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COMMISSION  
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Writer's Direct Dial:  
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July 28, 2005

**VIA HAND DELIVERY**

Ms. Blanca S. Bayó, Director  
Division of the Commission Clerk and  
Administrative Services  
Florida Public Service Commission  
Betty Easley Conference Center  
2540 Shumard Oak Boulevard, Room 110  
Tallahassee, FL 32399-0850

Re: In re: Petition for rate increase by Florida Power & Light Company  
In re: 2005 Comprehensive Depreciation Studies by Florida Power & Light  
Company  
Docket No. 050045-EI / Docket No. 050188-EI

Dear Ms. Bayó:

Enclosed for filing in the above-referenced docket are the original and twenty-five (25) copies of Rebuttal Testimonies and Exhibits of Florida Power & Light Company's Witnesses William E. Avera, C. Dennis Brandt, K. Michael Davis, Moray P. Dewhurst, Leonardo E. Green, Steven P. Harris, John H. Landon, Ph.D., C. Martin Mennes, Rosemary Morley, Marlene M. Santos, Kathleen Slattery, Solomon L. Stamm, William M. Stout, Nancy A. Swalwell, Geisha J. Williams, and William L. Yeager.

CMP \_\_\_\_\_  
COM 5  
CTR org  
ECR 1  
GCL 1  
OPC \_\_\_\_\_  
RCA \_\_\_\_\_  
SCR \_\_\_\_\_  
SGA \_\_\_\_\_  
SEC 1  
OTH \_\_\_\_\_

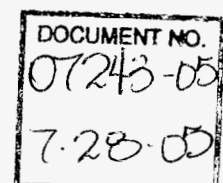
Please indicate receipt of this document by stamping the enclosed extra copy of this letter. Please contact me should you or your Staff have any questions regarding this filing.

Sincerely,

R. Wade Litchfield

RWL:ec  
Enclosures  
cc: Service List

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FPSC-BUREAU OF RECORDS



## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of the foregoing Rebuttal Testimonies, have been furnished by Hand Delivery or by U.S. Mail this 28<sup>th</sup> day of July, 2005, to the following:

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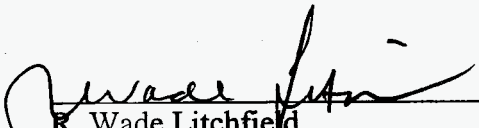
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By:

  
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Senior Attorney

\* Indicates interested party

**BEFORE THE FLORIDA  
PUBLIC SERVICE COMMISSION**

**DOCKET NOS. 050045-EI AND 050188-EI  
FLORIDA POWER & LIGHT COMPANY**

**JULY 28, 2005**

**IN RE: PETITION FOR RATE INCREASE BY FLORIDA  
POWER & LIGHT COMPANY  
AND  
IN RE: 2005 COMPREHENSIVE DEPRECIATION STUDY  
BY FLORIDA POWER & LIGHT COMPANY**

**REBUTTAL TESTIMONY & EXHIBIT OF:**

**WILLIAM L. YEAGER**

DOCUMENT NUMBER-D/

07243 JUL 28

FPSC-COMMISSION CLERK

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                   **FLORIDA POWER & LIGHT COMPANY**

3                   **REBUTTAL TESTIMONY OF WILLIAM L. YEAGER**

4                   **DOCKET NOS. 050045-EI, 050188-EI**

5                   **JULY 28, 2005**

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

8   A.     My name is William L. Yeager. My business address is 700 Universe Boulevard,  
9           Juno Beach, Florida, 33408-0420.

10 **Q.     Did you previously submit direct testimony in this proceeding?**

11 A.     Yes.

12 **Q.     Are you sponsoring any exhibits to your rebuttal testimony?**

13 A.     Yes. I am sponsoring an exhibit consisting of two documents: WLY-9, Florida  
14           Power & Light Company's (FPL's) Supplemental Answer to the Office of Public  
15           Counsel's (OPC's) Eleventh Set of Interrogatories No. 335; and WLY-10,  
16           Contract Change Order to General Electric (GE) contract, which is attached to my  
17           rebuttal testimony.

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

19 A.     The purpose of my rebuttal testimony is to respond to OPC Witness Ms.  
20           Dismukes' assertion that the test year rate base should be adjusted to remove costs  
21           associated with a gas turbine, known as Unit 38, that was purchased under a  
22           volume purchase agreement with GE, and to rebut assertions that the estimated  
23           construction and operating costs of Turkey Point Unit 5 are too speculative for

1       ratemaking purposes. My testimony also addresses OPC Witness Larkin's  
2       assertion that FPL may experience a reduction in Operating and Maintenance  
3       (O&M) expenses and labor costs when Turkey Point Unit 5 is placed in service.  
4

5                               **GENERAL ELECTRIC TURBINE TRANSACTION**

6   **Q.   Was FPL's turbine purchase inappropriate, as alleged by Ms. Dismukes?**

7   A.   No. As Mr. Davis discusses in his rebuttal testimony, FPL's purchase of the  
8       turbine complied with the Commission's rule on affiliate transactions. As stated  
9       in FPL's supplemental answer to OPC Interrogatory number 335, served July 18,  
10      2005, and attached as Document No. WLY-9, "FPL purchased the combustion  
11      turbines directly from GE in 2002 *and 2003*" (emphasis added). FPL Group had a  
12      volume purchase agreement with GE that gave FPL Group companies the ability  
13      to contract for turbine purchases at a significantly advantageous price. As a result  
14      of the volume purchase agreement, FPL also received subsequent discounts for  
15      turbine wear part purchases. Once FPL decided to purchase the turbine from GE,  
16      FPL reimbursed FPL Group Capital for costs that it had incurred for Unit 38  
17      before the utility decided to purchase the unit.

18   **Q.   Has FPL produced documents that demonstrate the units were purchased by**  
19      **the utility directly from GE in the course of discovery in this Docket?**

20   A.   Yes. Documents were provided to OPC in their first and eleventh request for  
21      Production of Documents numbers 118 and 283, respectively. Exhibit WLY-10,  
22      also produced in discovery, shows the contract change order between GE and FPL  
23      for Unit 38.

1   **Q.     Did customers benefit from the purchase of Unit 38?**

2   A.     Yes. Customers benefited from the purchase of Unit 38 because it has provided  
3           spare components to support the availability and reliability of the combustion  
4           turbine generation fleet. By having spare components available, FPL can  
5           minimize overall outage times when equipment failures occur.

6  
7           In the summer of 2003, one of the combustion turbines at the Martin plant site  
8           experienced a catastrophic failure resulting in the loss of this fuel efficient  
9           generation from the system. Unit 38 provided critical components in order to  
10          return the affected combustion turbine to service in less than two months, and to  
11          help prevent a similar failure in another combustion turbine at the Martin plant  
12          site. Had the spare components from Unit 38 not been available, outage durations  
13          would have at least doubled by having to wait on spare components to be  
14          manufactured by GE. Extended outages would have resulted in the customer  
15          paying substantially more for FPL to run less efficient fuel generating units or  
16          purchase replacement power, if available, on the market. Further, the customer  
17          would have had to pay expediting charges for non-stocked combustion turbine  
18          parts. Unit 38 parts that were not immediately used for the Martin site work have  
19          helped defer the purchase of other planned CT spare parts for FPL's combustion  
20          turbine fleet or are helping protect the fleet from other low probability, high-  
21          impact events.

22   **Q.     Did FPL investigate other sources for Martin unit replacement components?**

1 A. Yes. However, the Martin combustion turbine original equipment manufacturer is  
2 GE, which was the only supplier that could provide components in a timely  
3 manner. These components were crucial in returning the Martin site to service.  
4 There was a savings to customers from purchasing the unassembled Unit 38 as  
5 compared to what it would have cost to individually purchase the component  
6 parts.

7 **Q. What is your conclusion with respect to Ms. Dismukes' proposed adjustment**  
8 **to rate base?**

9 A. The Commission should reject Ms. Dismukes' proposed rate base adjustment.  
10 Unit 38 is used and useful on FPL's system, and Unit 38 was purchased by FPL  
11 from GE at a significantly advantageous price as compared to the market price.

12

13 **2007 TURKEY POINT 5 ADJUSTMENT**

14 **Q. Are the estimated construction and operating costs of Turkey Point Unit 5**  
15 **speculative?**

16 A. No. Regarding the 2007 adjustment, OPC Witness Mr. Larkin states "[i]t is very  
17 unlikely that many of the Company's projections for that test year will be  
18 accurate." FPL has contracts in place for major equipment and Engineering,  
19 Procurement & Construction, and it is highly unlikely the costs associated with  
20 these contracts will change. These contracts represent the vast majority of  
21 construction costs associated with the new unit.

22 **Q. Please respond to Mr. Larkin's contention on page 14, lines 11 through 16,**  
23 **that "[i]f one assumes that the generation available from Turkey Point Unit 5**



1        **were used to offset or eliminate generation from other units on the**  
2        **Company's system, then one must question why the adjustments proposed by**  
3        **Company witnesses Davis, Dewhurst, and Yeager did not reflect reductions**  
4        **in O&M costs, labor cost, etc. from the removal of those units or reduction of**  
5        **use of those units, which would be replaced by Turkey Point Unit 5."**

6    A.    The level of O&M expenses and labor costs FPL will experience when Turkey  
7        Point Unit 5 is placed in service is consistent with FPL's projections for 2006.  
8        Turkey Point Unit 5 will be included as additional generation in satisfying the  
9        firm capacity and energy needs of FPL's customers. Turkey Point Unit 5 will be  
10       dispatched as a base-line generating unit, while less fuel-efficient generating units  
11       will run less frequently. Less fuel-efficient units will cycle more frequently on an  
12       as-needed basis. The cycling mode of operation produces relatively more wear on  
13       the mechanical components and therefore will not afford a reduction in O&M  
14       expenses as suggested by Mr. Larkin. Labor costs also will not decrease because  
15       cycling units require the same level of personnel to operate and maintain power  
16       generating systems and components.

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

18   A.    Yes.

335. Affiliates.

- (a) Referring to the New or Amended Contracts with Affiliated Companies, pages 455 through 455 C of the Diversification Report to the FL PSC for the year ended December 31, 2002, and pages 455 through 455 B for the year ended December 31, 2003, please explain how ratepayers benefited from having FPL Energy purchase turbines from General Electric and resell them to FPL Group Capital Inc. for eventual resale to FPL.
- (b) Please explain why FPL did not purchase the turbines purchased in 2002 and 2003 directly from General Electric.
- (c) Identify all benefits that accrued to ratepayers from having FPL Capital Group a party to the acquisition of the turbines in 2002 and 2003.
- (d) Identify all benefits that accrued to ratepayers from having FPL Energy a party to the acquisition of the turbines in 2002 and 2003.
- (e) Identify all benefits that accrued to stockholders from having FPL Capital Group a party to the acquisition of the turbines in 2002 and 2003.
- (f) Identify all benefits that accrued to stockholders from having FPL Energy a party to the acquisition of the turbines in 2002 and 2003.
- (g) Identify the financial impact, rate base, expense, and revenue of the acquisition of these turbines in the instant rate proceeding. Please provide historical 2004 and projected 2006.
- (h) When were the turbines placed into service?
- (i) How old are the turbines?
- (j) How long were the turbines held by FPL Energy?
- (k) How long were the turbines held by FPL Group Capital?
- (l) What was the original intended use for the turbines and by what company were they intended to be used for?

- (a) There was no resale of the referenced equipment. FPL Group had a bulk purchase agreement with GE that gave FPL Group companies the ability to individually contract for turbines at a significantly advantageous price. Because these units were originally ordered by FPL Energy, FPL reimbursed FPL Energy (via FPL Group Capital due to financing structure) for costs incurred. Equipment purchased by FPL was delivered, brand new, directly from the supplier immediately following its manufacture as per negotiated schedules. The equipment purchased by FPL from GE in 2002 is being installed as part of the expansions of FPL Manatee and Martin plants, which are being completed at costs well below those included in FPL's need determination applications. The single unit purchased in 2003 (known as "Unit 38") was delivered to FPL unassembled for use as spare parts needed by the utility.
- (b) FPL purchased the combustion turbines directly from GE in 2002 and 2003. (Note: Based on Documentation associated with the GE Turbine Contract, which was produced to OPC in FPL's responses to OPC POD Nos. 118, FPL is modifying this interrogatory answer to make clear that the combustion turbine purchased in 2003 was purchased directly from GE. FPL reimbursed its affiliated company for progress payments made on the unit.)
- (c) FPL Group's bulk purchase agreement with GE provided FPL Group companies, including FPL, the ability to individually contract for combustion turbines at a significantly advantageous price.
- (d) FPL Group's bulk purchase agreement with GE provided FPL Group companies, including FPL, the ability to individually contract for combustion turbines at a significantly advantageous price.
- (e) FPL Group's bulk purchase agreement with GE provided FPL Group companies the ability to individually contract for combustion turbines at a significantly advantageous price.
- (f) FPL Group's bulk purchase agreement with GE provided FPL Group companies the ability to individually contract for combustion turbines at a significantly advantageous price.
- (g) FPL has not performed the requested calculation nor does it perform such a calculation in the regular course of business. Notwithstanding, FPL responds that the price of the turbines purchased in 2002 is included in the "MAJOR PLANT EQUIPMENT" line item of the construction budgets for the Martin and Manatee plant expansions, as provided in OPC's 4th Request for Production of Documents No. 174. The cost reimbursement to FPL Group Capital in 2002 was \$119,872,348, which is included in the historical and projected test years, net of depreciation. The cost reimbursement to FPL Group Capital in 2003 was \$25,088,173, which is included in the historical and projected test years, net of depreciation.
- (h) June 2005 (Martin and Manatee planned commercial operation date); Unit 38 was used as spares beginning in 2003.
- (i) They were brand new when purchased and delivered.
- (j) The equipment was never held by FPL Energy.
- (k) The equipment was never held by FPL Group Capital.
- (l) The equipment was purchased as part of an FPL Group bulk purchase agreement with GE and was originally intended to be used by FPL Energy.



Florida Power & Light Company  
CONTRACT CHANGE ORDER NO. 1

Docket No. 050045-EI  
Docket No. 050188-EI  
William L. Yeager Exhibit No. \_\_\_\_\_  
Document No. WLY-10, Page 1 of 2  
CT38 Contract Change Order

Contractor: GENERAL ELECTRIC CO.

Title: Unit 38 CT Supply Contract

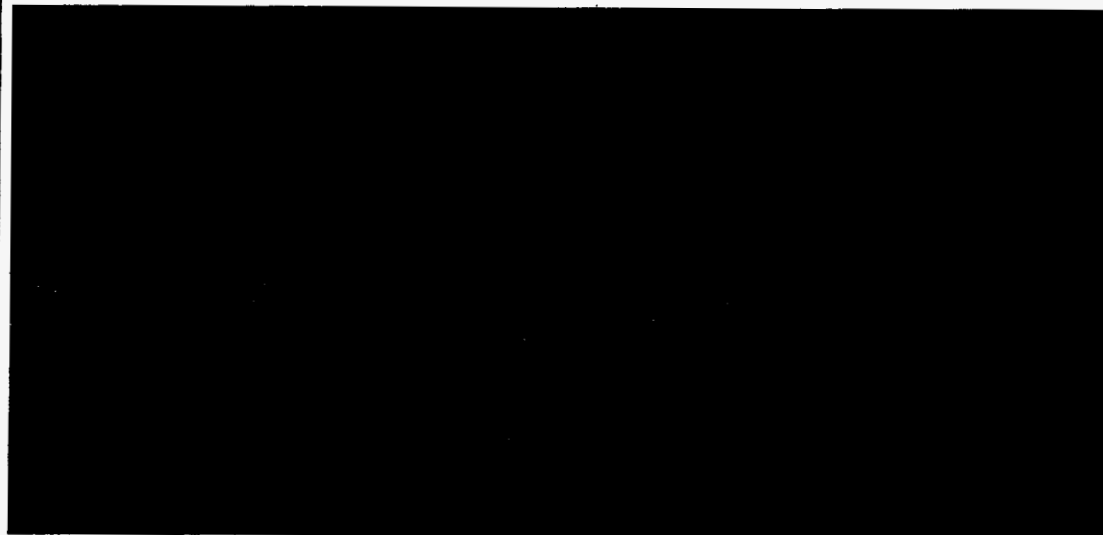
Date: August 15, 2003

CONTRACT CHANGE: (Detail)

Amount  
4616 Credits

This Change Order No. 1, effective August 15, 2003, is issued to amend the *Site Contract for the Design, Fabrication and Delivery of Combustion Turbine Generators Between FPL Group, Inc. and General Electric Company dated February 28, 2003* (the "Agreement") as specified below. The initial capitalized terms used herein, unless otherwise defined in this Change Order, shall have the meanings ascribed to them in the Agreement.

1. The Parties hereby agree that the Combustion Turbine Generator Set provided hereunder shall be shipped as an unassembled Unit in accordance with the terms of the original Agreement except as described in this Change Order No. 1 ("Unassembled Unit"). The Unassembled Unit shall be shipped in accordance with Shipping Instructions provided by FPL.



All other terms and conditions of the Agreement and previous Change Order(s) remain the same.



Contract Start Date: No change

Contract Completion Date: No change

Total Authorized Amount  
(Deduct) This Change Order





Florida Power & Light Company  
CONTRACT CHANGE ORDER NO. 1

Docket No. 050045-EI  
Docket No. 050188-EI  
William L. Yeager Exhibit No. \_\_\_\_\_  
Document No. WLY-10, Page 2 of 2  
CT38 Contract Change Order

Contractor: GENERAL ELECTRIC CO. Title: Unit 38 CT Supply Contract Date: August 15, 2003

Schedule of Prices: N/A

WORK/SERVICE START DATE: N/A

WORK/SERVICE END DATE: N/A

It is hereby understood that, upon acceptance of this Change Order, the Contractor shall implement the above-referenced change(s). Owner shall adjust the Contract Price, if applicable to reflect the above-referenced changes(s). The above adjustment to the Contract Price will constitute a full and complete settlement for the change(s), unless otherwise provided in the detailed description above.

  
ISC Representative

**COST HISTORY**

**Primary Cause of Change (Check One)**

**SCHEDULE**

Total Previous Changes Auth.

\$ 0.00

☒ Firm ☐ Estimate

(including this change)

Could this CCO Impact Other Contracts?

☐ Yes ☒ No

- ☐ Variance from Quantity Estimate
- ☐ Regulatory Requirements
- ☐ Construction Changes
- ☐ Engineering Changes
- ☐ Other Department Requests
- ☐ Vendor Caused (Identify Back Charges)
- ☐ Constructability
- ☐ Other (Specify)

- ☐ Change Does Not Affect  
Guaranteed Commercial  
Operation Date
- ☐ Change Will Affect  
Guaranteed Commercial  
Operation Date


Accepted by:  
GENERAL ELECTRIC COMPANY

Signature:

Name (Print)

Title (Print)

Date:


  
JAMES D. RYKALA  
PROJECT MANAGER  
2 FEB 2004

Signature:

Name (Print)

Title (Print)

Date:

  
Authorization:  
FPL GROUP, INC.  
Robert L. McGrath  
Senior Vice President  
1-15-04