could be challenging, you know, the repairability for,
2 you know, external events, you know, major issues, and
3 could come back to being on-line faster.

4 So, yes, it will cost money. Yes, it will
5 take time. But it also will provide an additional level
6 of assurance and predictability and repairability.

7 Q. I don't think most of the general public
8 probably shares that opinion.

9 A. I am pretty sure that they don't. I have been
10 a few times on TV. I think, and if I might say so, I
11 believe that the NRC needs to actually come out of the
12 task force and actually address the American public and
13 explain what are -- what is the meaning of each one of
14 these recommendations. Where do they fit. What are the
15 results of it, because it is very important.

16 **MR. WHITLOCK:** Thank you, Doctor Diaz.

17 No more questions, Mr. Chairman.

18 **CHAIRMAN GRAHAM:** Mr. Whitlock, just to let
19 you know, I will let witnesses editorialize as long as
20 they want until you object.

21 Is that it for the intervenors?

22 Staff.

23 **MR. YOUNG:** No questions.

24 **CHAIRMAN GRAHAM:** Redirect.

25 **MR. ROSS:** One question.

REDIRECT EXAMINATION

1
2 BY MR. ROSS:

3 Q. Doctor Diaz, when Ms. Kaufman was asking you
4 questions, you wanted to refer to a paragraph in the
5 executive summary of the task force report to explain
6 your answer?

7 A. Yes, I did. I think I already used the
8 opportunity and read it. It was the paragraph that is
9 on Page 71, but the task force already -- the entire
10 report is already on the record. I would recommend
11 reading the applicability and implementation strategy
12 for new reactors on Page 71, and that essentially tells
13 what the differences are from existing reactors and new
14 reactors, and it specifically addresses the AP1000.

15 MR. ROSS: That's all. Thank you.

16 CHAIRMAN GRAHAM: Okay. We need to enter some
17 things into the record.

18 MR. ROSS: Right. Mr. Chairman, we move
19 admission of Exhibits 22 through 26.

20 CHAIRMAN GRAHAM: We are going to enter
21 Exhibits 22 through 26 into the record. And we didn't
22 have anything else we added, did we? Okay.

23 MR. ROSS: Mr. Chairman, may Doctor Diaz be
24 excused?

25 CHAIRMAN GRAHAM: Are we done with this

1 witness?

2 **MR. YOUNG:** Yes. He didn't file rebuttal.

3 **CHAIRMAN GRAHAM:** Okay. Thank you. Thank you
4 for your testimony, sir.

5 (Exhibit Numbers 22 through 26 admitted into
6 evidence.)

7 **MR. YOUNG:** Mr. Chairman, I would note that
8 Ms. Powers is up next, and per the preliminary matters,
9 it's stipulated that Ms. Powers will present direct and
10 rebuttal at this time.

11 **CHAIRMAN GRAHAM:** Yes.

12 **MR. YOUNG:** And also, Mr. Chairman, given the
13 fact that she is presenting direct and rebuttal, our
14 recommendation would be her witness summary should be
15 ten minutes.

16 **CHAIRMAN GRAHAM:** One more time.

17 **MR. YOUNG:** Because she is presenting direct
18 and rebuttal, our recommendation is that she be allowed
19 ten minutes for opening -- witness summary, excuse me.

20 **CHAIRMAN GRAHAM:** Was that within the
21 stipulation?

22 **MR. YOUNG:** The stipulation did not
23 contemplate the witness summary, but the prehearing
24 officer's ruling that witness summaries shall be five
25 minutes every time they take the stand, and the fact

1 that she is presenting both, that's ten minutes.

2 **MR. RUBIN:** Mr. Chairman, I'm Ken Rubin for
3 FPL. The summaries combined will take less than five
4 minutes.

5 **CHAIRMAN GRAHAM:** I was hoping so. Okay.
6 Now, according to the stipulation that -- okay,
7 nevermind. Please.

8 **MR. RUBIN:** Mr. Chairman, may I also mention
9 that Ms. Powers was not in the room this morning when
10 witnesses were sworn, so she has not yet been sworn.

11 (Witness sworn.)

12 **MR. RUBIN:** Thank you. May I proceed?

13 **CHAIRMAN GRAHAM:** Yes.

14 **WINNIE POWERS**

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

18 **DIRECT EXAMINATION**

19 **BY MR. RUBIN:**

20 **Q.** Would you please state your name and business
21 address?

22 **A.** Yes. Winnie Powers, 700 Universe Boulevard,
23 Juno Beach, Florida 33408.

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

25 **A.** Florida Power and Light Company, and I am the

1 New Nuclear Accounting Project Manager.

2 Q. Have you prepared and caused to be filed 24
3 pages of Prefiled Direct Testimony in this proceeding on
4 March 1, 2011, entitled Extended Power Uprates 2009?

5 A. Yes.

6 Q. Have you also prepared and caused to be filed
7 38 pages of Prefiled Direct Testimony in this proceeding
8 on March 1, 2011, entitled Turkey Point 6 and 7, 2009
9 and 2010, and Extended Power Uprates 2010?

10 A. Yes.

11 Q. Additionally, have you prepared and caused to
12 be filed 27 pages of Prefiled Direct Testimony in this
13 proceeding on May 2, 2011, entitled Nuclear Power Plant
14 Cost-Recovery for the Years Ending December 2011 and
15 2012?

16 A. Yes.

17 Q. Did you also cause to be filed three pages of
18 errata on June 10, 2011?

19 A. Yes.

20 Q. Do you have any other changes or revisions to
21 your Prefiled Direct Testimony?

22 A. I do.

23 Q. Please provide the Commission with those
24 changes.

25 A. In my direct testimony for May 2nd, 2011, on

1 Page 23, Line 14, the number \$1,531,515 should be
2 changed to \$1,531,532.

3 Q. Aside from the change that you just provided,
4 if I asked you the same questions contained in your
5 Prefiled Direct and Rebuttal Testimony, would your
6 answers be the same?

7 A. Yes.

8 Q. Have you prepared and caused to be filed three
9 pages of Prefiled Rebuttal Testimony in this proceeding
10 on July 25, 2011?

11 A. Yes.

12 Q. Do you have any changes or revisions to that
13 Prefiled Rebuttal Testimony?

14 A. No, I do not.

15 MR. RUBIN: Mr. Chairman, I ask that the
16 Prefiled Direct Testimony and the Prefiled Rebuttal
17 Testimony of Ms. Powers be inserted into the record as
18 though read.

19 CHAIRMAN GRAHAM: We will insert the Prefiled
20 Direct Testimony and redirect -- I'm sorry, Rebuttal
21 Testimony into the record as though read of Ms. Powers.

22 MR. RUBIN: Thank you, sir.
23
24
25

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **DIRECT TESTIMONY OF WINNIE POWERS**

4 **DOCKET NO. 110009-EI**

5 **MARCH 1, 2011**

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

7 A. My name is Winnie Powers. My business address is 700 Universe Boulevard,
8 Juno Beach, FL 33408.

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

10 A. I am employed by Florida Power & Light Company (FPL or the Company) as
11 the New Nuclear Accounting Project Manager.

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

13 A. I am responsible for the accounting related to the new nuclear projects, which
14 include Turkey Point 6 & 7 and the Extended Power Uprate (EPU or Uprate)
15 Projects at Turkey Point and St. Lucie. I ensure that the costs expended and
16 projected for these projects are accurately reflected in the Nuclear Cost
17 Recovery filing requirements (NFR) schedules. In addition, I am responsible
18 for ensuring that the Company's assets associated with these projects are
19 appropriately recorded and reflected in FPL's financial statements.

20 **Q. Please describe your educational background and professional
21 experience.**

22 A. I graduated from the University of Florida in 1976 with a Bachelor of Science
23 Degree in Business Administration, majoring in Accounting. After college, I

1 was employed as an accountant by RCA Corporation in New York. In 1983, I
2 was hired by Southeastern Public Service Company in Miami and attained the
3 position of manager of corporate accounting. In 1985, I joined FPL and have
4 held a variety of positions in the regulatory and accounting areas during my
5 26 years with the Company. I obtained my Masters of Accounting from
6 Florida International University in 1994. I am a Certified Public Accountant
7 (CPA) licensed in the State of Florida, and I am a member of the American
8 Institute of CPAs.

9 **Q. Are you sponsoring any Exhibits in this case?**

10 **A.** Yes, I am sponsoring or co-sponsoring the following Exhibits:

- 11 • Exhibit WP-1, 2009 Revenue Requirements, details the components of the
12 2009 revenue requirements reflected in the 2009 Uprate Project True-Up
13 (T schedules) by category of costs being recovered, (carrying costs on
14 construction costs and on the deferred tax asset/liability, recoverable
15 operation and maintenance (O&M) costs, and base rate revenue
16 requirements for the year plant is placed into service).
- 17 • Exhibit WP-2, 2009 Costs for Prudence Determination, details the 2009
18 total company Uprate Project costs and jurisdictional costs for which FPL
19 is seeking a prudence determination by cost categories. These total
20 company costs and prudence of them, variances from the actual/estimated
21 costs and the explanation of the variances are further described in the
22 testimony of FPL Witness Jones.

- 1 • Exhibit WP-3, 2009 Base Rate Revenue Requirements, details the true-up
2 of the revenue requirements for the Uprate Project plant modifications
3 placed into service during 2009, specifically the true-up of the in-service
4 date and true-up of the actual plant placed into service. FPL Witness
5 Jones describes the plant being placed into service, as well as the necessity
6 and timing of completing this plant.
- 7 • Exhibit WP-4, 2009 Incremental Labor Guidelines, flowcharts the process
8 used by the Nuclear Business Operations (NBO) accounting team to
9 determine incremental payroll costs chargeable to the projects for 2009.
- 10 • Exhibit TOJ-1, T schedules, 2009 EPU Construction Costs, sponsored by
11 FPL Witness Jones, consists of the 2009 Uprate Schedules T-1 through T-
12 7A. Page 2 of TOJ-1 contains a table of contents which lists the T
13 Schedules sponsored and co-sponsored by FPL Witness Jones and by me,
14 respectively.

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

16 A. The purpose of my testimony is to present the calculation of the revenue
17 requirements in the:

18 (1) NFR T schedules for Uprate costs and carrying costs for 2009; and

19 (2) True-up of the 2009 base rate revenue requirements related to the
20 modifications placed into plant in-service during 2009 as shown on Exhibit
21 WP-3, page 2 of 2. FPL filed its annualized base rate increase on December
22 4, 2009 for the St. Lucie Unit 2 Turbine Gantry Crane modifications placed
23 into plant in-service in December 2009. FPL filed its annualized base rate

1 increase for additional Uprate modifications placed into service during 2010
2 and included a true-up of the St. Lucie Unit 2 Turbine Gantry Crane costs on
3 October 7, 2010.

4
5 I also describe how these schedules comply with the Florida Public Service
6 Commission's (FPSC or Commission) Rule No. 25-6.0423, Nuclear or
7 Integrated Gasification Combined Cycle Power Plant Cost Recovery (Nuclear
8 Cost Recovery Rule or NCRC). I explain how carrying costs are provided for
9 under the Nuclear Cost Recovery Rule, describe the base rate revenue
10 requirements included for recovery in the schedules, and discuss the
11 Accounting controls FPL relies upon to ensure costs are appropriately charged
12 to the projects.

13 **Q. Please summarize your testimony.**

14 **A.** My testimony refers to Exhibits and T schedules detailing 2009 revenue
15 requirements for the Uprate Project that FPL is requesting to recover through
16 the NCRC. My testimony also describes the comprehensive corporate and
17 overlapping business unit controls for incurring costs and recording
18 transactions associated with FPL's capital projects, including the Uprate
19 Project. My testimony describes these controls and outlines the
20 documentation, assessment, and auditing processes for these overlapping
21 control activities.

22

23

NUCLEAR COST RECOVERY RULE

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Q. Please describe the Commission's Nuclear Cost Recovery Rule and the NFR schedules.

A. On March 20, 2007, in Order No. PSC-07-0240-FOF-EI, the FPSC adopted the Nuclear Cost Recovery Rule to implement Section 366.93, Florida Statutes (the Statute), which was enacted by the Florida Legislature in 2006.

The Nuclear Cost Recovery Rule has been interpreted by this Commission to include FPL's Uprate Project. In compliance with the Nuclear Cost Recovery Rule, FPL is recovering carrying costs, recoverable O&M, and base rate revenue requirements (for the year plant is placed into service) for the Uprate Project at its St. Lucie and Turkey Point nuclear power plants through FPL's Capacity Cost Recovery Clause (CCRC). Base rate recovery of the annualized revenue requirements subsequent to the year the plant is placed into service is to be requested in a separate petition outside of the Nuclear Cost Recovery Clause as contemplated by the Rule.

The Nuclear Cost Recovery Rule implements this mechanism for cost recovery and provides for the annual recovery of eligible costs through the CCRC. FPL continues to work with Commission Staff, the Office of Public Counsel, Progress Energy Florida (PEF) and interested parties to refine a

1 comprehensive set of NFR schedules, which set forth construction and cost
2 information on nuclear power plant projects.

3
4 The NFR schedules provide an overview of nuclear power plant projects and a
5 roadmap to the detailed project costs. The NFR schedules consist of True-up
6 (T), Actual/Estimated (AE), Projected (P) and True-up to Original (TOR)
7 Schedules. The T Schedules filed each March provide the True-Up for the
8 prior year.

9 2009 True-up

10 **Q. What 2009 schedules are you filing in this testimony?**

11 A. I am filing the 2009 T Schedules for the Uprate Project in this testimony.

12 **Q. Please discuss the 2009 T Schedules.**

13 A. The 2009 Uprate T schedules included with this testimony present the final
14 true-up of revenue requirements by comparing 2009 actual costs to 2009
15 actual/estimated costs approved by this Commission in Docket No. 090009-
16 EI, Order No. 09-0783-FOF-EI. The result is an overrecovery of \$3,971,698
17 for Uprates which I describe in this testimony. I note for informational
18 purposes that when combined with the 2009 Turkey Point 6 & 7 overrecovery
19 of \$10,648,277, described in separate testimony in this Docket, the 2009 total
20 overrecovery is \$14,619,975 as shown on my Exhibit WP-1. The details of
21 these 2009 True-up of costs can be found in my Exhibit WP-1, page 1. FPL
22 requests the Commission approve the revenue requirements and resulting
23 overrecovery of \$3,971,698 for the Uprates.

1 **Q. Please describe the NFR schedules related to the recovery of 2009 Uprate**
2 **costs and carrying costs and included in this testimony in Exhibit TOJ-1.**

3 A. FPL has included the 2009 T schedules in this testimony as Exhibit TOJ-1 for
4 nuclear and transmission Uprate costs. As shown on schedule T-6, FPL's
5 actual Uprate expenditures for the period January 2009 through December
6 2009 are \$237,677,629 (\$227,680,202 jurisdictional, net of participants). As
7 shown on schedule T-3 and T-3A, FPL incurred related carrying charges of
8 \$16,459,883. Schedule T-4 shows that FPL incurred \$498,077 (\$480,934
9 jurisdictional, net of participants) of recoverable O&M expenses.
10 Additionally, the actual base rate revenue requirements for 2009 related to the
11 modifications on the St. Lucie Unit 2 Turbine Gantry Crane placed into
12 service on December 22, 2009 are \$12,802 as shown in Exhibit WP-3, page 2
13 of 2. The total actual 2009 Uprate revenue requirements of \$16,953,619
14 (carrying costs, recoverable O&M, and base rate revenue requirements),
15 compared to the actual/estimated revenue requirements of \$20,925,317 (filed
16 on May 1, 2009 in Docket No. 090009-EI and approved in Order No. PSC-09-
17 0783-FOF-EI) results in an overrecovery of \$3,971,698. This amount reduces
18 the CCRC charge being paid by customers in 2011. The details of these
19 revenue requirements and the resulting true-ups can be seen in Exhibit WP-1,
20 page 1 of 1.

21

22 Also included in my Exhibit WP-2 are the nuclear and transmission total
23 company costs for the Uprate Project for 2009 which are the basis for the

1 revenue requirement calculations included in our T schedules. The prudence
2 and necessity of the 2009 actual total company costs are discussed in FPL
3 Witness Jones's testimony.

4 **Q. Please explain the 2009 base rate revenue requirements approved by this**
5 **Commission in Docket No. 090009-EI that FPL recovered in 2010.**

6 A. FPL recovered \$83,460 of 2009 base rate revenue requirements through the
7 CCRC in 2010 for the modifications related to its St. Lucie Unit 2 Turbine
8 Gantry Crane in the 2009 AE schedules. When this is compared to the
9 \$12,802 of revenue requirements in 2009 T schedules the result is an
10 overrecovery of \$70,658. This amount relates to the revenue requirements for
11 the first year this plant was placed into service and is based on the estimated
12 jurisdictional costs (net of participants) and the estimated in-service date of
13 October 15, 2009 at the time of FPL's May 1, 2009 filing. This amount was
14 reflected in the 2009 AE Schedules filed in Docket No. 090009-EI and
15 approved as reasonable and eligible for recovery in Order No. PSC-09-0783-
16 FOF-EI.

17

18 According to Order No. PSC-08-0749-FOF-EI in Docket No. 080009-EI, FPL
19 "shall be allowed to recover through the NCRC associated revenue
20 requirements for a phase or portion of a system placed into commercial
21 service during a projected recovery period. The revenue requirement shall be
22 removed from the NCRC at the end of the period. Any difference in
23 recoverable costs due to timing (projected versus actual placement in service)

1 shall be reconciled through the true-up provision". The St. Lucie Unit 2
2 Turbine Gantry Crane modifications were actually placed into commercial
3 service on December 22, 2009.

4
5 In accordance with Nuclear Cost Recovery Rule No. 25-6.0423 (7) (a), on
6 December 4, 2009, FPL filed a request to recover in base rates subsequent to
7 2009, the annualized base rate revenue requirements related to the
8 modifications to the St. Lucie Unit 2 Turbine Gantry Crane separate from its
9 cost recovery clause petition. These revenue requirements have subsequently
10 had a final, approved true-up in FPL's base rate revenue requirement request
11 filed October 7, 2010 and approved in Order No. PSC-11-0078-PAA-EI,
12 Docket No. 100419-EI.

13 **Q. What are the differences between 2009's base rate revenue requirements**
14 **for the modifications to the St. Lucie Unit 2 Turbine Gantry Crane**
15 **included in the AE schedules and approved for recovery in Docket No.**
16 **090009-EI, and those filed in the 2009 T schedules filed in this Docket?**

17 A. The differences are due to: actual as opposed to projected in-service dates,
18 actual as opposed to projected in-service amounts, actual as opposed to
19 projected jurisdictional separation factors, an updated property tax rate, and
20 the actual rate of return as filed in FPL's then most recent surveillance report
21 (i.e., in the September 2009 report).

22 **Q. Please describe these differences.**

1 A. As filed in the 2009 AE Schedules on May 1, 2009 in Docket No. 090009-EI,
2 FPL anticipated an in-service date of October 15, 2009; however, the actual
3 in-service date for the St. Lucie Unit 2 Turbine Gantry Crane was December
4 22, 2009. For the 2009 AE filing, FPL estimated an in-service amount of
5 \$2,443,835 total company, net of participants, (\$2,433,330 jurisdictional, net
6 of participants), as shown in Hearing Exhibit No. 2-8 in Docket No. 090009-
7 EI. The actual amount included in our 2009 T schedules reflects an in-
8 service amount of \$2,856,822 total company, (\$2,433,443 total company net
9 of participants and \$2,424,899 jurisdictional, net of participants), as shown in
10 Exhibit TOJ-1 Appendix A and Exhibit WP-3, page 1 of 2. FPL's base rate
11 revenue requirements of \$83,651 requested in Docket No. 090009-EI were
12 adjusted by the Commission in Order No. PSC-09-0783-FOF-EI to remove
13 incremental Allowance for Funds Used During Construction (AFUDC). The
14 Commission adjusted 2009 revenue requirements of \$83,460 compared to
15 actual 2009 revenue requirements of \$12,802, shown on Exhibit WP-3, page 2
16 of 2, results in an overrecovery of \$70,658.

17

18 FPL used a projected jurisdictional separation factor from the rate case
19 (Docket No. 080677-EI) for the May 2009 filing. For the current final 2009
20 True-up filing, FPL adjusted the projected jurisdictional separation factor to
21 the jurisdictional separation factor as reflected in FPL's 2009 monthly
22 Surveillance Reports to the FPSC.

23

1 The property tax rate used in the May 2009 AE filing was the 2009 projected
2 property tax rate. The current filing of the T schedules uses the actual 2009
3 property tax rate at the time of the Base Rate filing on December 4, 2009.

4
5 Lastly, at the time of the May 2009 AE filing, FPL used its then most current
6 rate of return which was based on the February 2009 Surveillance Report.
7 The rate of return in our T schedules is the most current rate of return at the
8 time of the FPL Base Rate Filing on December 4, 2009 which was based on
9 the September 2009 Surveillance Report. This is in accordance with the
10 requirements of the Nuclear Cost Recovery Rule No. 25-6.0423 Section 7 (d).

11 **Q. What accounting and regulatory treatment is provided for costs that**
12 **would have been incurred regardless of the Uprate Project?**

13 A. Costs that would have been incurred regardless of the Uprate Project are not
14 included in FPL's NCRC calculations. Such expenditures that are not
15 "separate and apart" from the nuclear Uprate Project will be accounted for
16 under the normal process for O&M and capital expenditures. Capital
17 expenditures will accrue AFUDC while in Construction Work in Progress
18 (CWIP) until the system or component is placed into service. Only costs
19 incurred for activities necessary for the Uprate Project are charged to the
20 Uprate work orders and included as recoverable O&M or as construction costs
21 included in the calculation of carrying charges in the NFR schedules. This
22 method ensures that FPL only receives recovery of the appropriate
23 recoverable O&M or carrying charge return currently under the Nuclear Cost

1 Recovery Rule and expenses or accrues the appropriate O&M or AFUDC
2 return on costs that are not "separate and apart" that will be recovered through
3 rate base when the project is placed into service. FPL employs a rigorous,
4 engineering-based process to segregate costs that are "separate and apart"
5 from those that would have normally been incurred, so that only the
6 appropriate costs are reflected in the NCRC request. This process is discussed
7 in more detail in FPL Witness Jones's March 1, 2011 testimony.

8

9

ACCOUNTING CONTROLS

10

11 **Q. Please describe the accounting controls FPL relies upon to ensure proper**
12 **cost recording and reporting for these projects.**

13 A. FPL relies on its comprehensive corporate and overlapping business unit
14 controls for recording and reporting transactions associated with any of its
15 capital projects including the Uprate Project. These comprehensive and
16 overlapping controls include:

- 17 • FPL's Accounting Policies and Procedures;
- 18 • Financial systems and related controls including FPL's general ledger and
19 construction asset tracking system (CATS);
- 20 • FPL's annual budgeting and planning process;
- 21 • Reporting and monitoring of plan costs to actual costs incurred; and
- 22 • Business Unit specific controls and processes.

1 The project controls are further discussed in the March 1, 2011 testimony of
2 FPL Witness Jones.

3 **Q. Are these controls documented, assessed and audited and/or tested on an**
4 **ongoing basis?**

5 A. Yes. The FPL corporate accounting policies and procedures are documented
6 and published on the Company's internal website, Employee Web. In
7 addition, accounting management provides formal representation as to the
8 continued compliance with those policies and procedures each year. The
9 Company's external auditors, Deloitte & Touche, LLP, as a part of its annual
10 audit, which includes assessing the Company's internal controls over financial
11 reporting and testing of general computer controls, expresses an opinion as to
12 the effectiveness of those controls. Sarbanes-Oxley processes are identified,
13 documented, tested and maintained, including specific processes for planning
14 and executing capital work orders, as well as acquiring and developing fixed
15 assets. Certain key financial processes are tested during the Company's
16 annual test cycle.

17 **Q. Describe the responsibilities and accounting controls of the New Nuclear**
18 **Accounting Project Group.**

19 A. The primary responsibility of the New Nuclear Accounting Project Group is
20 to provide financial accounting guidance for the recovery of costs under the
21 Nuclear Cost Recovery Rule. Additional responsibilities include the
22 preparation and maintenance of the NFR schedules, (e.g. T, AE, P, and TOR
23 Schedules) and on a monthly basis, ensuring the costs included in the NFR

1 schedules are recorded to the financial records of the Company and reconciled
2 to the NFRs. The Nuclear Cost Recovery projects utilize unique work orders
3 to capture costs directly related to these projects. After ensuring accurate costs
4 are recorded, adjustments are made to reflect participants' credits,
5 jurisdictionalize the costs, and include other adjustments required in the NFR
6 schedules. Monthly journal entries are prepared to reflect the effects of the
7 recovery of these costs and monthly reconciliations of the NFR accounts are
8 performed. The resulting schedules are included in our Nuclear Cost
9 Recovery filings and described in testimony.

10

11 The New Nuclear Accounting Project Group works closely with the Nuclear
12 Business Unit, Engineering, Construction & Corporate Services Division
13 (ECCS), and the Transmission Business Unit to address issues surrounding
14 the costs related to the projects. This involves researching, providing
15 direction and resolving project accounting issues that arise as the new nuclear
16 projects develop.

17

18

UPRATE SPECIFIC ACCOUNTING CONTROLS

19

Nuclear Business Unit Accounting Controls

- 20 **Q. Describe the oversight role of the NBO Group related to the Uprate**
21 **Project.**
- 22 **A.** The NBO is independent of the EPU Project Team and provides oversight of
23 the costs charged to the Uprate Project. The NBO Group is primarily

1 responsible for the work order maintenance function, reviewing payroll to
2 ensure only appropriate payroll is charged to the Uprates, determining
3 appropriate accounting for costs, raising potential issues to the Property
4 Accounting Group when necessary, providing accounting guidance and
5 training to the Uprate team, assisting with internal and external audit-related
6 matters, reviewing project projections, and producing monthly variance
7 reports.

8 **Q. Describe the NBO Group accounting controls in effect in 2009 which**
9 **ensured costs were appropriately incurred and tracked for the Uprate**
10 **Project.**

11 A. The NBO Group accounted for the activities necessary to perform the Uprates
12 at the four nuclear units, Turkey Point Units 3 and 4 and St. Lucie Units 1 and
13 2. Costs associated with the work performed on components defined as a
14 property retirement unit were transferred from CWIP to plant in service at the
15 end of each outage or when they became used and useful (i.e. such as the
16 modifications to the St. Lucie Unit 2 Turbine Gantry Crane). In order to
17 facilitate this process, a separate budget activity was set up for each unit and
18 capital work orders were set up within each budget activity to capture costs
19 related to each Uprate outage. Additional work orders were set up, as
20 necessary, to capture costs associated with plant placed into service at a
21 different time than the outages (e.g. turbine gantry cranes, generator step-up
22 transformers, etc). Transmission related work for the Uprate project is also

1 accounted for by work order based on the scope of work and the date the plant
2 will be placed into service when the respective work is used and useful.

3 **Q. Describe the NBO Group accounting controls in effect in 2009 which**
4 **ensured costs were appropriately charged to the Uprate Project.**

5 A. In 2009, invoices were routed to the St. Lucie or Turkey Point site project
6 controls analyst, as appropriate. The analyst checked the invoices for
7 accuracy and for agreement to the Purchase Order (PO) terms and conditions.
8 Once the invoice had been appropriately verified, the analyst recorded invoice
9 information on an Invoice Tracking Log. The Invoice Approval/Route List
10 was then routed for verification of receipt of goods/services and all required
11 approvals. In 2009, any invoice greater than \$1 million required the approval
12 of the EPU Project Implementation Owner – South. Any invoice greater than
13 \$5 million required the approval of the Vice President, Nuclear Power
14 Uprates, before payment could be made. Once all necessary approvals had
15 been obtained, the project controls analyst processed the invoice for payment
16 in the Procurement Control and Inventory Management System (PASSPORT)
17 against the respective purchase order. Extended Power Uprate Project
18 Instruction Number EPPI-230, *Project Invoice*, details the flow of the invoice
19 through the approval, receipt and payment process at the sites and establishes
20 responsibilities at each stage of the process.

21 **Q. Describe the review performed by the EPU Project Controls Team and**
22 **the NBO Group related to the Uprate Project.**

1 A. Throughout the month, general ledger detail transactions are monitored by the
2 EPU Project Controls Team and NBO to ensure that costs charged to the
3 Uprates are appropriate and are accurately classified as capital or O&M. Site
4 cost engineers perform reviews to ensure invoices are accurately coded to the
5 appropriate activity/scope work order. NBO reviews internal labor costs to
6 ensure that only appropriate payroll is charged to the Uprates. In addition, all
7 steps in this process are subject to internal and external audits and reviews.

8
9 The Project engineers and NBO together work closely to make sure the costs
10 are appropriate and are accurately classified as capital or O&M. Construction
11 Leads perform reviews to ensure invoices are accurately coded to the
12 appropriate activity/scope work order.

13 **Q. Describe the reporting performed by the EPU Project Controls Team and**
14 **the NBO Group related to the Uprate Project.**

15 A. The Uprate Project Controls Director, along with the Controls group at each
16 site, record schedule changes, project delays, and project costs. The Uprate
17 Project Controls Director, along with the Controls group, support risk
18 management and contract administration.

19
20 The NBO Group drafts monthly variance reports that compare actual
21 expenditures incurred to the originally estimated budget and reports year end
22 forecast estimates. The draft reports are sent to the St. Lucie and Turkey Point
23 Uprate Project Controls Teams responsible for providing variance

1 explanations and forecast updates to NBO. The reports are reviewed by the
2 Uprate Project control supervisors and management prior to the submission to
3 NBO. NBO reviews the variance explanations and forecast numbers for
4 reasonableness and accuracy prior to compilation and inclusion in the Nuclear
5 Business Unit corporate variance report. NBO is also responsible for
6 reviewing numbers reported to the FPL Executive Steering Committee to
7 ensure consistency with corporate variance reports and for providing the
8 Accounting Department with project numbers for inclusion in the NFR
9 schedules.

10 **Transmission Business Unit Accounting Controls**

11

12 **Q. Describe the role of the Transmission Business Unit related to the Uprate**
13 **Project.**

14 **A.** The Transmission Business Unit is incurring expenditures related to the
15 Uprate Project in order to perform substation and transmission line
16 engineering, procurement, and construction on specific work orders assigned
17 to projects, which resulted from transmission interconnection and integration
18 studies performed by FPL Transmission Planning. These studies were based
19 on incorporating the additional amount of megawatts to be generated by the
20 uprated nuclear units at St. Lucie 1 & 2 and Turkey Point 3 & 4 into the FPL
21 transmission system. The Transmission Business Unit cost and performance
22 team ensures costs are appropriately incurred and charged to the Uprate
23 Projects. The Transmission Business Unit reviews payroll to ensure only

1 appropriate payroll is charged to the Uprate Project, determining appropriate
2 accounting for costs, raising potential issues to the Property Accounting
3 Group when necessary, providing accounting guidance and training to the
4 Uprate Project team, assisting with internal and external audit-related matters,
5 reviewing project projections, and producing monthly variance reports.

6 **Q. Describe the Transmission Business Unit accounting controls which**
7 **ensure costs are appropriately incurred and tracked for the Uprate**
8 **Project.**

9 A. The Transmission Business Unit identifies the transmission activities
10 necessary to support the increased electrical output of the Uprates at the four
11 nuclear units, St. Lucie Units 1 & 2 and Turkey Point Units 3 & 4. Costs
12 associated with the work performed for each outage are transferred from
13 CWIP to plant in service by Property Accounting as necessary. In order to
14 facilitate this process and identify activities, two separate budget activities
15 were set up with appropriate sub activities and multiple work orders.
16 Purchase Orders are handled by Integrated Supply Chain (ISC) via the e-Pro
17 Process (e-Pro). In e-Pro, a PO request is routed from the originator to all
18 approvers required based on the dollar amount of the PO. The PO
19 Requisitioning group determines the required approvals based on the business
20 unit's PO approval limits, and routes the request as required. Once all
21 required approvals are secured, the PO will be created based on the
22 information in the e-Pro request.

1 **Q. Describe the Transmission Business Unit accounting controls which**
2 **ensure costs are appropriately charged to the Uprate Project.**

3 A. Invoices are routed to the Transmission Project Control Administrator
4 (Administrator). The Administrator checks the invoices for accuracy and for
5 agreement to the PO terms and conditions. Once the invoice has been
6 appropriately verified, the Administrator records invoice information on the
7 Cost Control Tracking sheet and routes the invoice for all required approvals.
8 Invoices found to contain any inaccuracies are returned to the requestor for
9 revisions. Any invoice greater than \$1 million requires the approval of the
10 Business Unit Vice President. Any invoice greater than \$5 million requires
11 the approval of FPL President & Chief Executive Officer before payment is
12 made. Once all necessary approvals have been obtained, the Administrator
13 processes the invoice for payment in SAP against the respective purchase
14 order.

15 **Q. Describe the review performed by the Transmission Business Unit related**
16 **to the Uprate Project.**

17 A. The Cost & Performance Analyst updates the Turkey Point and St Lucie
18 Uprate Cost reports on a monthly basis for actual costs incurred. The Turkey
19 Point and St Lucie Uprate Cost reports are then reviewed by the assigned
20 Project Managers and Administrators who work closely together to ensure that
21 all costs are appropriately charged to the Uprate Project and are accurately
22 classified as either Capital or O&M. Construction Leaders also perform
23 reviews to ensure all invoices are accurately assigned and coded to the

1 appropriate Work Order for the Uprate Project as well. Any discrepancies
2 identified as a result of these reviews are resolved at this time. The assigned
3 Project Manager then updates the individual Work Order forecasts, if
4 warranted. In addition to the above review processes, all FPL contracts are
5 also subject to both Internal and External audits.

6 **Q. Describe the reporting performed by the Transmission Business Unit**
7 **related to the Uprate Project.**

8 A. The Transmission Cost & Performance group drafts monthly variance reports
9 that compare actual expenditures incurred to the originally estimated budget
10 and reports year end forecast estimates. These are reviewed by the assigned
11 Project Manager for reasonableness and accuracy and the final is then
12 submitted to the Corporate Budget Group.

13

14 **ADDITIONAL ACCOUNTING OVERSIGHT**

15

16 **Q. Are there any additional controls implemented and relied upon for this**
17 **Project and the related reporting?**

18 A. Yes. The Company has issued specific guidelines for charging costs to the
19 project work orders. These guidelines emphasize the need for particular care
20 in charging only incremental labor to the project work orders included for
21 nuclear cost recovery and ensure consistent application of the Company's
22 capitalization policy. In 2009 these guidelines described the process for the
23 exclusion of non-incremental labor from current NCRC recovery while

1 providing full capitalization of all appropriate labor costs through the
2 implementation of separate project capital work orders that will be included in
3 future non-NCRC base rate recoveries. Exhibit WP-4 provides a flowchart
4 depicting this process for 2009.

5 **Q. What is the purpose of the continuous internal audits conducted by FPL**
6 **on the Uprate Project?**

7 A. The Company continues to undergo specific project related internal audits.
8 The objective of these audits is to test the propriety of expenses charged to the
9 NCRC and to test the process of recording and capturing costs related to the
10 Uprate Project in the pre-established work orders to ensure compliance with
11 the Commission's Rule. FPL will continue to ensure these projects are
12 audited on an ongoing basis. The 2009 costs and controls related to the Uprate
13 Project have been audited. These audits continue to provide assurance that the
14 internal controls surrounding transactions and processes are well established,
15 maintained and communicated to employees, and provide additional assurance
16 that the financial and operating information generated within the Company is
17 accurate and reliable.

18 **Q. Please comment on the overall level of control and oversight of the NCRC**
19 **process.**

20 A. The ongoing cycles of cost collection, aggregation, analysis and review which
21 lead to the NFR filings provide for a level of detailed review that is
22 unprecedented. For example, in the preparation of the NFR schedules,
23 transactional expenditures are projected by activity and an immediate review

1 of projection to actual, in many cases at the transactional level, is conducted.
2 The manual nature of the data collection and aggregation process, along with
3 the manual calculation of carrying charges and construction period interest,
4 provides an increased level of detailed review. The requirements of the Rule
5 have, by design, significantly increased the review and transparency of the
6 costs themselves.

7 **Q. How are carrying charges provided for under the Nuclear Cost Recovery**
8 **Rule?**

9 A. Carrying charges are established by Statute based on the pre-tax AFUDC rate
10 at the time the utility files its Need Determination. For FPL this rate is
11 11.04% (based on an AFUDC rate of 7.42%) annually.

12 **Q. How has FPL incorporated the Commission-ordered treatment in Docket**
13 **No. 090009-EI, Order No. PSC-09-0783-FOF-EI that AFUDC charged to**
14 **this Project should be based on the pre-tax AFUDC rate at the time the**
15 **Utility filed its Need Determination?**

16 A. In Order No. PSC-09-0783-FOF-EI, the Commission determined that “utilities
17 shall not be permitted to record in rate base the incremental difference
18 between carrying costs established in Section 366.93, F.S., and their
19 respective most currently approved AFUDC rate.” Therefore, FPL has
20 adjusted the AFUDC recorded on its projects under the NCRC on a retroactive
21 basis effective November 2009 to reflect the AFUDC rate of 7.42%. Since
22 December 2009, FPL has applied this 7.42% statutory rate going forward to
23 all eligible CWIP charges for the Projects being recovered in the NCRC. FPL

1 records and recovers a carrying charge through the CCRC at the fixed rate
2 specified in the NCRC, and no longer calculates or tracks any resulting
3 incremental/decremental AFUDC for amounts recovered through the NCRC.

4 **Q. Does this conclude your direct testimony?**

5 **A. Yes.**

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**
2 **FLORIDA POWER & LIGHT COMPANY**
3 **DIRECT TESTIMONY OF WINNIE POWERS**
4 **DOCKET NO. 110009-EI**
5 **MARCH 1, 2011**

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

7 A. My name is Winnie Powers. My business address is 700 Universe Boulevard,
8 Juno Beach, FL 33408.

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

10 A. I am employed by Florida Power & Light Company (FPL or the Company) as
11 the New Nuclear Accounting Project Manager.

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

13 A. I am responsible for the accounting related to the new nuclear projects, which
14 include Turkey Point 6 & 7 and the Extended Power Uprate (EPU or Uprate)
15 Projects at Turkey Point and St. Lucie. I ensure that the costs expended and
16 projected for these projects are accurately reflected in the Nuclear Cost
17 Recovery filing requirements (NFR) schedules. In addition, I am responsible
18 for ensuring that the Company's assets associated with these projects are
19 appropriately recorded and reflected in FPL's financial statements.

20 **Q. Please describe your educational background and professional**
21 **experience.**

22 A. I graduated from the University of Florida in 1976 with a Bachelor of Science
23 Degree in Business Administration, majoring in Accounting. After college, I

1 was employed as an accountant by RCA Corporation in New York. In 1983, I
2 was hired by Southeastern Public Service Company in Miami and attained the
3 position of manager of corporate accounting. In 1985, I joined FPL and have
4 held a variety of positions in the regulatory and accounting areas during my
5 26 years with the Company. I obtained my Masters of Accounting from
6 Florida International University in 1994. I am a Certified Public Accountant
7 (CPA) licensed in the State of Florida, and I am a member of the American
8 Institute of CPAs.

9 **Q. Are you sponsoring any Exhibits in this case?**

10 A. Yes, I am sponsoring or co-sponsoring the following Exhibits for the Turkey
11 Point 6 & 7 and EPU Projects:

- 12 • Exhibit WP-5, 2009 and 2010 Revenue Requirements, details the
13 components of the 2009 and 2010 Turkey Point 6 & 7, and 2010 Uprate
14 revenue requirements reflected in the True-Up (T schedules) by project,
15 by year and by category of costs being recovered (e.g. Site Selection costs,
16 Preconstruction costs, carrying costs on unrecovered balances and on the
17 deferred tax asset/liability, and for Uprates, carrying costs on construction
18 costs and on the deferred tax asset/liability, recoverable operation and
19 maintenance (O&M) costs, and base rate revenue requirements for the
20 year plant is placed into service).
- 21 • Exhibit WP-6, 2010 Uprate Construction Costs and 2009 and 2010 Turkey
22 Point 6 & 7 Preconstruction Costs, details the 2010 Uprate and the 2009
23 and 2010 Turkey Point 6 & 7 total company costs and jurisdictional costs

1 by project, by year and by cost categories. These total company costs and
2 prudence of them, variances from the actual/estimated costs and the
3 explanation of the variances are further described in the testimonies of
4 FPL Witness Jones and FPL Witness Scroggs.

- 5 • Exhibit WP-7, 2010 Base Rate Revenue Requirements, details the true-up
6 of the revenue requirements for the Uprate plant modifications placed into
7 service during 2010, specifically the true-up of the in-service date and
8 true-up of the actual plant placed into service. FPL Witness Jones
9 describes the plant being placed into service, as well as the necessity and
10 timing of completing this plant.
- 11 • Exhibit WP-8, 2009 and 2010 Incremental Labor Guidelines, flowcharts
12 the process used by the business unit accounting teams to determine
13 incremental payroll costs chargeable to the projects for 2009 and 2010.
- 14 • Exhibit WP-9 is the 2010 incremental labor guidelines memo.
- 15 • Exhibit SDS-1, T Schedules, 2009 TP 6&7 Preconstruction Costs,
16 sponsored by FPL Witness Scroggs, consists of the 2009 Turkey Point 6 &
17 7 Preconstruction Schedules T-1 through T-7A. Page 2 of SDS-1 contains
18 a table of contents which lists the T Schedules sponsored and co-
19 sponsored by FPL Witness Scroggs and by me, respectively.
- 20 • Exhibit SDS-2, AE Schedules, 2010 TP 6&7 Preconstruction Costs,
21 sponsored by FPL Witness Scroggs, consists of the 2010 Turkey Point 6 &
22 7 Preconstruction Schedules AE-1 through AE-7B. Page 2 of SDS-2

- 1 contains a table of contents which lists the AE Schedules sponsored and
2 co-sponsored by FPL Witness Scroggs and by me, respectively.
- 3 • Exhibit SDS-3, T Schedules, 2010 TP 6 & 7 Preconstruction Costs,
4 sponsored by FPL Witness Scroggs, consists of the 2010 Turkey Point 6 &
5 7 Preconstruction Schedules T-1 through T-7B. Page 2 of SDS-3 contains
6 a table of contents which lists the T Schedules sponsored and co-
7 sponsored by FPL Witness Scroggs and by me, respectively.
 - 8 • Exhibit SDS-4, T Schedules, 2009 TP 6 & 7 Site Selection Costs,
9 sponsored by FPL Witness Scroggs, consists of the 2009 Turkey Point 6 &
10 7 Site Selection Schedules T-1 through T-6. Page 2 of SDS-4 contains a
11 table of contents which lists the T Schedules sponsored and co-sponsored
12 by FPL Witness Scroggs and by me, respectively.
 - 13 • Exhibit SDS-5, AE Schedules, 2010 TP 6 & 7 Site Selection Costs,
14 sponsored by FPL Witness Scroggs, consists of the 2010 Turkey Point 6 &
15 7 Site Selection Schedules AE-1 through AE-6. Page 2 of SDS-5 contains
16 a table of contents which lists the AE Schedules sponsored and co-
17 sponsored by FPL Witness Scroggs and by me, respectively.
 - 18 • Exhibit SDS-6, T Schedules, 2010 TP 6 & 7 Site Selection Costs,
19 sponsored by FPL Witness Scroggs, consists of the 2010 Turkey Point 6 &
20 7 Site Selection Schedules T-1 through T-6. Page 2 of SDS-6 contains a
21 table of contents which lists the T Schedules sponsored and co-sponsored
22 by FPL Witness Scroggs and by me, respectively.

- 1 ● Exhibit TOJ-12, Actual/Estimated (AE) Schedules, 2010 EPU
- 2 Construction Costs, sponsored by FPL Witness Jones, consists of the 2010
- 3 Uprate Schedules AE-1 through AE-7B. Page 2 of TOJ-12 contains a
- 4 table of contents which lists the AE Schedules sponsored and co-
- 5 sponsored by FPL Witness Jones and by me, respectively.
- 6 ● Exhibit TOJ-13, T Schedules, 2010 EPU Construction Costs, sponsored by
- 7 FPL Witness Jones, consists of the 2010 Uprate Schedules T-1 through T-
- 8 7B. Page 2 of TOJ-13 contains a table of contents which lists the T
- 9 Schedules sponsored and co-sponsored by FPL Witness Jones and by me,
- 10 respectively.

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

12 A. The purpose of my testimony is to present the calculation of the revenue

13 requirements in the:

14 (1) NFR AE schedules for 2010 Turkey Point 6 & 7 Preconstruction and Site

15 Selection costs and carrying costs for 2010;

16 (2) NFR T schedules for 2009 and 2010 Turkey Point 6 & 7 Preconstruction

17 and Site Selection carrying costs;

18 (3) NFR AE schedules for 2010 Uprate costs and carrying costs;

19 (4) NFR T schedules for 2010 Uprate costs and carrying costs; and

20 (5) True-up of the 2010 base rate revenue requirements related to the Uprate

21 modifications placed into plant in-service during 2010 as shown on Exhibit

22 WP-7, page 1 of 11. FPL filed its annualized base rate increase for the Uprate

23 modifications placed into service during 2010 and a true-up of the St. Lucie

1 Unit 2 Turbine Gantry Crane costs (originally included in a base rate filing on
2 December 4, 2009) on October 7, 2010.

3

4 I also describe how these schedules comply with the Florida Public Service
5 Commission's (FPSC or Commission) Rule No. 25-6.0423, Nuclear or
6 Integrated Gasification Combined Cycle Power Plant Cost Recovery (Nuclear
7 Cost Recovery Rule or NCRC). I explain how carrying costs are provided for
8 under the Nuclear Cost Recovery Rule, describe the base rate revenue
9 requirements included for recovery in the schedules, and discuss the
10 Accounting controls FPL relies upon to ensure costs are appropriately charged
11 to the projects.

12 **Q. Please summarize your testimony.**

13 **A.** My testimony refers to Exhibits and T schedules detailing revenue
14 requirements for the Turkey Point 6 & 7 Project for 2009 and 2010 and the
15 Uprate Project for 2010. Additionally my testimony and Exhibits include the
16 2010 AE schedules for the Turkey Point 6 & 7 and Uprate Projects needed to
17 true-up the 2010 costs FPL is requesting to recover through the NCRC. My
18 testimony also describes the comprehensive corporate and overlapping
19 business unit controls for incurring costs and recording transactions associated
20 with FPL's capital projects, including the Turkey Point 6 & 7 and Uprate
21 Projects. My testimony describes these controls and outlines the
22 documentation, assessment, and auditing processes for these overlapping
23 control activities.

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NUCLEAR COST RECOVERY RULE

Q. Please describe the Commission's Nuclear Cost Recovery Rule and the NFR schedules.

A. On March 20, 2007, in Order No. PSC-07-0240-FOF-EI, the FPSC adopted the Nuclear Cost Recovery Rule to implement Section 366.93, Florida Statutes (the Statute), which was enacted by the Florida Legislature in 2006.

The Nuclear Cost Recovery Rule has been interpreted by this Commission to include FPL's Turkey Point 6 & 7 and Uprate Projects. In compliance with the Nuclear Cost Recovery Rule, FPL is recovering the costs, carrying costs, recoverable O&M, and base rate revenue requirements (for the year plant is placed into service) for the Turkey Point 6 & 7 and Uprate Projects at its St. Lucie and Turkey Point nuclear power plants through FPL's Capacity Cost Recovery Clause (CCRC). Base rate recovery of the annualized revenue requirements subsequent to the year the plant is placed into service is to be requested in a separate petition outside of the Nuclear Cost Recovery Clause as contemplated by the Rule.

The Nuclear Cost Recovery Rule implements this mechanism for cost recovery and provides for the annual recovery of eligible costs through the CCRC. FPL continues to work with Commission Staff, the Office of Public

1 Counsel, Progress Energy Florida (PEF) and interested parties to refine a
2 comprehensive set of NFR schedules, which set forth construction and cost
3 information on nuclear power plant projects.

4
5 The NFR schedules provide an overview of nuclear power plant projects and a
6 roadmap to the detailed project costs. The NFR schedules consist of True-up
7 (T), Actual/Estimated (AE), Projected (P) and True-up to Original (TOR)
8 Schedules. The T Schedules filed each March provide the True-Up for the
9 prior year.

10

11

2009 True-up – Turkey Point 6 & 7

12 **Q. What 2009 schedules are you filing in this testimony?**

13 A. I am filing the 2009 T Schedules for Turkey Point 6 & 7 Preconstruction and
14 Site Selection in this testimony.

15 **Q. Please discuss the 2009 T Schedules.**

16 A. The Turkey Point 6 & 7 Preconstruction and Site Selection 2009 T schedules
17 included as SDS-1 and SDS-4 present the final true-up of revenue
18 requirements by comparing 2009 actual costs to 2009 actual/estimated costs
19 approved by this Commission in Docket No. 090009-EI, Order No. 09-0783-
20 FOF-EI. The result of this comparison is an overrecovery of \$10,648,277 for
21 Turkey Point 6 & 7, which I describe in this testimony. I note for
22 informational purposes that when combined with the 2009 Uprate T schedules
23 overrecovery of \$3,971,698, described in separate testimony filed in this

1 Docket, the total 2009 total overrecovery is \$14,619,975 as shown on my
2 Exhibit WP-1. The details of the 2009 Turkey Point 6 & 7 revenue
3 requirements can also be found in my Exhibit WP-5, page 1 of 2. FPL
4 requests the Commission approve the revenue requirements and resulting
5 overrecovery of \$10,648,277 for Turkey Point 6 & 7 for 2009.

6
7 **2010 True-up – Turkey Point 6 & 7 and Uprate**

8 **Q. What 2010 schedules are you filing in this testimony?**

9 A. I am filing 2010 AE Schedules and 2010 T Schedules for the Turkey Point 6
10 & 7 and Uprate Projects in this testimony.

11 **Q. Please discuss the 2010 AE and T Schedules.**

12 A. The 2010 AE schedules filed in this docket as Exhibits SDS-2 and SDS-5 for
13 Turkey Point 6 & 7 and Exhibit TOJ-12 for Uprates show the true-up of the
14 2010 P schedules filed in 2009. The 2010 T schedules filed with this
15 testimony present the final true-up of Turkey Point 6 & 7 (Exhibit SDS-3 for
16 Preconstruction and Exhibit SDS-6 for Site Selection) and Uprate (Exhibit
17 TOJ-13) Projects revenue requirements by comparing 2010 actual costs to
18 2010 actual/estimated costs. These T schedules, when compared to the 2010
19 AE schedules, result in our true-up amount of an overrecovery of
20 \$16,418,342. This consists of an overrecovery of \$17,949,858 for Turkey
21 Point 6 & 7 and an underrecovery of \$1,531,516 for Uprates for 2010. These
22 amounts, which include related carrying charges, will be reflected in the
23 beginning balance of FPL's 2011 AE Schedules to be filed on May 2, 2011,

1 and will be reflected in costs to be recovered in FPL's 2012 revenue
2 requirements request. The details of these 2010 True-up of costs are included
3 in my Exhibit WP-5, page 2 of 2. FPL requests the Commission approve the
4 revenue requirements and resulting overrecovery of \$16,418,342 for 2010.

5
6 **TURKEY POINT 6 & 7**

7 **2009 True-up**

8 **Preconstruction**

9 **Q. Please describe the NFR schedules for the recovery of 2009 Turkey Point**
10 **6 & 7 Preconstruction costs included in Exhibit SDS-1.**

11 **A.** FPL has included the 2009 T Schedules in this testimony as Exhibit SDS-1 for
12 Turkey Point 6 & 7 Preconstruction Costs.

13
14 My Exhibit WP-5, page 1, shows that the actual 2009 revenue requirements
15 are \$38,456,738, compared to the actual/estimated revenue requirements of
16 \$49,005,239 filed on May 1, 2009 in Docket No. 090009-EI, approved in
17 Order No. PSC-09-0783-FOF-EI. The difference resulting from the final true-
18 up of 2009 actual costs compared to the 2009 actual/estimated costs including
19 the resulting carrying charges is an overrecovery of \$10,548,501. The details
20 of these revenue requirements and the resulting true-up can be seen in
21 schedule T-1, T-2, and T-3A.

22
23 As shown in schedule T-6 in Exhibit SDS-1 FPL's actual 2009 Turkey Point

1 with resulting true-ups have been reflected in nuclear cost recovery filings.

2

3 As shown on schedule T-1, T-2, and T-3A in this testimony, the actual 2009
4 carrying charges are \$373,162, compared to the actual/estimated carrying
5 charges of \$472,938 filed on May 1, 2009 in Docket No. 090009-EI and
6 approved in Order No. PSC-09-0783-FOF-EI. The overrecovery of \$99,776
7 reduces the CCRC charge paid by customers in 2011. The summary of these
8 revenue requirements and the resulting true-up can also be seen in Exhibit
9 WP-5, page 1 of 2. FPL respectfully requests the Commission review and
10 approve these 2009 Turkey Point 6 & 7 Site Selection carrying costs as
11 prudent and recoverable consistent with the NCRC.

12

13 2010 True-up

13

14 Preconstruction

14

15 **Q. Please describe the NFR schedules for the recovery of 2010 Turkey Point**
16 **6 & 7 Preconstruction costs included in Exhibit SDS-2.**

17 A. FPL has included the 2010 AE Schedules as Exhibit SDS-2 for Turkey Point 6
18 & 7 Preconstruction Costs. As contemplated by the Nuclear Cost Recovery
19 Rule, these AE schedules provide the basis for determining the reasonableness
20 of FPL's 2010 actual/estimated costs.

21 **Q. Please describe the NFR schedules for the recovery of 2010 Turkey Point**
22 **6 & 7 Preconstruction costs included in Exhibit SDS-3.**

23 A. FPL has included the 2010 T Schedules as Exhibit SDS-3 for Turkey Point 6

1 & 7 Preconstruction Costs.

2
3 For Preconstruction, schedule T-1 shows that the actual 2010 revenue
4 requirements are \$19,441,209, compared to the actual/estimated revenue
5 requirements of \$37,391,067 included as Exhibit SDS-2. The difference
6 resulting from the final true-up of 2010 actual costs compared to the 2010
7 actual/estimated costs including the resulting carrying charges is an
8 overrecovery of \$17,949,858.

9
10 As shown in schedule T-6 in Exhibit SDS-3, FPL's actual 2010 Turkey Point
11 6 & 7 Preconstruction expenditures on a total Company basis are \$25,593,577
12 (\$25,291,109, jurisdictional). Comparing these costs to the actual/estimated
13 amount of \$42,629,655 (\$42,125,853, jurisdictional) included as Exhibit SDS-
14 2 results in the overrecovery of jurisdictional Preconstruction costs of
15 \$16,834,744. As shown on schedules T-2 and T-3A (Exhibit SDS-3) the final
16 true-up of actual 2010 carrying charges of (\$5,849,900) compared to the
17 actual/estimated carrying charges of (\$4,734,785) on schedules AE-2 and AE-
18 3A (Exhibit SDS-2) results in an overrecovery of \$1,115,115. The resulting
19 2010 total Turkey Point 6 & 7 Preconstruction overrecovery of \$17,949,858
20 will be reflected in the CCRC charge sought to be recovered in 2012.

21
22 The 2010 total Company expenditures are discussed in FPL Witness
23 Scroggs's March 1, 2011 testimony and are also summarized on Exhibits WP-

1 5 and WP-6. For the reasons stated in FPL Witness Scroggs's March 1, 2011
2 testimony, FPL respectfully requests the Commission review and approve
3 these 2010 Turkey Point 6 & 7 jurisdictional Pre-construction expenditures
4 and carrying charges as prudent and recoverable consistent with the Nuclear
5 Cost Recovery Rule.

6 **Site Selection**

7 **Q. Please describe the NFR schedules for the recovery of 2010 Turkey Point**
8 **6 & 7 Site Selection costs included in Exhibit SDS-5.**

9 A. FPL has included the 2010 AE Schedules as Exhibit SDS-5 for Site Selection.
10 As contemplated by the Nuclear Cost Recovery Rule, these AE schedules
11 provide the basis for determining the reasonableness of FPL's 2010
12 actual/estimated costs.

13 **Q. Please describe the NFR schedules for the recovery of 2010 Turkey Point**
14 **6 & 7 Site Selection costs included in Exhibit SDS-6.**

15 A. FPL has included the 2010 T Schedules as Exhibit SDS-6 for Site Selection.

16
17 As previously described in my testimony, FPL's Turkey Point 6 & 7 Site
18 Selection expenditures ceased with the filing of our need petition on October
19 16, 2007 and all recoveries of Site Selection costs with resulting true-ups have
20 been reflected in nuclear cost recovery filings. There continues to be carrying
21 charges as shown in T-2 and T-3A in Exhibit SDS-6 of \$145,965 for 2010,
22 which, when compared to the actual/estimated carrying charges of \$145,965
23 in Exhibit SDS-5 result in no true-up of costs. The details of these revenue

1 requirements and the resulting true-up can also be seen in Exhibit WP-5, page
2 2 of 2. FPL respectfully requests the Commission review and approve these
3 2010 Turkey Point 6 & 7 Site Selection carrying costs as prudent and
4 recoverable consistent with the NCRC.

5

6 UPDATES

6

7 2010 True-up

7

8 **Q. Please describe the NFR schedules for the recovery of 2010 Uprate costs**
9 **and carrying costs included in Exhibit TOJ-12.**

10 A. FPL has included in Exhibit TOJ-12 the 2010 AE schedules for nuclear and
11 transmission Uprate costs. As contemplated by the Nuclear Cost Recovery
12 Rule, these AE schedules provide the basis for determining the reasonableness
13 of FPL's 2010 actual/estimated costs.

14 **Q. Please describe the NFR schedules for the recovery of 2010 Uprate costs**
15 **and carrying costs included in Exhibit TOJ-13.**

16 A. FPL has included in Exhibit TOJ-13 the 2010 T schedules for nuclear and
17 transmission Uprate costs. As shown on schedule T-6, FPL's actual Uprate
18 expenditures for the period January 2010 through December 2010 total
19 \$309,982,999 (\$296,181,013 jurisdictional, net of participants). As shown on
20 schedule T-3 and T-3A, FPL incurred related carrying charges of
21 \$41,568,070. As shown on schedule T-4, FPL incurred \$7,170,412
22 (\$7,061,419 jurisdictional, net of participants) of recoverable O&M expenses.
23 FPL incurred related interest at the 30-day commercial paper rate on

1 recoverable O&M of \$5,983. Additionally, the 2010 base rate revenue
 2 requirements of \$414,079 and related carrying charges of (\$464,185) related
 3 to the Uprate modifications placed into plant in service in 2010 result in an
 4 overrecovery of \$50,106 as shown in Exhibit WP-5, page 2 of 2. The total
 5 actual 2010 revenue requirements of \$48,585,366 (carrying costs, recoverable
 6 O&M, and base rate revenue requirements), compared to the actual/estimated
 7 revenue requirements of \$47,053,850 included in the AE schedules in Exhibit
 8 TOJ-12 result in an underrecovery of \$1,531,516. This amount will be
 9 reflected in the CCRC charge sought to be recovered in 2012. The details of
 10 these revenue requirements and the resulting true-ups are shown in Exhibit
 11 WP-5, page 2 of 2. The prudence and necessity of the 2010 actual total
 12 Company costs are discussed in FPL Witness Jones's March 1, 2011
 13 testimony.

14 **Q. Were there any revisions to the recoverable O&M reporting process for**
 15 **2010?**

16 **A.** Yes, revisions to the process FPL uses for reporting recoverable O&M were
 17 made following Staff's July 1, 2010 meeting with the parties in Docket No.
 18 100001-EI and Docket No. 100009-EI.

19 **Q. Please explain FPL's process prior to the revision.**

20 **A.** Prior to the revision, beginning January 1, 2010, FPL expensed the deferred
 21 recoverable O&M representing 2008 and 2009 actual costs and began
 22 expensing the current month 2010 actual recoverable O&M incurred to FPL's
 23 CCRC recoverable accounts. Any resulting over/under recoveries were

1 included in those CCRC accounts and accrued interest at the 30-day
2 commercial paper rate. While this process facilitated the calculation of
3 over/under recoveries and the calculation of the interest, it separated the
4 calculation from the underlying variances reported in the NFRs that created
5 the over/under recoveries.

6 **Q. How has FPL revised its process?**

7 A. FPL revised its process in June 2010 and removed the NCRC recoverable
8 O&M variances from the CCRC recoverable accounts and from its CCRC
9 schedules. FPL recalculated interest in the CCRC excluding those variances.
10 The result is that the 2010 CCRC estimated/actual True-up schedules that FPL
11 filed on August 2, 2010 in Docket No. 100001-EI did not reflect NCRC
12 recoverable O&M variances or the associated interest. Instead, those
13 variances and interest have been reported on the NFRs and requested for
14 recovery in the NCRC. The result of this change was reflected in the NFRs
15 filed in this Docket.

16 **Q. Please explain the 2010 base rate revenue requirements.**

17 A. FPL included \$2,018,321 of base rate revenue requirements in its 2010 AE
18 schedules in Exhibit TOJ-12 Appendix B for the Uprate modifications
19 projected to be placed into service in 2010. This amount relates to the
20 revenue requirements for the first year this plant is placed into service and is
21 based on the estimated jurisdictional costs (net of participants) and the
22 estimated in-service dates when the estimates were initially submitted to the
23 Commission May 3, 2010.

1

2

FPL included \$414,079 of base rate revenue requirements in the 2010 T schedules in TOJ-13 Appendix B.

3

4

5

The difference between the \$2,018,321 of base rate revenue requirements in the 2010 AE schedules and the \$414,079 of base rate revenue requirements in the 2010 T schedules in TOJ-13 Appendix B is an overrecovery of \$1,604,242 as shown in Exhibit WP-5 pg 2 of 2.

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The actual amounts of plant, in-service dates, and related revenue requirements for the Uprate modifications placed into service in 2010 are reflected in Exhibit WP-7 in this testimony.

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14

In accordance with Nuclear Cost Recovery Rule No. 25-6.0423 (7), on October 7, 2010, FPL filed a request to recover in base rates in 2011, the annualized base rate revenue requirements related to the Uprate modifications placed into service in 2010 separate from its cost recovery clause petition as approved in Order No. PSC-11-0078-PAA-EI, Docket No. 100419-EI.

15

16

17

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19

Q. What caused the difference between 2010's base rate revenue requirements in the AE schedules and the base rate revenue requirements in the T schedules for the Uprate modifications placed into service?

20

21

22

A. The difference is due to: actual as opposed to projected in-service amounts, actual as opposed to projected in-service dates, actual as opposed to projected

23

1 jurisdictional separation factors, and the actual rate of return as filed in FPL's
2 most recent surveillance report at the time the Uprate modifications were
3 placed into service.

4 **Q. Please describe the reasons for the difference in revenue requirements.**

5 A. The 2010 AE Schedules filed in this Docket as Exhibit TOJ-12 reflect FPL's
6 estimate that Uprate modifications of \$138,988,557 (\$137,126,585
7 jurisdictional, net of participants) would be placed into service in 2010. The
8 actual plant placed into service during 2010 was \$12,955,015 (\$12,422,640
9 jurisdictional, net of participants), which is reflected in my Exhibit WP-7,
10 page 1 of 11 in this testimony. The plant placed into service in 2010 and the
11 revised in-service dates are also shown in Exhibit WP-7.

12
13 FPL used a projected jurisdictional separation factors from the rate case
14 (Docket No. 080677-EI) for the 2010 AE schedules in Exhibit TOJ-12. For
15 the T schedules in Exhibit TOJ-13, FPL adjusted the projected jurisdictional
16 separation factors to the jurisdictional separation factors as reflected in FPL's
17 2010 monthly Surveillance Reports to the FPSC.

18
19 Lastly, in the AE schedules, FPL used its then most current rate of return
20 which was based on the December 2009 Surveillance Report. The rate of
21 return in our T schedules is the rate of return based on the most current 2010
22 monthly surveillance reports at the time the Uprate modifications are placed
23 into service. This is in accordance with the requirements of the Nuclear Cost

1 Recovery Rule No. 25-6.0423 Section 7 (d). The reasons for the changes
2 related to the plant placed into service are explained in greater detail in
3 Witness Jones's testimony.

4 **Q. What accounting and regulatory treatment is provided for costs that**
5 **would have been incurred regardless of the Uprate Project?**

6 A. Costs that would have been incurred regardless of the Uprate Project are not
7 included in FPL's NCRC calculations. Such expenditures that are not
8 "separate and apart" from the nuclear Uprate Project will be accounted for
9 under the normal process for O&M and capital expenditures. Capital
10 expenditures will accrue Allowance for Funds Used During Construction
11 (AFUDC) while in Construction Work in Progress (CWIP) until the system or
12 component is placed into service. Only costs incurred for activities necessary
13 for the Uprate Project are charged to the Uprate work orders and included as
14 recoverable O&M or as construction costs included in the calculation of
15 carrying charges in the NFR schedules. This method ensures that FPL only
16 receives recovery of the appropriate recoverable O&M or carrying charge
17 return currently under the Nuclear Cost Recovery Rule and expenses or
18 accrues the appropriate O&M or AFUDC return on costs that are not "separate
19 and apart" that will be recovered through rate base when the project is placed
20 into service. FPL employs a rigorous, engineering-based process to segregate
21 costs that are "separate and apart" from those that would have normally been
22 incurred, so that only the appropriate costs are reflected in the NCRC request.

1 This process is discussed in more detail in FPL Witness Jones's March 1,
2 2011 testimonies.

3

4

ACCOUNTING CONTROLS

5

6 **Q. Please describe the accounting controls FPL relies upon to ensure proper**
7 **cost recording and reporting for these projects.**

8 A. FPL relies on its comprehensive corporate and overlapping business unit
9 controls for recording and reporting transactions associated with any of its
10 capital projects including the Uprate Project and Turkey Point 6 & 7. These
11 comprehensive and overlapping controls include:

- 12 • FPL's Accounting Policies and Procedures;
- 13 • Financial systems and related controls including FPL's general ledger and
14 construction asset tracking system (CATS);
- 15 • FPL's annual budgeting and planning process;
- 16 • Reporting and monitoring of plan costs to actual costs incurred; and
- 17 • Business Unit specific controls and processes.

18 The project controls are further discussed in the March 1, 2011 testimony of
19 FPL Witnesses Scroggs and Jones.

20 **Q. Are there any changes to existing accounting controls or additional**
21 **accounting controls implemented and relied upon for these projects and**
22 **the related reporting for 2010?**

1 A. Yes. As I describe later in my testimony, there were changes in 2010 to the
2 Nuclear Business Unit accounting controls in the Uprate Project.

3 **Q. Are these controls documented, assessed and audited and/or tested on an**
4 **ongoing basis?**

5 A. Yes. The FPL corporate accounting policies and procedures are documented
6 and published on the Company's internal website, Employee Web. In
7 addition, accounting management provides formal representation as to the
8 continued compliance with those policies and procedures each year. The
9 Company's external auditors, Deloitte & Touche, LLP, as a part of its annual
10 audit, which includes assessing the Company's internal controls over financial
11 reporting and testing of general computer controls, expresses an opinion as to
12 the effectiveness of those controls. Sarbanes-Oxley processes are identified,
13 documented, tested and maintained, including specific processes for planning
14 and executing capital work orders, as well as acquiring and developing fixed
15 assets. Certain key financial processes are tested during the Company's
16 annual test cycle.

17 **Q. Describe the responsibilities and accounting controls of the New Nuclear**
18 **Accounting Project Group.**

19 A. The primary responsibility of the New Nuclear Accounting Project Group is
20 to provide financial accounting guidance for the recovery of costs under the
21 Nuclear Cost Recovery Rule. Additional responsibilities include the
22 preparation and maintenance of the NFR schedules, (e.g. T, AE, P, and TOR
23 Schedules) and on a monthly basis, ensuring the costs included in the NFR

1 schedules are recorded to the financial records of the Company and reconciled
2 to the NFRs. The Nuclear Cost Recovery projects utilize unique work orders
3 to capture costs directly related to these projects. After ensuring accurate costs
4 are recorded, adjustments are made to reflect participants' credits,
5 jurisdictionalize the costs, and include other adjustments required in the NFR
6 schedules. Monthly journal entries are prepared to reflect the effects of the
7 recovery of these costs and monthly reconciliations of the NFR accounts are
8 performed. The resulting schedules are included in our Nuclear Cost
9 Recovery filings and described in testimony.

10
11 The New Nuclear Accounting Project Group works closely with the Nuclear
12 Business Unit, Engineering, Construction & Corporate Services Division
13 (ECCS), and the Transmission Business Unit to address issues surrounding
14 the costs related to the projects. This involves researching, providing
15 direction and resolving project accounting issues that arise as the new nuclear
16 projects develop.

17 18 **UPRATE SPECIFIC ACCOUNTING CONTROLS**

19 20 **Nuclear Business Unit Accounting Controls**

21 **Q. Describe the oversight role of the Nuclear Business Operations (NBO)**
22 **Group related to the Uprate Project.**

1 A. The NBO Group is independent of the EPU Project Team and provides
2 oversight of the costs charged to the Uprate Project. The NBO Group is
3 primarily responsible for the work order maintenance function, reviewing
4 payroll to ensure only appropriate payroll is charged to the Uprates,
5 determining appropriate accounting for costs, raising potential issues to the
6 Property Accounting Group when necessary, providing accounting guidance
7 and training to the Uprate team, assisting with internal and external audit-
8 related matters, reviewing project projections and producing monthly variance
9 reports.

10 **Q. Are there any changes to existing Nuclear controls or additional controls**
11 **implemented and relied upon for the Uprate Project and the related**
12 **reporting for 2010?**

13 A. Yes. There was a revision in January 2010 to Extended Power Uprate Project
14 Instructions Number EPPI-230 *Project Invoice*, revising invoice approvers for
15 certain dollar limits. Before payment can be made, any invoice greater than
16 \$1 million requires approval of the Vice President, Nuclear Power Uprates,
17 and any invoice greater than \$5 million requires the approval of the Executive
18 Vice President & Chief Nuclear Officer. Secondly, a nuclear division process
19 was implemented to provide guidance on the process to effectively identify,
20 evaluate and dispose of obsolete equipment, parts, and material. Lastly, the
21 Nuclear Asset Management System (NAMS) for the issuance of purchase
22 orders (PO) and the payment of invoices was implemented in July 2010 to

1 replace the previous system, Procurement Control and Inventory Management
2 System (PASSPORT).

3 **Q. Describe the NBO Group accounting controls which ensure costs are**
4 **appropriately incurred and tracked for the Uprate Project.**

5 A. The NBO Group accounts for the activities necessary to perform the Uprates
6 at the four nuclear units, Turkey Point Units 3 and 4 and St. Lucie Units 1 and
7 2. Costs associated with the work performed on components defined as a
8 property retirement unit will be transferred from CWIP to plant in service at
9 the end of each outage or when they become used and useful (i.e. such as the
10 modifications to the St. Lucie Unit 2 Turbine Gantry Crane). In order to
11 facilitate this process, a separate budget activity was set up for each unit and
12 capital work orders were set up within each budget activity to capture costs
13 related to each Uprate outage. Additional work orders are set up, as
14 necessary, to capture costs associated with plant placed into service at a
15 different time than the outages (e.g. turbine gantry cranes, generator step-up
16 transformers, etc). Transmission related work for the Uprate project is also
17 being accounted for by work order based on the scope of work and will be
18 placed into service when the respective work is used and useful.

19

20 Through June 2010, purchase orders were issued and invoices paid in
21 PASSPORT for work to be performed at each unit. Subsequent to this date
22 the PO's are issued and invoices paid in NAMS. This transition to the NAMS
23 system continues to facilitate cost analysis to track discrete projects and tasks.

1 **Q. Describe the NBO Group accounting controls which ensure costs are**
2 **appropriately charged to the Uprate Project.**

3 A. Invoices are routed to the St. Lucie or Turkey Point site project controls
4 analyst, as appropriate. The analyst checks the invoices for accuracy and for
5 agreement to the PO terms and conditions. Once the invoice has been
6 appropriately verified, the analyst records invoice information on an Invoice
7 Tracking Log. The Invoice Approval/Route List is then routed for verification
8 of receipt of goods/services and all required approvals. Before payment can
9 be made on any invoice greater than \$1 million, the approval of the Vice
10 President, Nuclear Power Uprates is required. Before payment can be made on
11 any invoice greater than \$5 million, the approval of the Executive Vice
12 President & Chief Nuclear Officer is required. Once all necessary approvals
13 have been obtained, the project controls analyst processes the invoice for
14 payment in NAMS against the respective purchase order. Extended Power
15 Uprate Project Instruction Number EPPI-230, *Project Invoice*, details the flow
16 of the invoice through the approval, receipt and payment process at the sites
17 and establishes responsibilities at each stage of the process.

18 **Q. Describe the review performed by the EPU Project Controls Team and**
19 **the NBO Group related to the Uprate Project.**

20 A. Throughout the month, general ledger detail transactions are monitored by the
21 EPU Project Controls Team and NBO to ensure that costs charged to the
22 Uprates are appropriate and are accurately classified as capital or O&M. Site
23 cost engineers perform reviews to ensure invoices are accurately coded to the

1 appropriate activity/scope work order. NBO reviews internal labor costs to
2 ensure that only appropriate payroll is charged to the Uprates. In addition, all
3 steps in this process are subject to internal and external audits and reviews.

4

5 The Project engineers and NBO together work closely to make sure the costs
6 are appropriate and are accurately classified as capital or O&M. Construction
7 Leads perform reviews to ensure invoices are accurately coded to the
8 appropriate activity/scope work order.

9 **Q. Describe the reporting performed by the EPU Project Controls Team and**
10 **the NBO Group related to the Uprate Project.**

11 A. The Uprate Project Controls Director, along with the Controls group at each
12 site, record schedule changes, project delays, and project costs. The Uprate
13 Project Controls Director, along with the Controls group, support risk
14 management and contract administration.

15

16 The NBO Group drafts monthly variance reports that compare actual
17 expenditures incurred to the originally estimated budget and reports year end
18 forecast estimates. The draft reports are sent to the St. Lucie and Turkey Point
19 Uprate Project Controls Teams responsible for providing variance
20 explanations and forecast updates to NBO. The reports are reviewed by the
21 Uprate Project control supervisors and management prior to the submission to
22 NBO. NBO reviews the variance explanations and forecast numbers for
23 reasonableness and accuracy prior to compilation and inclusion in the Nuclear

1 Business Unit corporate variance report. NBO is also responsible for
2 reviewing numbers reported to the FPL Executive Steering Committee to
3 ensure consistency with corporate variance reports and for providing the
4 Accounting Department with project numbers for inclusion in the NFR
5 schedules.

6

7

Transmission Business Unit Accounting Controls

8 **Q. Describe the role of the Transmission Business Unit related to the Uprate**
9 **Project.**

10 A. The Transmission Business Unit is incurring expenditures related to the
11 Uprate Project in order to perform substation and transmission line
12 engineering, procurement, and construction on specific work orders assigned
13 to projects, which resulted from transmission interconnection and integration
14 studies performed by FPL Transmission Planning. These studies were based
15 on incorporating the additional amount of megawatts to be generated by the
16 uprated nuclear units at St. Lucie 1 & 2 and Turkey Point 3 & 4 into the FPL
17 transmission system. The Transmission Business Unit cost and performance
18 team ensures costs are appropriately incurred and charged to the Uprate
19 Projects. The Transmission Business Unit reviews payroll to ensure only
20 appropriate payroll is charged to the Uprate Project, determining appropriate
21 accounting for costs, raising potential issues to the Property Accounting
22 Group when necessary, providing accounting guidance and training to the

1 Uprate Project team, assisting with internal and external audit-related matters,
2 reviewing project projections, and producing monthly variance reports.

3 **Q. Describe the Transmission Business Unit accounting controls which**
4 **ensure costs are appropriately incurred and tracked for the Uprate**
5 **Project.**

6 A. The Transmission Business Unit identifies the transmission activities
7 necessary to support the increased electrical output of the Uprates at the four
8 nuclear units, St. Lucie Units 1 & 2 and Turkey Point Units 3 & 4. Costs
9 associated with the work performed for each outage are transferred from
10 CWIP to plant in service by Property Accounting as necessary. In order to
11 facilitate this process and identify activities, two separate budget activities
12 were set up with appropriate sub activities and multiple work orders.
13 Purchase Orders are handled by Integrated Supply Chain (ISC) via the e-Pro
14 Process (e-Pro). In e-Pro, a PO request is routed from the originator to all
15 approvers required based on the dollar amount of the PO. The PO
16 Requisitioning group determines the required approvals based on the business
17 unit's PO approval limits, and routes the request as required. Once all
18 required approvals are secured, the PO will be created based on the
19 information in the e-Pro request.

20 **Q. Describe the Transmission Business Unit accounting controls which**
21 **ensure costs are appropriately charged to the Uprate Project.**

22 A. Invoices are routed to the Transmission Project Control Administrator
23 (Administrator). The Administrator checks the invoices for accuracy and for

1 agreement to the PO terms and conditions. Once the invoice has been
2 appropriately verified, the Administrator records invoice information on the
3 Cost Control Tracking sheet and routes the invoice for all required approvals.
4 Invoices found to contain any inaccuracies are returned to the requestor for
5 revisions. Any invoice greater than \$1 million requires the approval of the
6 Business Unit Vice President. Any invoice greater than \$5 million requires
7 the approval of FPL President & Chief Executive Officer before payment is
8 made. Once all necessary approvals have been obtained, the Administrator
9 processes the invoice for payment in SAP against the respective purchase
10 order.

11 **Q. Describe the review performed by the Transmission Business Unit related**
12 **to the Uprate Project.**

13 A. The Cost & Performance Analyst updates the Turkey Point and St Lucie
14 Uprate Cost reports on a monthly basis for actual costs incurred. The Turkey
15 Point and St Lucie Uprate Cost reports are then reviewed by the assigned
16 Project Managers and Administrators who work closely together to ensure that
17 all costs are appropriately charged to the Uprate Project and are accurately
18 classified as either Capital or O&M. Construction Leaders also perform
19 reviews to ensure all invoices are accurately assigned and coded to the
20 appropriate Work Order for the Uprate Project as well. Any discrepancies
21 identified as a result of these reviews are resolved at this time. The assigned
22 Project Manager then updates the individual Work Order forecasts, if

1 warranted. In addition to the above review processes, all FPL contracts are
2 also subject to both Internal and External audits.

3 **Q. Describe the reporting performed by the Transmission Business Unit**
4 **related to the Uprate Project.**

5 A. The Transmission Cost & Performance group drafts monthly variance reports
6 that compare actual expenditures incurred to the originally estimated budget
7 and reports year end forecast estimates. These are reviewed by the assigned
8 Project Manager for reasonableness and accuracy and the final is then
9 submitted to the Corporate Budget Group.

10

11 **TURKEY POINT 6 & 7 SPECIFIC ACCOUNTING CONTROLS**

12

13 **Q. Describe the role of the Engineering, Construction & Corporate Services**
14 **Division related to the Turkey Point 6 & 7 Project.**

15 A. The ECCS Division has a Project Controls Group that reports through the
16 Vice President of ECCS and provides structural leadership, governance and
17 oversight for the project. On a monthly basis, the group completes a thorough
18 review of all costs ensuring accuracy of the charges posted to the project.
19 Additionally, Project Controls prepares monthly variance reports, identifying
20 variances against budgeted information. Team members and project
21 management meet monthly to review and understand existing budget
22 variances against the projected forecast. The Group consists of a Director of
23 Construction with an economics degree and 29 years experience at FPL, 21

1 years in the ECCS and Nuclear Business Units and 8 years in the Auditing,
2 Property and Financial Accounting Groups. He is supported by staff with
3 business, finance and accounting degrees and nuclear and construction
4 experience.

5 **Q. Describe the Engineering, Construction & Corporate Services Division**
6 **accounting controls which ensure costs are appropriately incurred for the**
7 **Turkey Point 6 & 7 Project.**

8 A. When FPL filed its Need Determination in October 2007, costs related to the
9 project recorded in a deferred debit account were transferred to CWIP. A
10 separate work order was set up for Site Selection costs and Preconstruction
11 costs. As stated in the Rule, a site is deemed to be selected upon the filing of
12 a petition for a determination of need; therefore, all costs expended prior to
13 the Need Filing are categorized as Site Selection costs. All Site Selection
14 expenditures have been determined prudent by this Commission in Order No.
15 PSC-08-0749-FOF-EI and all recoveries with resulting true-ups have been
16 reflected in previous filings. Preconstruction costs are costs expended after a
17 site has been selected, captured in a unique work order, and are included in the
18 Preconstruction T Schedules for actual costs incurred in each year.

19 **Q. Describe the Engineering, Construction & Corporate Services Division**
20 **accounting controls which ensure costs are appropriately charged to the**
21 **Turkey Point 6 & 7 Project.**

22 A. When a potential expenditure greater than \$5,000 is identified, project
23 personnel input the expenditure request detailing the need, justification,

1 estimated cost and documentation in the ECCS Electronic Approval Database
2 (EAD). The request is routed to the Project Controls Group, which inputs all
3 pertinent budget information, verifies appropriate accounts are charged, and
4 verifies the budgeted resources for the proposed transaction are available.
5 This information is sent through the EAD to the Project Manager of the
6 functional area who verifies the expense is applicable to the project. The
7 Project Manager then routes the information in the EAD to the appropriate
8 approvers based on authorization levels, to the Integrated Supply Chain (ISC)
9 department and to the Project Controls Group. Once the expenditure is
10 approved, ISC issues a Purchase Order in compliance with procurement
11 policies and procedures. After the goods have been received or services
12 rendered and an invoice is received by the functional area, it is reviewed,
13 determined appropriate, approved if appropriate, and input into the SAP
14 payment processing system. In SAP, online approvals based on authorization
15 levels are required for any expenditure greater than \$250 prior to the invoice
16 being paid. For items less than \$250, the monthly SAP transaction register
17 detailing the document number, work order, account, amount, description,
18 purchase order and the total dollar amount of the transaction must be reviewed
19 and approved by the functional area designated SAP approver.

20

21 Currently, the majority of expenditures are for one vendor: Bechtel, which is
22 handling the Combined Operating License Application (COLA), and
23 supporting the site certification application. The invoices from this and other

1 vendors which can be quite voluminous are received electronically by the
 2 Project Controls Group. They are loaded into a SharePoint database and routed
 3 to the appropriate business unit contacts to access, review and approve. The
 4 Contract Administrator ensures all parties have signed off on their appropriate
 5 section of the invoice prior to payment. The invoices are also reviewed for
 6 compliance with the purchase order and/or contract and differences with
 7 vendors are resolved. The remaining invoices relate to charges incurred by
 8 groups such as Legal, Marketing and Communications, Transmission,
 9 Environmental Services and long lead procurement items.

10 **Q. Describe the review and reporting performed by the ECCS Project**
 11 **Controls organization related to the Turkey Point 6 & 7 Project.**

12 A. The Project Controls organization is responsible for preparing, analyzing and
 13 clearly and concisely explaining variances against planned budgets for current
 14 month, year-to-date and year end. Project Controls holds monthly meetings
 15 with team members and project management to review and understand
 16 existing budget variances and any projected variances. Project Controls
 17 provides the resulting expenditures to Accounting for inclusion in the NFR
 18 schedules.

19

ADDITIONAL NEW NUCLEAR AND UPRATE

20

ACCOUNTING OVERSIGHT

21

22

23 **Q. Are there any additional controls implemented and relied upon for these**

1 **Projects and the related reporting?**

2 A. Yes. The Company has issued specific guidelines for charging costs to the
3 project work orders. These guidelines emphasize the need for particular care
4 in charging only incremental labor to the project work orders included for
5 nuclear cost recovery and ensure consistent application of the Company's
6 capitalization policy. These guidelines describe the process for the exclusion
7 of non-incremental labor from current NCRC recovery while providing full
8 capitalization of all appropriate labor costs through the implementation of
9 separate project capital work orders that will be included in future non-NCRC
10 base rate recoveries. Exhibit WP-8 provides a flowchart depicting this
11 process for 2009 and 2010.

12 **Q. Did the guidelines for charging costs to the project work orders change**
13 **from 2009 to 2010?**

14 A. Yes. As a result of FPL's rate case (Docket No. 080677-EI), the Company
15 reset the basis upon which incremental employee labor is established in
16 determining which employees are clause recoverable. Starting in 2010,
17 personnel previously determined non-incremental became incremental and
18 eligible to record labor to NCRC work orders. Any employee dedicated to the
19 Project and charging 100% of his time to the NCRC during 2010 is considered
20 incremental for the entire year 2010. Any employee that charged a percentage
21 of his time to capital in the NCRC in 2010 will be designated incremental for
22 that percentage of his costs.

23 **Q. What is the purpose of the continuous internal audits conducted by FPL**

1 **on the Turkey Point 6 & 7 and Uprate Projects?**

2 A. The Company continues to undergo specific project related internal audits.
3 The objective of these audits is to test the propriety of expenses charged to the
4 NCRC and to test the process of recording and capturing costs related to the
5 Turkey Point 6 & 7 and Uprate Projects in the pre-established work orders to
6 ensure compliance with the Commission's Rule. FPL will continue to ensure
7 these projects are audited on an ongoing basis. The 2009 and 2010 costs and
8 controls related to the Turkey Point 6 & 7 and the Uprate Projects will have
9 been audited prior to the start of the hearing in this docket. These audits will
10 continue to provide assurance that the internal controls surrounding
11 transactions and processes are well established, maintained and communicated
12 to employees, and provide additional assurance that the financial and
13 operating information generated within the Company is accurate and reliable.

14 **Q. Please comment on the overall level of control and oversight of the NCRC**
15 **process.**

16 A. The ongoing cycles of cost collection, aggregation, analysis and review which
17 lead to the NFR filings provide for a level of detailed review that is
18 unprecedented. For example, in the preparation of the NFR schedules,
19 transactional expenditures are projected by activity and an immediate review
20 of projection to actual, in many cases at the transactional level, is conducted.
21 The manual nature of the data collection and aggregation process, along with
22 the manual calculation of carrying charges and construction period interest,
23 provides an increased level of detailed review. The requirements of the Rule

1 have, by design, significantly increased the review and transparency of the
2 costs themselves.

3 **Q. How are carrying charges provided for under the Nuclear Cost Recovery**
4 **Rule?**

5 A. Carrying charges are established by Statute based on the pre-tax AFUDC rate
6 at the time the utility files its Need Determination. For FPL this rate is
7 11.04% (based on an AFUDC rate of 7.42%) annually.

8 **Q. How has FPL incorporated the Commission-ordered treatment in Docket**
9 **No. 090009-EI, Order No. PSC-09-0783-FOF-EI that AFUDC charged to**
10 **these Projects should be based on the pre-tax AFUDC rate at the time the**
11 **Utility filed its Need Determination?**

12 A. In Order No. PSC-09-0783-FOF-EI, the Commission determined that “utilities
13 shall not be permitted to record in rate base the incremental difference
14 between carrying costs established in Section 366.93, F.S., and their
15 respective most currently approved AFUDC rate.” Therefore, FPL has
16 adjusted the AFUDC recorded on its projects under the NCRC on a retroactive
17 basis effective November 2009 to reflect the AFUDC rate of 7.42%. Since
18 December 2009, FPL has applied this 7.42% statutory rate going forward to
19 all eligible CWIP charges for the Uprate and Turkey Point 6 & 7 Projects.
20 FPL records and recovers a carrying charge through the CCRC at the fixed
21 rate specified in the NCRC, and no longer calculates or tracks any resulting
22 incremental/decremental AFUDC for amounts recovered through the NCRC.

1 **Q. Should any FPL regulatory commission expenses (rate case type expense)**
2 **associated with the 2010 Nuclear Cost Recovery Clause hearing be**
3 **removed?**

4 A. No. FPL provides the NCRC team with a separate non-NCRC work order to
5 capture in FERC Account 928, Regulatory Commission Expenses (“rate case
6 type expenses”), for hearing related expenses related to its 2010 Nuclear Cost
7 Recovery Clause hearing and therefore no adjustment is needed.

8 **Q. Does this conclude your direct testimony?**

9 A. Yes.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **DIRECT TESTIMONY OF WINNIE POWERS**

4 **DOCKET NO. 110009-EI**

5 **May 2, 2011**

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

7 A. My name is Winnie Powers. My business address is 700 Universe Boulevard,
8 Juno Beach, FL 33408.

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

10 A. I am employed by Florida Power & Light Company (FPL or the Company) as
11 New Nuclear Accounting Project Manager.

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

13 A. Yes.

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

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

- 16 • Exhibit WP-10, 2011 and 2012 Revenue Requirements, details the Revenue
17 Requirements being recovered in 2011 and to be recovered in 2012. These
18 amounts are taken from the True-Up (T), Actual/Estimated (AE), and
19 Projected (P) schedules by project, by year and by category of costs being
20 recovered (e.g. for Turkey Point 6 & 7 the Site Selection costs,
21 Preconstruction costs, carrying costs on unrecovered balances and on the
22 deferred tax asset/liability, and for the Extended Power Uprate Project
23 “Uprate Project”, carrying costs on construction costs and on the deferred

- 1 tax asset/liability, recoverable operation and maintenance costs (O&M)
2 including interest, and base rate revenue requirements, including carrying
3 charges, for the year plant is placed into service).
- 4 • Exhibit WP-11, 2011 and 2012 Base Rate Revenue Requirements, details
5 the revenue requirements for the Uprate plant modifications expected to be
6 placed into service during 2011 (as updated for actual/estimated) and
7 during 2012 (as projected).
 - 8 • Exhibit SDS-16, Turkey Point 6 & 7 Preconstruction Nuclear Filing
9 Requirement Schedules (NFRs) consists of 2011 P Schedules and 2011
10 True-up to Original (TOR) Schedules. The NFR Schedules contain a table
11 of contents listing the schedules sponsored and co-sponsored by FPL
12 Witness Scroggs and me, respectively. FPL has included the 2011 P
13 Schedules as they are the basis for determining the reasonableness of the
14 true-up of FPL's 2011 AE Schedules. The 2011 TOR Schedules present a
15 summary of costs that are the basis for the revenue requirements being
16 recovered in 2011.
 - 17 • Exhibit SDS-17, Turkey Point 6 & 7 Site Selection NFRs consists of 2011
18 P Schedules and 2011 TOR Schedules. The NFR Schedules contain a table
19 of contents listing the schedules sponsored and co-sponsored by FPL
20 Witness Scroggs and me, respectively. FPL has included the 2011 P
21 Schedules as they are the basis for determining the reasonableness of the
22 true-up of FPL's 2011 AE Schedules. The 2011 TOR Schedules present a

1 summary of costs that are the basis for the revenue requirements being
2 recovered in 2011.

3 ● Exhibit SDS-18, Turkey Point 6 & 7 Preconstruction NFRs consists of
4 2011 AE Schedules, 2012 P Schedules, and 2012 TOR Schedules. The
5 NFR Schedules contain a table of contents listing the schedules sponsored
6 and co-sponsored by FPL Witness Scroggs and me, respectively.

7 ● Exhibit SDS-19, Turkey Point 6 & 7 Site Selection NFRs consists of 2011
8 AE Schedules, 2012 P Schedules, and 2012 TOR Schedules. The NFR
9 Schedules contain a table of contents listing the schedules sponsored and
10 co-sponsored by FPL Witness Scroggs and me, respectively.

11 ● Exhibit TOJ-21, Uprate NFRs consists of 2011 P Schedules and 2011
12 TOR Schedules. The NFR Schedules contain a table of contents listing the
13 schedules that are sponsored and co-sponsored by FPL Witness Jones and
14 me, respectively. FPL has included the 2011 P Schedules as they are the
15 basis for determining the reasonableness of the true-up of FPL's 2011 AE
16 Schedules. The 2011 TOR Schedules present a summary of costs that are
17 the basis for the revenue requirements being recovered in 2011.

18 ● Exhibit TOJ-22, Uprate NFRs consists of 2011 AE Schedules, 2012 P
19 Schedules, and 2012 TOR Schedules. The NFR Schedules contain a table
20 of contents listing the schedules that are sponsored and co-sponsored by
21 FPL Witness Jones and me, respectively.

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

1 A. The purpose of my testimony is to present the calculation of the \$196,004,292
2 revenue requirement that FPL is requesting to recover through the Capacity
3 Cost Recovery Clause (CCRC) in 2012. In addition, I provide an overview of
4 the components of the revenue requirements included in FPL's filing and
5 demonstrate the filing complies with the Florida Public Service Commission
6 (FPSC or Commission) Rule No. 25-6.0423, Nuclear or Integrated
7 Gasification Combined Cycle Power Plant Cost Recovery (Nuclear Cost
8 Recovery Rule or NCRC).

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

10 A. My testimony describes the components of the \$196,004,292 revenue
11 requirements FPL is requesting to recover in 2012. These revenue
12 requirements are based on:

- 13 (1) The final true-up of 2010 costs of (\$16,418,343);
- 14 (2) The actual/estimated true-up of 2011 costs of \$ 22,773,896;
- 15 (3) The projection of 2012 costs of \$189,648,738.

16 My testimony includes the exhibits and NFRs needed to support the true-up of
17 the 2011 AE schedules and the 2012 P schedules.

18

19 I am also including the 2011 P schedules for the Turkey Point 6 & 7 and
20 Uprate Projects representing the 2011 costs FPL is currently recovering
21 through the CCRC, as they are the basis for determining the reasonableness of
22 the actual/estimated true-up of the 2011 NCRC projected revenue
23 requirements.

1 My testimony describes FPL's compliance with the NCRC and the robust and
2 comprehensive corporate and overlapping business unit controls for incurring
3 and validating costs and recording transactions associated with FPL's Turkey
4 Point 6 & 7 and Uprate Projects. Throughout my testimony, I refer to exhibits
5 and NFR schedules that provide an overview of the 2012 revenue
6 requirements FPL is requesting to recover.

7

8

NUCLEAR COST RECOVERY RULE

9

10 **Q. Please describe the Commission's Nuclear Cost Recovery Rule.**

11 A. On March 20, 2007, in Order No. PSC-07-0240-FOF-EI, the FPSC adopted
12 the Nuclear Cost Recovery Rule to implement Section 366.93, Florida
13 Statutes, which was enacted by the Florida Legislature in 2006.

14

15 The NCRC has been interpreted by this Commission to include FPL's Turkey
16 Point 6 & 7 and Uprate Projects. In compliance with the NCRC, FPL is
17 recovering the costs, carrying costs, recoverable O&M, and base rate revenue
18 requirements (for the year plant is placed into service) for the Turkey Point 6
19 & 7 and Uprate Projects through FPL's CCRC. The Rule requires that base
20 rate recovery of the annualized revenue requirements subsequent to the year
21 the plant is placed into service is to be requested in a separate petition outside
22 of the NCRC.

23 **Q. Please describe the NFR Schedules you are filing in this Docket.**

1 A. FPL is filing its AE, P, and TOR Schedules in this docket (the Rule describes
2 the periodic filings and NFRs to be submitted for Commission review and
3 approval for the recovery of costs under the Rule) to provide an overview of
4 the financial and construction aspects of nuclear plant projects, outline the
5 categories of costs represented, and provide the calculation of detailed project
6 revenue requirements. FPL previously filed its T Schedules for 2009 and
7 2010 on March 1, 2011 in this docket. The Rule describes NFR schedules that
8 consist of T schedules filed in March and the AE, P, and TOR Schedules filed
9 in May. My testimony refers to Exhibits that include the 2011 AE schedules,
10 2012 P schedules, and the 2012 TOR schedules. FPL has also included the
11 2011 P and 2011 TOR schedules in this docket to provide the basis for
12 determining the reasonableness of the true-up of FPL's 2011 actual/estimated
13 costs and to provide a summary of the project costs through 2011. The 2012
14 TOR Schedules provide an updated summary of the project costs through
15 2012.

16 **Q. Does the Nuclear Cost Recovery Rule describe the annual filing**
17 **requirements that a utility must make in support of its current year**
18 **expenditures for Commission review and approval?**

19 A. Yes. The Nuclear Cost Recovery Rule states:

20 " 1. Each year, a utility shall submit, for Commission review and approval, as
21 part of its Capacity Cost Recovery Clause filings: ...

22 b. True-Up and Projections for Current Year. By May 1, a utility shall
23 submit for Commission review and approval its Actual/Estimated true-up of

1 Projected pre-construction expenditures based on a comparison of current year
2 Actual/Estimated expenditures and the previously-filed estimated
3 expenditures for such current year and a description of the pre-construction
4 work projected to be performed during such year; or, once construction
5 begins, its Actual/Estimated true-up of Projected carrying costs on
6 construction expenditures based on a comparison of current year
7 Actual/Estimated carrying costs on construction expenditures and the
8 previously filed estimated carrying costs on construction expenditures for
9 such current year and a description of the construction work projected to be
10 performed during such year.”

11 **Q. Is FPL complying with these requirements with respect to its 2011**
12 **Actual/Estimated Turkey Point 6 & 7 and Uprate Project costs?**

13 A. Yes. FPL has included for Turkey Point 6 & 7 the 2011 AE Schedules in
14 Exhibit SDS-18 for Preconstruction costs and Exhibit SDS-19 for Site
15 Selection costs. FPL has included for the Uprate Project the 2011 AE
16 schedules in Exhibit TOJ-22. In addition, FPL is providing the 2011 P
17 Schedules for Turkey Point 6 & 7 in Exhibit SDS-16 for Preconstruction
18 costs, SDS-17 for Site Selection Costs, and TOJ-21 for Uprate Project Costs
19 to provide the basis for determining the reasonableness of the true-up of FPL's
20 2011 actual/estimated costs. In their testimonies, FPL Witness Scroggs for
21 the Turkey Point 6 & 7 Project and FPL Witness Jones for the Uprate Project
22 provide the reasons why these actual/estimated and projected costs and
23 resulting true-ups are reasonable.

1 **Q. Does the Nuclear Cost Recovery Rule describe the annual filing**
2 **requirements that a utility must make for the projected year expenditures**
3 **for Commission review and approval?**

4 A. Yes. The Nuclear Cost Recovery Rule states:

5 “ 1. Each year, a utility shall submit, for Commission review and approval, as
6 part of its Capacity Cost Recovery Clause filings: ...

7 c. Projected Costs for Subsequent Years. By May 1, a utility shall
8 submit, for Commission review and approval, its Projected pre-construction
9 expenditures for the subsequent year and a description of the pre-construction
10 work projected to be performed during such year; or, once construction
11 begins, its Projected construction expenditures for the subsequent year and a
12 description of the construction work projected to be performed during such
13 year.”

14 **Q. Is FPL complying with these requirements with respect to its 2012**
15 **Projected Turkey Point 6 & 7 Project and Uprate Project costs?**

16 A. Yes. FPL has included for Turkey Point 6 & 7 the 2012 P Schedules in
17 Exhibit SDS-18 for Preconstruction costs and Exhibit SDS-19 for Site
18 Selection costs. FPL has included for the Uprate Project the 2012 P schedules
19 in Exhibit TOJ-22. My Exhibit WP-10 on page 1, details the actual/estimated
20 and the projected revenue requirements that FPL is recovering in 2011 and, on
21 page 2, the revenue requirements FPL is requesting to recover in 2012. Any
22 (over)/under recovery of actual (as filed in FPL’s March 1, 2011 Filing) and
23 actual/estimated costs flow through these schedules, as shown in Exhibit WP-

1 10. In their testimonies, FPL Witness Scroggs for the Turkey Point 6 & 7
2 Project and FPL Witness Jones for the Uprate Project, provide the reasons
3 why the 2012 projected costs are reasonable.

4 **Q. How is FPL providing an update to the original Turkey Point Unit 6 & 7**
5 **Project and Uprate Project costs, respectively?**

6 A. FPL has included for Turkey Point 6 & 7 the 2012 TOR Schedules in Exhibit
7 SDS-18 for Preconstruction costs and Exhibit SDS-19 for Site Selection costs.
8 FPL has included for the Uprate Project the 2012 TOR schedules in Exhibit
9 TOJ-22. The TOR schedules follow the format of the T, AE, and P schedules
10 but also detail the actual to date project costs and projected total retail revenue
11 requirements for the duration of the project based on the best available
12 information prior to the filing, i.e., at the “freeze date” of the assumptions.
13 FPL is also including for Turkey Point 6 & 7 its 2011 TOR schedules in
14 Exhibit SDS-17 for Preconstruction costs and Exhibit SDS-16 for Site
15 Selection costs. FPL is including for the Uprate Project its 2011 TOR
16 schedules in Exhibit TOJ-21.

17

18 • Schedule TOR-1 - Reflects the jurisdictional amounts used to calculate the
19 final true-up, actual/estimated true-up, projection, deferrals, and recovery
20 of deferrals for each project included in the NCRC. The sum of the
21 amounts is the total amount requested for recovery in the projected period.

- 1 • Schedule TOR-2 – Reports the budgeted and actual costs as compared to
- 2 the estimated in-service costs of the proposed power plant as provided in
- 3 the petition for need determination or revised estimate if necessary.
- 4 • Schedule TOR-3 - Provides a summary of the actual to date and projected
- 5 total amounts for the project.
- 6 • Schedule TOR-4 - Provides the annual construction O&M expenditures by
- 7 function as reported for all historical years, for the current year, and for
- 8 the projected year.
- 9 • Schedule TOR-6 - Provides the actual to date and projected annual
- 10 expenditures by major tasks performed within Site Selection, Pre-
- 11 Construction, and Construction for the project.
- 12 • Schedule TOR-6a - Provides a description of the major tasks performed
- 13 within the Site Selection, Pre-construction, and Construction category for
- 14 the years filed.
- 15 • Schedule TOR-7 - Reflects initial project milestones in terms of costs,
- 16 budget levels, initiation dates, and completion dates as well as all revised
- 17 milestones and reasons for each revision.

18 **Q. What are the sunk costs that FPL is accounting for in the feasibility**
19 **analysis?**

20 A. As discussed in FPL Witness Dr. Sim's testimony, for Turkey Point 6&7, FPL
21 is excluding a total of approximately \$129 million of sunk costs as of
22 December 31, 2010. For the Uprate Project, FPL is excluding a total of
23 approximately \$703 million of sunk costs as of December 31, 2010.

1 **Q. Please explain the components of the revenue requirements that FPL is**
2 **requesting to include for recovery effective January 1, 2012.**

3 A. The total amount FPL is requesting to recover in 2012 is \$196,004,292. This
4 amount reflects the true-up of 2010 actual costs as filed on March 1, 2011 of
5 (\$16,418,343), the true-up to 2011 actual/estimated costs of \$22,773,896, and
6 the recovery of 2012 projected costs of \$189,648,738 as shown on Exhibit
7 WP-10, page 2 of 2.

8

9

TURKEY POINT 6 & 7

10

Preconstruction – 2011

11

Actual/Estimated Revenue Requirements

12

13 **Q. What is the revenue requirement amount that FPL is requesting to true-**
14 **up its 2011 Turkey Point 6 & 7 Preconstruction costs?**

15 A. FPL is requesting \$5,383,897 in revenue requirements, which represents an
16 underrecovery of Preconstruction costs of \$8,385,772, and an overrecovery of
17 carrying charges of \$3,001,875 as shown on Exhibit WP-10, page 2 of 2,
18 column 6. This amount will be reflected in the CCRC charge paid by
19 customers when the CCRC is reset in 2012.

20 **Q. What are FPL's 2011 actual/estimated Turkey Point 6 & 7**
21 **Preconstruction expenditures compared to costs previously projected and**
22 **any resulting (over)/under recoveries of costs?**

1 A. FPL's actual/estimated Turkey Point 6 & 7 Preconstruction expenditures for
2 the period January through December 2011 are \$37,955,536, (\$37,506,973 on
3 a jurisdictional basis) as presented in FPL Witness Scroggs's testimony and
4 provided on SDS-18, Schedule AE-6. FPL's previous projected 2011
5 Preconstruction expenditures were \$29,469,475 (\$29,121,201 on a
6 jurisdictional basis) as shown in Exhibit SDS-16, on Schedule P-6 filed in this
7 docket. The result is an underrecovery of Preconstruction revenue
8 requirements of \$8,385,772. FPL has included the 2011 P schedules for
9 Turkey Point 6 & 7 Preconstruction costs in Exhibit SDS-16 to provide the
10 basis for determining the reasonableness of the true-up of FPL's 2011
11 actual/estimated costs.

12 **Q. What are FPL's 2011 actual/estimated Turkey Point 6 & 7**
13 **Preconstruction carrying charges compared to carrying charges**
14 **previously projected and any resulting (over)/under recoveries of costs?**

15 A. FPL's 2011 actual/estimated Turkey Point 6 & 7 Preconstruction carrying
16 charges are (\$812,681). FPL's previous projected carrying charges were
17 \$2,189,194, resulting in an overrecovery of revenue requirements of
18 \$3,001,875. The calculations of the carrying charges can be found in Exhibit
19 SDS-18, Schedules AE-2 and AE-3A.

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Preconstruction – 2012**Projected Revenue Requirements**

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Q. What revenue requirement amount is FPL requesting for its 2012 projected Turkey Point 6 & 7 Preconstruction costs?

A. FPL is requesting recovery of \$36,642,378 in revenue requirements related to its projected 2012 Turkey Point 6 & 7 Preconstruction costs. These revenue requirements consist of projected Turkey Point 6 & 7 Preconstruction expenditures of \$31,393,088 (\$31,022,080 on a jurisdictional basis) as presented in FPL Witness Scroggs's testimony and provided in Exhibit SDS-18, schedule P-6 and projected Turkey Point 6 & 7 Preconstruction carrying charges of \$5,620,298, as shown on Exhibit SDS-18, schedules P-2 and P-3A.

Q. What is the amount FPL is requesting to recover in its 2012 NCRC Capacity Cost Recovery factor for Turkey Point 6 & 7 Preconstruction costs?

A. FPL is requesting to include \$24,076,417 of revenue requirements in 2012 for Turkey Point 6 & 7 Preconstruction costs.

This amount consists of the 2012 projected Turkey Point 6 & 7 Preconstruction costs of \$36,642,378, the true-up of 2010 actual Turkey Point 6 & 7 Preconstruction costs of (\$17,949,858), described in my March 1, 2011 testimony, and the true-up of 2011 actual/estimated Turkey Point 6 & 7

1 Preconstruction costs of \$5,383,897, as shown on Exhibit WP-10, page 2 of 2,
2 line 20.

3

4 For the reasons stated in FPL Witness Scroggs's testimony, FPL respectfully
5 requests that the Commission approve 2011 projected, 2011 actual/estimated,
6 and 2012 projected Preconstruction costs and the carrying charges as
7 reasonable, and approve the resulting revenue requirements described in my
8 testimony for recovery in FPL's 2012 CCRC charge.

9

10

Site Selection – 2011

11

Actual/Estimated Revenue Requirements

12

13 **Q. What are FPL's 2011 actual/estimated Turkey Point 6 & 7 Site Selection**
14 **expenditures compared to costs previously projected?**

15 A. FPL's Turkey Point 6 & 7 Site Selection expenditures ceased with the filing
16 of our need petition on October 16, 2007. All recoveries of site selection costs
17 with resulting true-ups have been reflected in nuclear cost recovery filings.

18 **Q. Is FPL filing any NFRs related to Turkey Point 6 & 7 Project Site**
19 **Selection costs?**

20 A. Yes. FPL is filing the NFR schedules described in FPL Witness Scroggs's
21 testimony for Turkey Point 6 & 7 Site Selection costs related to carrying
22 charges, primarily on the deferred tax asset. The deferred tax asset is created

1 by the recovery of Site Selection costs and the payment of income taxes
2 before a deduction for the costs is allowed for income tax purposes.

3 **Q. What are FPL's 2011 Turkey Point 6 & 7 Project Site Selection**
4 **actual/estimated carrying charges compared to carrying charges**
5 **previously projected and any resulting (over)/under recoveries of costs?**

6 A. FPL's 2011 actual/estimated Turkey Point 6 & 7 Site Selection carrying
7 charges are \$171,052 as shown in Exhibit SDS-19, schedules AE-2 and AE-
8 3A. FPL's previous projected carrying costs were \$171,052 as shown on
9 Schedule P-2 and P-3A in Exhibit SDS-19. FPL has included the 2011 P
10 Schedules for Turkey Point 6 & 7 site selection costs in Exhibit SDS-17, to
11 provide the basis for determining the reasonableness of the true-up of FPL's
12 2011 actual/estimated costs. Since FPL no longer incurs Site Selection costs,
13 there is no related true-up of 2011 costs needed.

14

15

Site Selection – 2012

16

Projected Revenue Requirements

17

18 **Q. What is the revenue requirement amount that FPL is requesting for its**
19 **2012 projected Turkey Point 6 & 7 Site Selection costs?**

20 A. FPL is requesting recovery of \$180,883 revenue requirements related to its
21 2012 Turkey Point 6 & 7 Site Selection carrying charges as shown on Exhibit
22 SDS-19, Schedule AE-1. These carrying charges are primarily on the
23 deferred tax asset created by the recovery of Site Selection costs and the

1 payment of income taxes before a deduction for the costs is allowed for
2 income tax purposes. Since there is no true-up of 2010 and 2011 Site
3 Selection costs, FPL is requesting to include \$180,883 in FPL's 2012 NCRC
4 revenue requirements request for Turkey Point 6&7 Site Selection costs.

5
6
7 **UPRATE PROJECT – 2011**

8 **Actual/Estimated Revenue Requirements**

9
10 **Q. What are FPL's 2011 actual/estimated Uprate Project expenditures**
11 **compared to costs previously projected?**

12 **A.** FPL's actual/estimated Uprate generation and transmission expenditures for
13 the period January through December 2011 are \$587,845,328, total company.
14 As presented in FPL Witness Jones's testimony and shown on Exhibit TOJ-
15 22, Schedule AE-6 deducts the portion of this total for which the St. Lucie
16 Unit 2 participants are responsible and then applies the retail jurisdictional
17 factor to the remainder. This results in jurisdictional, net of participants
18 Uprate generation and transmission expenditures of \$561,356,118.

19
20 For actuals, further adjustments are made to present the expenditures on a
21 cash basis (i.e., excluding accruals and pension and welfare benefit credits) for
22 the calculation of carrying charges. These adjustments are necessary in order
23 to comply with the Commission's current practice regarding AFUDC

1 accruals. Since the estimated costs are on a cash basis, it is not necessary to
2 project any non-cash accruals for the remainder of the year. After making
3 these additional adjustments for calculating carrying charges, the
4 actual/estimated 2011 jurisdictional, net of participants Uprate Project
5 expenditures are \$558,520,431, as noted on AE-6 in Exhibit TOJ-22. FPL's
6 previous projected 2011 Uprate Project expenditures as noted in Exhibit TOJ-
7 21 on schedule P-6 were \$547,756,895, (\$521,701,593 on a jurisdictional, net
8 of participants basis). FPL has included the 2011 P schedules for the Uprate
9 Project in Exhibit TOJ-21 to provide the basis for determining the
10 reasonableness of the true-up of FPL's actual/estimated costs.

11 **Q. What is the revenue requirement amount that FPL is requesting to true-**
12 **up its 2011 actual/estimated Uprate Project costs?**

13 A. FPL's is requesting to true-up its 2011 revenue requirements for the Uprate
14 Project by an additional \$17,390,000.

15 **Q. What are FPL's 2011 actual/estimated Uprate Project carrying charges,**
16 **recoverable O&M, and base rate revenue requirements for plant placed**
17 **into service in 2011 compared to costs previously projected and any**
18 **resulting (over)/under recoveries of costs?**

19 A. FPL's 2011 actual/estimated Uprate Project carrying charges, recoverable
20 O&M, and base rate revenue requirements for plant placed into service in
21 2011 are \$98,707,332. FPL's previous projected revenue requirements were
22 \$81,317,333, resulting in an underrecovery of \$17,390,000 which will be
23 reflected in the CCRC charge paid by customers when the CCRC is reset in

1 2012. The details of these jurisdictional costs (carrying charges, recoverable
2 O&M and base rate revenue requirements) are summarized on Exhibit WP-10,
3 page 2 of 2.

4 **Q. What are the components of the true-up of \$17,390,000 of 2011 revenue**
5 **requirements?**

6 A. The \$17,390,000 consists of the true-up of carrying charges of \$21,108,742,
7 recoverable O&M of \$8,346,616 and base rate revenue requirements of
8 \$(12,065,358) as shown on Exhibit WP-10, page 2 of 2, Column 6.

9 **Q. Where can the calculation of FPL's Uprate Project 2011 actual/estimated**
10 **carrying charges be found?**

11 A. The calculation of the Uprate Project 2011 actual/estimated carrying charges
12 of \$70,238,482 are shown on Exhibit TOJ-22, Schedules AE-3 and AE-3A.
13 FPL's previous projected 2011 Uprate carrying charges of \$49,129,740 are
14 reflected in the 2011 P-3 and P-3A schedules as shown in Exhibit TOJ-21.
15 FPL has included the 2011 P schedules for the Uprate project in TOJ-21 to
16 provide the basis for determining the reasonableness of the true-up of FPL's
17 2011 actual/estimated costs. As a result of the actual/estimated true-up of
18 2011 carrying charges in this May 2, 2011 filing, there is an underrecovery of
19 \$21,108,742 in 2011.

20 **Q. What are FPL's Uprate Project 2011 actual/estimated recoverable O&M**
21 **costs and where can these costs be found?**

22 A. FPL's Uprate Project 2011 actual/estimated recoverable O&M costs are
23 \$12,706,916 (\$12,249,329 jurisdictional, net of participants) and can be found

1 in Exhibit TOJ-22, schedule AE-4. FPL previously projected 2011
2 recoverable O&M of \$4,161,728 (\$3,916,249, jurisdictional, net of
3 participants) as reflected in the 2011 P-4 schedule filed in Exhibit TOJ-21 in
4 this docket. FPL's 2011 actual/estimated recoverable O&M, net of
5 participants, including interest is \$12,263,818, compared to FPL's previous
6 projected 2011 recoverable O&M, net of participants, including interest of
7 \$3,917,202. As explained in schedule AE-4, over/under recoveries of
8 recoverable O&M incur interest at the commercial paper rate. As a result of
9 the actual/estimated true-up of 2011 Uprate Project recoverable O&M, there is
10 an underrecovery of \$8,346,616, jurisdictional, net of participants in 2011.

11 **Q. What are the base rate revenue requirements for plant being placed into**
12 **service in 2011 for the Uprate Project and where can the calculations be**
13 **found?**

14 A. The Uprate Project actual/estimated base rate revenue requirements for plant
15 being placed into service in 2011 are \$16,635,355 as shown in Exhibit WP-11,
16 page 1. FPL previously projected base rate revenue requirements in the
17 amount of \$28,270,391 as shown in TOJ-21, Appendix B, filed in this docket.
18 As a result of the true-up of actual/estimated 2011 Uprate Project base rate
19 revenue requirements, including carrying charges, there is an overrecovery of
20 \$12,065,358. The carrying charges are reflected in Exhibit TOJ-22, Appendix
21 C.

22 **Q. What is FPL's 2011 actual/estimate of transfers to plant in-service for the**
23 **Uprate Project in 2011?**

1 A. In 2011, FPL's actual/estimated AE-3 transfers to plant in service is
2 \$242,223,012, (\$221,014,031, jurisdictional, net of participants), as shown on
3 TOJ-22, Appendix A. The 2011 P-3 projected transfers to plant in service
4 filed in Exhibit TOJ-21, Appendix A, is \$699,977,865, (\$665,674,319,
5 jurisdictional, net of participants). A description of the plant expected to be
6 placed into service in 2011 is in FPL Witness Jones's testimony.

7
8 As described in Order No. PSC-08-0749-FOF-EI in Docket No. 080009-EI,
9 FPL "shall be allowed to recover through the NCRC associated revenue
10 requirements for a phase or portion of a system placed into commercial
11 service during a projected recovery period. The revenue requirement shall be
12 removed from the NCRC at the end of the period. Any difference in
13 recoverable costs due to timing (projected versus actual placement in service)
14 shall be reconciled through the true-up provision". Until the plant goes into
15 service, FPL will continue to recover the carrying charges on the construction
16 costs. Effective in the month each transfer to plant in-service is made, FPL
17 will transfer the related costs from Construction Work in Progress (CWIP) to
18 plant in-service and the carrying charges will cease. Subsequent to the month
19 the plant is placed into service, inclusion of the 2011 base rate revenue
20 requirements related to the plant going into service is included for recovery
21 through the NCRC. Included in the base rate revenue requirement is any non-
22 incremental labor related to the Uprate Project. FPL's 2011 actual/estimated

1 transfers to plant in service, including non-incremental labor, is shown in
2 Exhibit WP-11, page 1.

3 **Q. Please explain non-incremental labor.**

4 A. Non-incremental labor is due to the fact that the labor was included in base
5 rates. While FPL is not requesting recovery of carrying charges on this
6 amount through the NCRC, these capital costs should be included in our base
7 rate calculation. Base rate recovery of the annualized revenue requirements
8 subsequent to the year the plant is placed into service will be requested in a
9 separate petition outside of the NCRC as required by the Nuclear Cost
10 Recovery Rule.

11

12

UPRATES – 2012

13

Projected Revenue Requirements

14

15 **Q. What are FPL's Projected Uprate Project construction expenditures for**
16 **the period January through December 2012?**

17 A. FPL's 2012 Projected Uprate generation and transmission construction
18 expenditures are \$736,198,427 (total company), as presented in FPL Witness
19 Jones's testimony and provided on Exhibit TOJ-22, schedule P-6. Schedule
20 P-6 of Exhibit TOJ-22 deducts the portion of this total for which the St. Lucie
21 Unit 2 participants are responsible and then applies the retail jurisdictional
22 factor to the remainder. Since FPL's projections are on a cash basis, it is not
23 necessary to project any non-cash accruals. After making the above

1 adjustments, the jurisdictional, net of participants, 2012 projected Uprate
2 Project construction expenditures are \$701,018,839.

3 **Q. What are FPL's 2012 Projected Uprate Project carrying charges,**
4 **recoverable O&M, and base rate revenue requirements for plant placed**
5 **into service in 2012?**

6 A. FPL's 2012 projected Uprate Project revenue requirements are \$152,825,477,
7 consisting of carrying charges of \$67,194,008, recoverable O&M of
8 \$5,461,197 (net of participants, inclusive of interest), and base rate revenue
9 requirements of \$80,170,272 for plant projected to be placed into service in
10 2012, as shown on Exhibit WP-10, Page 2 of 2, column 9.

11

12 The calculation of the Uprate Project 2012 projected carrying charges of
13 \$67,194,008 is shown on Exhibit TOJ-22, Schedules P-3 and P-3A.

14 The Uprate Project 2012 projected recoverable O&M is \$5,611,503,
15 (\$5,445,856, jurisdictional, net of participants) as shown in Exhibit TOJ-22,
16 schedule P-4. As explained in schedule P-4, over/under recoveries of
17 recoverable O&M incur interest at the commercial paper rate. The interest on
18 over/under recoveries of recoverable O&M is \$15,341 as reflected on
19 schedule P-4 for 2012.

20

21 The projected base rate revenue requirements related to plant projected to be
22 placed into service for the Uprate Projects in 2012 is \$80,170,272, as shown in
23 Exhibit WP-11, page 1. As I explained previously, included in the base rate

1 revenue requirement impact is any non-incremental labor related to the Uprate
2 Project.

3 **Q. What is FPL projecting to transfer to plant in-service for the Uprate**
4 **Project in 2012?**

5 A. In 2012, FPL's projected P-3 transfers to plant in service is \$1,268,800,397,
6 (\$1,203,366,963, jurisdictional, net of participants) as shown on TOJ-22,
7 Appendix A. A description of the plant projected to be placed into service is
8 included in FPL Witness Jones's testimony.

9 **Q. What is the amount FPL is requesting to recover through the Capacity**
10 **Clause Recovery factor for the Uprate Project in 2012?**

11 A. In 2012, FPL is requesting to recover for the Uprate Project \$171,746,992 for
12 costs, carrying charges, and base rate revenue requirements. This amount
13 consists of the 2012 projected Uprate revenue requirements of \$152,825,477,
14 the true-up of 2010 actual Uprate Project revenue requirements of ~~\$1,531,515~~^{\$1,531,532}
15 described in my March 1, 2011 testimony, and the true-up of 2011
16 actual/estimated Uprate Project revenue requirements of \$17,390,000 as
17 shown on Exhibit WP-10, page 2 of 2.

18
19 For the reasons stated in FPL Witness Jones's testimony, FPL respectfully
20 requests that the Commission approve FPL's 2011 Projected, 2011
21 Actual/Estimated and 2012 Projected Uprate expenditures and the resulting
22 revenue requirements, as reasonable.

23

ACCOUNTING CONTROLS

1

2

3 **Q. Please describe the accounting controls that provide you reasonable**
4 **assurance that the costs included in the filing are correct.**

5 A. FPL has a robust system of corporate accounting controls. The Company
6 relies on its comprehensive corporate and overlapping business unit controls
7 for recording and reporting transactions associated with any of its capital
8 projects including the Turkey Point 6 & 7 Project and Uprate Project.
9 Highlights of the Company's comprehensive and overlapping controls
10 include:

- 11 • FPL's Accounting Policies and Procedures;
- 12 • Financial systems and related controls including FPL's general ledger
13 and construction asset tracking system;
- 14 • FPL's annual budgeting and planning process;
- 15 • Reporting and monitoring of plan costs to actual costs incurred; and
- 16 • Business Unit specific controls and processes.

17 These accounting controls and project controls are further discussed in the
18 testimony of FPL Witnesses Scroggs and Jones.

19 **Q. Are these controls documented, assessed and audited and/or tested on an**
20 **ongoing basis?**

21 A. Yes. The FPL corporate accounting policies and procedures are documented
22 and published on the Company's internal website (Employee Web). Included
23 on the Company's internal website are the corporate procedures regarding

1 cash disbursements, accounts payable, contract administration, and financial
2 closing schedules, which provide the business units guidance as to the
3 processing and recording of transactions. The business units can then build
4 their more specific procedures around these corporate procedures. FPL's
5 internal audit department annually audits the Turkey Point 6 & 7 and Uprate
6 Projects. The FPSC staff also is continuing its audits. Additionally, by virtue
7 of the schedules themselves, a high level of transparency allows all parties to
8 review and determine the prudence and reasonableness of our filing.

9 **Q. How does FPL ensure only incremental payroll is charged to the**
10 **projects?**

11 A. The Company has issued specific guidelines for charging labor costs to the
12 project work orders. These guidelines emphasize the need for particular care
13 in charging only incremental labor to the project work orders included for
14 nuclear cost recovery and ensuring consistent application of the Company's
15 capitalization policy. These guidelines describe the process for the exclusion
16 of non-incremental labor from NCRC recovery while providing full
17 capitalization of all appropriate labor costs through the implementation of
18 separate project capital work orders that will be included in future base rate
19 recoveries.

20 **Q. Did anything change in the method incremental labor is established from**
21 **2010 to 2011?**

22 A. Yes. As a result of FPL's rate case (Docket No. 080677-EI), the Company
23 reset the basis upon which incremental employee labor is established as clause

1 recoverable. Employees dedicated to the Project and charging 100% of their
2 time to the NCRC Projects during 2010 were considered incremental for the
3 entire year 2010 and as a result, incremental for 2011. Employees that
4 charged a percentage of their time to capital in the NCRC in 2010 are
5 designated incremental for that percentage of their labor costs in 2011.

6 **Q. Are there any planned changes to FPL's existing accounting system?**

7 A. Yes. FPL plans to implement SAP, an enterprise wide software program in
8 July 2011. SAP will replace multiple existing accounting, budgeting, and
9 supply chain systems and integrate those functions into one seamless software
10 application.

11

12

SUMMARY

13

14 **Q. What is the total revenue requirement FPL is requesting the Commission**
15 **approve for the 2012 Capacity Cost Recovery Clause factor?**

16 A. FPL is requesting the Commission approve as reasonable \$196,004,292 in
17 revenue requirements and that this amount be included in the 2012 Capacity
18 Cost Recovery factor. This amount consists of a true-up of (\$16,418,342) in
19 revenue requirements as calculated in the 2010 T schedules filed on March 1,
20 2011, \$22,773,896 in revenue requirements as calculated in the 2011 AE
21 schedules and \$189,648,738 in revenue requirements as calculated in the 2012
22 P schedules.

23

1 FPL is also requesting the Commission approve FPL's 2011 projected, 2011
2 actual/estimated, 2012 projected costs and the resulting revenue requirements
3 as reasonable as supported by my Exhibit WP-10.

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

5 **A. Yes.**

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

In re: Nuclear Power Plant)
Costs Recovery Clause)

DOCKET NO. 110009-EI
 FILED: JUNE 10, 2011

ERRATA SHEET

MARCH 1, 2011 TESTIMONY AND EXHIBITS OF WINNIE POWERS

MARCH 1, 2011 TESTIMONY OF WINNIE POWERS

<u>PAGE #</u>	<u>LINE #</u>	
Page 9	Line 20	Change "\$16,418,342" to "\$16,418,326"
Page 9	Line 21	Change "\$1,531,516" to "\$1,531,532"
Page 10	Line 4	Change "\$16,418,342" to "\$16,418,326"
Page 15	Line 21	Change "\$41,568,070" to "\$41,568,087"
Page 16	Line 5	Change "\$48,585,366" to "\$48,585,383"
Page 16	Line 8	Change "\$1,531,516" to "\$1,531,532"

MARCH 1, 2011 EXHIBITS OF WINNIE POWERS

<u>EXHIBIT #</u>	<u>PAGE #</u>	<u>LINE #</u>	
WP-5	Page 2	Line 17, Column B	Change "\$2,543,223" to "\$2,543,206"

Note that this correction affects other lines/columns (i.e. subtotals and totals) on page 2 of this exhibit. The result of this correction is a \$17 increase to 2010 revenue requirements as shown on Revised WP-5.

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

In re: Nuclear Power Plant)
Costs Recovery Clause)

DOCKET NO. 110009-EI
FILED: JUNE 10, 2011

ERRATA SHEET

MAY 2, 2011 TESTIMONY AND EXHIBITS OF WINNIE POWERS

MAY 2, 2011 TESTIMONY OF WINNIE POWERS

<u>PAGE #</u>	<u>LINE #</u>	
Page 4	Line 1	Change "\$196,004,292" to "\$196,092,631"
Page 4	Line 10	Change "\$196,004,292" to "\$196,092,631"
Page 4	Line 13	Change "\$16,418,343" to "\$16,418,326"
Page 4	Line 14	Change "\$22,773,896" to "\$22,771,274"
Page 4	Line 15	Change "\$189,648,738" to "\$189,739,683"
Page 11	Line 3	Change "\$196,004,292" to "\$196,092,631"
Page 11	Line 5	Change "\$16,418,343" to "\$16,418,326"
Page 11	Line 5	Change "\$22,773,896" to "\$22,771,274"
Page 11	Line 6	Change "\$189,648,738" to "\$189,739,683"
Page 17	Line 14	Change "\$17,390,000" to "\$17,387,377"
Page 17	Line 21	Change "\$98,707,332" to "\$98,704,710"
Page 17	Line 22	Change "\$17,390,000" to "\$17,387,377"
Page 18	Line 4	Change "\$17,390,000" to "\$17,387,377"
Page 18	Line 6	Change "\$17,390,000" to "\$17,387,377"
Page 18	Line 6	Change "\$21,108,742" to "\$21,157,568"
Page 18	Line 8	Change "\$12,065,358" to "\$12,116,806"
Page 18	Line 12	Change "\$70,238,482" to "\$70,287,307"
Page 18	Line 19	Change "\$21,108,742" to "\$21,157,568"
Page 19	Line 15	Change "\$16,635,355" to "\$16,153,585"
Page 19	Line 20	Change "\$12,065,358" to "\$12,116,806"
Page 20	Line 2	Change "\$221,014,031" to "\$220,437,506"
Page 22	Line 6	Change "\$152,825,477" to "\$152,916,422"
Page 22	Line 7	Change "\$67,194,008" to "\$67,264,453"
Page 22	Line 9	Change "\$80,170,272" to "\$80,190,773"
Page 22	Line 13	Change "\$67,194,008" to "\$67,264,453"
Page 22	Line 22	Change "\$80,170,272" to "\$80,190,773"
Page 23	Line 6	Change "\$1,203,366,963" to "\$1,203,943,488"
Page 23	Line 11	Change "\$171,746,992" to "\$171,835,331"
Page 23	Line 13	Change "\$152,825,477" to "\$152,916,422"
Page 23	Line 16	Change "\$17,390,000" to "\$17,387,377"
Page 26	Line 16	Change "\$196,004,292" to "\$196,092,631"

Page 26	Line 18	Change “(\$16,418,343)” to “(\$16,418,326)”
Page 26	Line 20	Change “\$22,773,896” to “\$22,771,274”
Page 26	Line 21	Change “\$189,648,738” to “\$189,739,683”

MAY 2, 2011 EXHIBITS OF WINNIE POWERS

<u>EXHIBIT #</u>	<u>PAGE #</u>	<u>LINE #</u>	
WP-10	Page 2	Line 27, Column 5	Change “\$73,277,044” to “\$73,321,291”
WP-10	Page 2	Line 28, Column 2	Change “\$2,543,223” to “\$2,543,206”
WP-10	Page 2	Line 28, Column 5	Change “(\$3,038,563)” to “(\$3,033,984)”
WP-10	Page 2	Line 28, Column 9	Change “(\$1,211,632)” to “(\$1,184,002)”
WP-10	Page 2	Line 33, Column 5	Change “\$16,635,355” to “\$16,585,797”
WP-10	Page 2	Line 33, Column 9	Change “\$80,170,272” to “\$80,190,773”
WP-10	Page 2	Line 34, Column 5	Change “(\$430,322)” to “(\$432,212)”

Note that these corrections affect other lines/columns (i.e. subtotals and totals) on page 2 of this exhibit. The result of this correction is a \$17 increase in 2010 revenue requirements (as previously described on revised Exhibit WP-5), a decrease to 2011 revenue requirements of \$2,622 and an increase to 2012 revenue requirements of \$90,945. The net impact to total revenue requirements to be recovered in 2012 is an increase of \$88,339.

<u>EXHIBIT #</u>	<u>PAGE #</u>	<u>LINE #</u>	
WP-11	Page 1	Line 5, Incremental Plant In-Service (Jurisdictional, Net of Participants)	Change “\$7,327,115” to “\$6,750,590”
WP-11	Page 1	Line 28, Incremental Plant In-Service (Jurisdictional, Net of Participants)	Change “\$5,588,624” to “\$6,165,149”
WP-11	Page 4	Line 8, Incremental Plant (Net of Participants) Column,	Change “\$417,710” to “\$1,067,705”
WP-11	Page 26	Line 8, Incremental Plant (Net of Participants) Column,	Change “\$2,111,979” to “\$1,481,984”

Note that these corrections affect other lines/columns (i.e. subtotals and totals) on page 2 of this exhibit. The impact of these corrections is a \$49,558 decrease to 2011 base rate revenue requirements and a \$20,500 increase to 2012 base rate revenue requirements for a net decrease of \$29,058 as reflected and included in revenue requirements on Revised Exhibit WP-10.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**
2 **FLORIDA POWER & LIGHT COMPANY**
3 **REBUTTAL TESTIMONY OF WINNIE POWERS**
4 **DOCKET NO. 110009-EI**
5 **JULY 25, 2011**

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

8 A. My name is Winnie Powers. My business address is 700 Universe Blvd., Juno
9 Beach, FL 33408.

10 **Q. Have you previously provided testimony in this docket?**

11 A. Yes.

12 **Q. What is the purpose of your rebuttal testimony?**

13 A. My rebuttal testimony addresses Staff Witness Kathy L. Welch's testimony
14 which includes the Staff Audit for the year ended December 31, 2010 for
15 FPL's Turkey Point 6 & 7 nuclear project.

16 **Q. To which portion of Witness Kathy L. Welch's testimony are you**
17 **responding?**

18 A. I direct my comments to the audit finding related to "lobbying expense" and
19 Witness Welch's recommendation with respect to the related costs. FPL does
20 not believe the registration fees described in the audit finding are lobbying
21 costs. As stated by the Company and included in Ms. Welch's Exhibit KLW-
22 2, page 4 "[t]he fee is a requirement to attend Miami-Dade County Agency
23 meetings. As part of the permitting and licensing effort FPL New Nuclear
24 team employees are required to attend Agency meetings."

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The Turkey Point 6 & 7 project requires a recommendation of Miami-Dade County. The County Ethics Ordinance defines lobbying very broadly to include "all persons...who seeks to encourage the passage...of...any action, decision, recommendation of the County Manager or any County board or committee...or recommendation of County personnel during the time period of the entire decision-making process ... ". There are a number of project team members that must routinely meet with personnel of Miami-Dade County regarding the project. As such, it would be impossible for these project team members to interact with County staff on the project without potentially implicating this broad definition of "lobbying".

FPL therefore determined that it would be prudent to register these individuals to ensure compliance with the local ordinance and to protect against a claim of "lobbying" without registration. This registration requires a fee of \$490 per person (total charge of \$3,430).

Q. How has FPL addressed Ms. Welch's audit finding.

A. While FPL does not believe these registration fees are lobbying costs, FPL removed the costs from the Turkey Point 6 & 7 project in May 2011. The accounting entry to reflect this adjustment was provided to the Audit Staff.

Q. How does the Company propose to reflect Ms. Welch's finding?

A. The Company recommends that the adjustment should be reflected in FPL's 2011 Preconstruction True-up Nuclear Filing Requirement (NFR) schedule

1 which will be filed March 1, 2012. This avoids potential confusion from re-
2 submitting FPL's NFR schedules in the current proceeding, while ensuring
3 that the adjustment is reflected in next year's requested nuclear cost recovery
4 amount.

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

6 **A. Yes.**

1 BY MR. RUBIN:

2 Q. Are you also sponsoring any exhibits to your
3 direct testimony?

4 A. Yes, I am.

5 Q. And do those exhibits consist of WP-1 through
6 WP-11, and revised WP-5, 10, and 11 included with your
7 errata, also shown as Exhibits 27 to 37 on staff's
8 exhibit list?

9 A. Yes.

10 Q. Are you also co-sponsoring any additional
11 exhibits to your direct testimony?

12 A. Yes, I am.

13 Q. And do those exhibits consist of TOJ-1, 12,
14 13, 21, and 22, and SDS-1 through 6, and SDS-16 through
15 19, also shown as Exhibits 49, 60, 61, 69, and 70, and
16 Exhibits 2 through 7 and 17 through 20 on staff's
17 exhibit list?

18 A. Yes.

19 Q. Are you sponsoring or co-sponsoring any
20 exhibits to your rebuttal testimony?

21 A. No.

22 Q. Have you prepared a summary of both your
23 direct and rebuttal testimony for the Commission?

24 A. Yes, I have.

25 Q. Would you please provide that summary to the

1 Commission at this time?

2 A. Yes.

3 Good afternoon, Mr. Chairman and
4 Commissioners. FPL requests this Commission approve for
5 recovery effective January 2012, FPL's total requested
6 revenue requirement of approximately \$196 million
7 through the capacity cost-recovery clause. As FPL
8 Witnesses Scroggs and Jones explain in their testimony,
9 this equates to a residential customer monthly bill
10 impact of approximately \$2.09 per thousand kWh. FPL
11 also requests this Commission approve the 2009 revenue
12 requirements of approximately \$31 million currently
13 being collected in 2011 through the capacity
14 cost-recovery clause.

15 As the FPL accounting witness, I am
16 responsible for preparing all of the detailed schedules
17 submitted to the Commission each year that document and
18 support our requests for approval under the nuclear
19 cost-recovery rule. I present FPL's total revenue
20 requirement request to be collected beginning
21 January 2012 and the nuclear filing requirements, or
22 NFRs that quantify and support those revenue
23 requirements. I also present FPL's 2009 revenue
24 requirements being collected in 2011 and the NFRs that
25 quantify and support those revenue requirements.

1 Our NFR filings support two nuclear projects
2 that qualify for cost recovery under the nuclear
3 cost-recovery rule. The development of new nuclear
4 Units 6 and 7 at our Turkey Point plant and the uprate
5 project at our St. Lucie and Turkey Point nuclear
6 plants. In my March and May direct testimony, I provide
7 an overview of FPL's filing and demonstrate that the
8 filing complies with the nuclear cost-recovery rule. I
9 discuss the comprehensive corporate and overlapping
10 business unit and accounting and cost controls that we
11 have in place which are documented, assessed, audited,
12 and tested on an ongoing basis by both FPL's internal
13 and external auditors. Our accounting controls and
14 costs have also been audited by this Commission's audit
15 staff.

16 All of these controls work together to assure
17 that only the correct costs, those properly attributable
18 to the nuclear projects, are submitted to the Commission
19 through the nuclear cost-recovery clause. FPL's
20 comprehensive corporate and overlapping business unit
21 controls, along with the testimony provided by our
22 witnesses, provide assurance that our actual costs are
23 prudent and that our projected costs are reasonable.

24 My rebuttal testimony addresses the only issue
25 raised by the Commission audit staff's financial audit

1 of FPL's 2010 actual costs associated with the uprate
2 and Turkey Point 6 and 7 projects. After reviewing
3 FPL's books and records, audit staff recommended for
4 Turkey Point 6 and 7 that approximately \$4,000 be
5 removed from the nuclear cost-recovery filing. My
6 testimony suggests that the most efficient way to
7 address the recommendation of audit staff is to reflect
8 the suggested adjustment in our 2011 true-up schedules
9 to be filed on March 1st, 2012.

10 This concludes the oral summary of my direct
11 and rebuttal testimonies.

12 **MR. RUBIN:** Mr. Chairman, I tender the witness
13 for cross-examination.

14 **CHAIRMAN GRAHAM:** Thank you.

15 Okay. Who's going to start this time? Ms.
16 Kaufman.

17 **MS. KAUFMAN:** Thank you, Mr. Chairman.

18 **CROSS EXAMINATION**

19 **BY MS. KAUFMAN:**

20 Q. Good afternoon, Ms. Powers. I just want to
21 just go back a little bit and just understand the
22 dollars. And I just wondered if you could clarify for
23 me, you are addressing 2009, 2010, 2011, and 2012, is
24 that right?

25 A. Our \$196 million adjusts our 2010 actuals, our

1 2011 actual/estimated, and our 2012 projections. We are
2 also asking this Commission approve our revenue
3 requirements that we are collecting currently in 2011 of
4 \$31 million.

5 Q. So you are addressing the 196 plus the
6 31 million, correct?

7 A. Yes.

8 Q. Will you look at your March 1 testimony, Page
9 1?

10 A. Is that the EPU testimony, or the combined
11 Turkey Point 6 and 7?

12 Q. It's the Turkey Point and EPU. I don't think
13 it matters, actually, for the purposes of my question.

14 A. Okay. What page was that? I'm sorry.

15 Q. Page 1.

16 A. Okay.

17 Q. At Page 1, Line 15, you are describing what
18 your duties are, and you say you ensure that the costs
19 expended and projected for these projects are accurately
20 reflected in the nuclear cost-recovery filing
21 requirements and NFR schedules, correct?

22 A. Yes.

23 Q. Okay. Do you have any responsibility to
24 review the information that is provided to you, or do
25 you take that information from other sources and

1 incorporate it and make sure the schedules are accurate?

2 A. In March, we file our actual costs, which we
3 get from our actual books and records. And we take
4 those costs and put them in our NFR schedules and
5 calculate the revenue requirements that we are
6 requesting to true-up based on our previously filed
7 actual/estimated costs. We then send those NFR
8 schedules back to the business units and the witnesses
9 to review them and make sure the costs we've included
10 are accurate, and then after that we review them again
11 and file them with this Commission.

12 Q. So if I understand what you are saying, it's
13 not part of your responsibility to go behind the
14 numbers. You send that back to the appropriate units,
15 and they provide that information to you?

16 A. For our March filing with our actual costs, we
17 extract the numbers through our property accounting
18 recordkeeping system, and those are our actual costs,
19 and we include those in our nuclear cost-recovery
20 filings. Every month we get the costs to do our journal
21 entries to record the revenue requirements and the
22 potential true-ups that we will file at the end of the
23 year. So we do get costs on a monthly basis and review
24 them, and we work closely with the business units.

25 Q. But for projected costs, for example, those

1 obviously are not costs that have yet been incurred. So
2 for that information, it is not your job, is it, to go
3 behind the numbers, as I said before, but you receive
4 them from other areas of FPL?

5 A. Yes. I receive them from the business units,
6 and we incorporate them into our schedules. We ensure
7 that the witnesses have signed off on them, and then,
8 once again, once we do our calculations, we send them
9 back out to the business units to get their final
10 approval and to make sure that those are the numbers
11 that they are supporting and that have been approved.

12 Q. So you are relying on what the business units
13 tell you for those projections, and they are the people
14 that sign off on the information that's given to you?

15 A. Yes.

16 MS. KAUFMAN: Thank you. That's all I have.

17 CHAIRMAN GRAHAM: OPC?

18 MR. McGLOTHLIN: No questions.

19 CHAIRMAN GRAHAM: SACE.

20 MR. WHITLOCK: No questions, Mr. Chairman.

21 CHAIRMAN GRAHAM: Is that all the intervenors?
22 Staff.

23 MR. YOUNG: Staff has a few questions.

24 CROSS EXAMINATION

25

1 BY MR. YOUNG:

2 Q. Good afternoon, Ms. Powers.

3 A. Good afternoon.

4 Q. Can you please turn to Page 38 of your March 1
5 testimony. Are you there?

6 A. Yes.

7 Q. Am I correct that you believe no adjustments
8 should be made in the FPL -- to FPL's rate case type
9 expense because these type of expense are recorded in a
10 separate nonNCRC account?

11 A. Yes, that's correct.

12 Q. Do you recall being deposed by staff on
13 August 16th, 2010?

14 A. Yes, I do.

15 Q. Would you agree that the topics in that
16 deposition was FPL's 2010 errata of prefiled testimony
17 and schedules?

18 A. Yes.

19 Q. Do you remember that conversation?

20 A. Yes, I do.

21 Q. During the course of that deposition you were
22 asked to provide a late-filed exhibit, correct?

23 A. Yes.

24 MR. YOUNG: At this time, Mr. Chairman, what I
25 would like to do is ask the witness to review part of

1 Hearing Exhibit Number 129, the late-filed exhibit from
2 the August 16th, 2010, deposition and the errata sheet.
3 And, Mr. Chairman, as I said, we don't need to identify
4 this as it is already part of the record.

5 **BY MR. YOUNG:**

6 Q. Ms. Powers, can you briefly describe what
7 these exhibits show?

8 A. Yes. At my deposition last year, to explain
9 the errata that we had filed, this exhibit was requested
10 by you to demonstrate what the costs -- what we
11 estimated our costs of preparing, filing, and presenting
12 our testimony, and, I believe, the errata for 2009 and
13 2010. And then you had also requested that we show the
14 total amount and then the percent that was recovered
15 through the nuclear cost-recovery clause.

16 Q. Okay. Looking at that percent, did you
17 estimate 55 percent of the \$251,060 was recovered
18 directly through the NCRC process?

19 A. On the exhibit, this is the estimated expenses
20 for 2010 NCRC hearing, and its witness and support cost
21 is the \$251,060. And, yes, 55 percent of those were
22 recovered through the nuclear cost-recovery clause.

23 Q. Do you recall FPL filing certain revised
24 testimony and exhibits showing the errata on
25 August 16th, 2010?

1 A. I don't recall the errata as of that date. I
2 had filed errata previously, but I don't recall filing
3 any after that date.

4 Q. But you recall filing an errata, correct?

5 A. Yes. That was the focus of my deposition that
6 you referred to.

7 Q. Is it your understanding that FPL was required
8 to file the revised testimony and exhibits by the
9 Commission, correct?

10 A. It's my understanding that we are required to
11 file errata due to errors in order to make our testimony
12 and exhibits accurate if we find any errors in it, yes.

13 MR. YOUNG: We have no further questions.

14 CHAIRMAN GRAHAM: Okay. Redirect.

15 MR. RUBIN: No redirect.

16 CHAIRMAN GRAHAM: Okay. We have some things
17 to enter into the record?

18 MR. RUBIN: Yes, Mr. Chairman. We would move
19 Exhibits 27 through 37 and Exhibits 49, 60, 61, 69, and
20 70 into the record.

21 CHAIRMAN GRAHAM: 49?

22 MR. RUBIN: Yes, sir; 49, 60, 61, 69, and 70.

23 CHAIRMAN GRAHAM: We will enter all of those
24 into the record.

25 MR. YOUNG: Excuse me. I'm sorry, can you

1 repeat the number one more time for me, please?

2 **MR. RUBIN:** Sure. It's Exhibits 27 through
3 37, and then 49, 60, 61, 69, and 70. Those are the
4 exhibits that she co-sponsored.

5 **MR. YOUNG:** Okay. For 49 I have Terry Jones,
6 for 60 I have Terry Jones, and the last number you had
7 is --

8 **MR. RUBIN:** That is 61, 69, and 70 are all
9 Terry Jones, but Ms. Powers co-sponsored those exhibits,
10 which is why I have moved them at this time.

11 **MR. YOUNG:** Okay. If there is no objection
12 from the parties.

13 **CHAIRMAN GRAHAM:** I'm seeing no objections.
14 Okay. There is no redirect. We entered those into the
15 record. Are we --

16 **MR. RUBIN:** I was going to ask, Mr. Chairman,
17 because Ms. Powers has given both her direct and
18 rebuttal testimony, may she be excused from the hearing?

19 **CHAIRMAN GRAHAM:** Is there any objection to
20 excusing Ms. Powers from the intervenors or staff?

21 **MR. YOUNG:** No objection.

22 **CHAIRMAN GRAHAM:** Ms. Powers, thank you very
23 much for your testimony.

24 **THE WITNESS:** Thank you.

25 (Exhibits 27 through 37 and Exhibits 49, 60,

1 61, 69, and 70 admitted into evidence.)

2 (Transcript continues in sequence with

3 Volume 4.)

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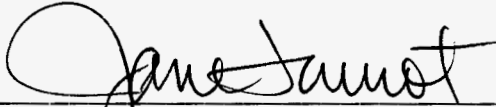
STATE OF FLORIDA)
 :
 : CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

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

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

DATED THIS 15th day of August, 2011.



JANE FAUROT, RPR
Official FPSC Hearings Reporter
(850) 413-6732