

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION FOR INCREASE IN RATES DOCKET NO. 080677-EI  
BY FLORIDA POWER & LIGHT COMPANY.

-----  
2009 DEPRECIATION AND DISMANTLEMENT DOCKET NO. 090130-EI  
STUDY BY FLORIDA POWER & LIGHT  
COMPANY.

VOLUME 7

Pages 717 through 897

ELECTRONIC VERSIONS OF THIS TRANSCRIPT ARE  
A CONVENIENCE COPY ONLY AND ARE NOT  
THE OFFICIAL TRANSCRIPT OF THE HEARING,  
THE .PDF VERSION INCLUDES PREFILED TESTIMONY.

PROCEEDINGS: HEARING

COMMISSIONERS  
PARTICIPATING: CHAIRMAN MATTHEW M. CARTER, II  
COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER KATRINA J. McMURRIAN  
COMMISSIONER NANCY ARGENZIANO  
COMMISSIONER NATHAN A. SKOP

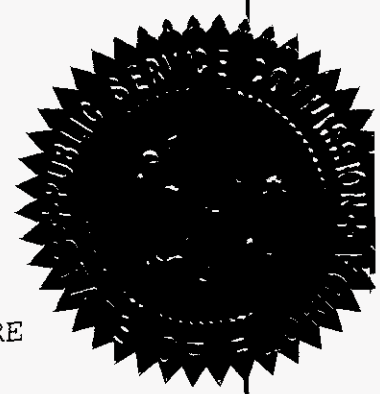
DATE: Wednesday, August 26, 2009

TIME: Commenced at 9:30 a.m.

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

REPORTED BY: JANE FAUROT, RPR  
(850) 413-6732

PARTICIPATING: (As heretofore noted.)



DOCUMENT NUMBER - DATE

08974 AUG 31 0

FPSC-COMMISSION CLERK

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

## I N D E X

## WITNESSES

	PAGE
Armando J. Olivera	
Cross Examination by Ms. Bennett	721
Redirect Examination by Ms. Clark	760
John Arthur Stall	
Direct Examination by Mr. Ross	776
Prefiled Direct Testimony Inserted	778
Errata Sheet to Prefiled Testimony	823
Cross Examination by Ms. Spina	828
Cross Examination by Mr. Moyle	835
Cross Examination by Mr. Young	871

## EXHIBITS

	NUMBER:		ID.	ADMTD.
3	399	Reliability Complaints and Responses	743	
4	400	CEO Compensation Comparison	750	
5	401	Lakeland Ledge Publix Article	750	
6	38 and 39			767
7	383, 384 and 385			767
8	387			769
9	388 - 397			769
10	399			770
11	400 and 401			771
12	79			772
13	81			772
14	82			773
15	402	FPL's CEO's Stock Holdings	774	
16	403	April 2008 Edition of FYI Plus	830	
17	404	FPL Poached Employees 2007 to Year to Date	895	
18				
19				
20				
21				
22				
23				
24				
25				

## P R O C E E D I N G S

1  
2 (Transcript follows in sequence from  
3 Volume 6.)

4 **CHAIRMAN CARTER:** We are back on the record.  
5 And when we left, at the scene of the -- actually that  
6 was different time for a different story at a different  
7 place.

8 Mr. Armstrong, cross-examination. You are  
9 recognized, sir.

10 **MR. ARMSTRONG:** Thank you, Mr. Chair. Thank  
11 you, Mr. Olivera, for your testimony.

12 The city doesn't have any more questions on  
13 cross.

14 **CHAIRMAN CARTER:** Okeydokey. Then that means  
15 that Ms. Bennett --

16 **MS. HELTON:** I promise you she is on her way  
17 back.

18 **CHAIRMAN CARTER:** Okay. We will take a  
19 five-minute break in place, but nobody leaves. Let's  
20 just take -- Commissioners, let's just take ten to give  
21 her time -- no, let's don't take nothing. Hold the  
22 phone, Janie. Give you a chance to put your notes down,  
23 and we are ready for staff's cross-examination of  
24 Mr. Olivera. You are recognized.

25 **MS. BENNETT:** I'm not quite ready for the

1 marathon yet.

2 **CHAIRMAN CARTER:** I thought you were going to  
3 say you are not quite ready for prime time yet.

4 **MS. BENNETT:** That one, either.

5 CROSS EXAMINATION

6 **BY MS. BENNETT:**

7 **Q.** Hello, Mr. Olivera. My name is Lisa Bennett.  
8 Forgive my being out of breath. I want to take a minute  
9 to take a look at the big picture of the filing of the  
10 MFRs. In March of 2008, you filed -- or FPL filed for  
11 2010 and 2011 projected test year MFRs, correct?

12 **A.** I believe it was 2009.

13 **Q.** I'm sorry, in 2009. I am ahead of myself. So  
14 March 18th, 2009 you filed the minimum filing  
15 requirements for a base rate increase for Florida Power  
16 and Light for the years 2010 and 2011, correct?

17 **A.** Yes, that is correct.

18 **Q.** And then subsequent to that you filed MFRs for  
19 2009 by request of the parties, is that correct?

20 **A.** That is correct.

21 **Q.** Okay. And I am interested in -- a lot of the  
22 projected information in those MFRs came from forecast  
23 data prepared in what time frame?

24 **A.** For the original filing, the data was prepared  
25 really in the fall of 2008, essentially in the fall of

1 2008.

2 Q. You said that was for the 2010 and 2011. Was  
3 it also for 2009?

4 A. Yes, thank you. It also reflected, you know,  
5 we put together the budget for 2009, and then we looked  
6 at '10 and '11.

7 Q. Okay. And when you prepared those MFRs, FPL  
8 provides services to some of its affiliates and some of  
9 its affiliates provide services to them, to FPL. Do you  
10 include a forecast for each of those affiliates within  
11 this process of developing the minimum filing  
12 requirements?

13 A. Yes.

14 Q. How many legal entities make up the  
15 consolidated Florida Power and Light Group, Inc. that  
16 you would prepare forecasts for?

17 A. For Florida Power and Light, Inc.?

18 Q. I'm sorry, Florida Power and Light Group.

19 A. For FPL Group there would be two principal  
20 subsidiaries, Florida Power and Light and NextEra  
21 Energy. There may be some smaller entities in there,  
22 but really the overwhelming majority of the numbers are  
23 really driven by those two entities.

24 Q. Did you prepare forecasts for the other  
25 affiliates besides the two main ones when you were doing

1 the MFRs?

2           **A.** I was not involved in the forecast of  
3 expenditures for NextEra Energy. I really don't play a  
4 role on that. But my understanding is that those  
5 forecasts were really presented to individuals in the  
6 finance organization who then developed a projection  
7 based on the allocation formulas between the two  
8 companies.

9           **Q.** When you say individuals in the financial  
10 area, is that for FPL?

11           **A.** For FPL. So the two witnesses that have  
12 knowledge really who get the hand off, if you would, are  
13 really Mr. Barrett and Ms. Kim Ousdahl.

14           **Q.** So I could ask Mr. Barrett and Ms. Ousdahl  
15 information about the specific forecasts for the  
16 affiliates and how many affiliates were included in the  
17 forecast for the minimum filing requirements?

18           **A.** Yes. You can certainly ask them questions  
19 about the mechanics of that and just the details on how  
20 that transfer was made. And as I said, I believe it is  
21 really two principal subsidiaries that drive this  
22 allocation.

23           **Q.** And, again, that is -- who are the two  
24 subsidiaries that drive the allocation that you were  
25 telling me about?

1           **A.**    It is Florida Power and Light and NextEra  
2 Energy.

3           **Q.**    So not only did FPL have to develop  
4 projections for itself to forecast its operations for  
5 the projections for 2009, '10, and '11, but FPL Group  
6 and at least two of its -- or at least one other of its  
7 subsidiary had to forecast their operations for the  
8 periods 2009, 2010, and 2011 to enable FPL to file its  
9 minimum filings requirements in this case?

10          **A.**    To be clear, the process is really -- we are  
11 talking about what services will FPL provide to the  
12 other affiliate company and what services will be  
13 provided by that company to FPL. So I don't believe  
14 that -- I mean, I think that was really the extent of  
15 the forecast, and I think that was really based on kind  
16 of historical patterns of services that are provided  
17 back and forth between the two companies.

18          **Q.**    Okay. Since the filing of the MFRs by Florida  
19 Power and Light, has FPL made any major changes to its  
20 revenue requirements dealing with the assumptions it  
21 used for the preparation of the MFRs?

22          **A.**    I believe that Ms. Kim Ousdahl is sponsoring  
23 several changes that we talked about earlier when I  
24 began to testify, and I think she will be prepared to  
25 discuss the adjustments that have been made.



1           **Q.**    And that was provided by her rebuttal  
2 testimony, is that correct?

3           **A.**    That is my understanding.

4           **Q.**    Okay. Did FPL experience a negative growth  
5 rate in 2009, are you aware?

6           **A.**    If you are saying the negative growth, it is a  
7 negative growth relative to the prior year.

8           **Q.**    Given a relative growth compared to the prior  
9 year, how is FPL able to justify an increase in overall  
10 staffing for the test years 2010 and 2011?

11          **A.**    The staffing increases are really primarily  
12 based along the lines of sort of incremental work that  
13 has to be done. You have several major drivers. One is  
14 there is a net increase driven by the power plants, the  
15 new power plants that are going on, West County. We  
16 continue to add personnel at the nuclear plants as a  
17 result of all of the additional requirements that are  
18 being driven by regulatory needs as well as kind of our  
19 own plans to make those -- continue to make those plants  
20 better, more efficient, and raise the output.

21                   And then there are a number of other personnel  
22 additions that are really kind of driven by projects, if  
23 you would, that are also part of this. So there are  
24 some people, for example, Florida solar projects that we  
25 added. So beyond those sort of big categories, you have

1 lots of kind of pieces of different areas in the company  
2 where there are some manpower additions.

3 Q. Over the past two years has the number of FPL  
4 employees decreased because of recent economic downturn?

5 A. We have a hiring freeze at FPL, and I think it  
6 may be worthwhile just to give you some perspective on  
7 this. We had a policy in place, and nobody predicted  
8 the kind of downturn that we saw in construction in  
9 Florida. But really anticipating that the go-go years  
10 weren't going to last forever, as you probably know, we  
11 really ran a big construction company to keep up with  
12 the over 100,000 new service accounts that FPL had been  
13 hooking up. But we really relied on a lot of  
14 contractors to perform that work. And so because we  
15 figured that was really a way to kind of control, be  
16 able to adjust as you went through the downturn.

17 And so what we have done is we have  
18 essentially laid off roughly 600 contractors that were  
19 doing work for FPL as part of, essentially, the new  
20 construction work. And we have realigned our FPL  
21 resources so that -- and actually we have repositioned  
22 several hundred employees primarily in our distribution  
23 organization, and, also, to some extent in our fossil  
24 generation organization.

25 So as a result, the net impact on employees,

1 if you look at it, there is a small increase, I believe,  
2 between '08 and '09, and it is primarily FPL employees,  
3 not the total FTEs, and it is primarily driven by  
4 additions in nuclear division. And, again, that is the  
5 one area of the company that we continue to add manpower  
6 in.

7 **MR. MOYLE:** Mr. Chairman, I would move to  
8 strike as nonresponsive. I think the question was how  
9 many employees have they laid off.

10 **CHAIRMAN CARTER:** Mr. Moyle. Mr. Moyle, I can  
11 assure you Ms. Bennett is an ample and qualified  
12 attorney. She has been around awhile, and I think that  
13 your objection is inappropriate. If there is an  
14 objection, then it should be done either by the witness'  
15 attorney or by the counsel herself.

16 **MR. MOYLE:** I thought I had a right to object  
17 and state an objection to an answer or a question that  
18 is framed inappropriately. I mean, there was no point  
19 in time on the reference and then he responded by  
20 talking about contractors that were laid off, not  
21 employees, but I will withdraw it.

22 **CHAIRMAN CARTER:** Thank you.

23 No lunch tomorrow for you guys. Ms. Bennett.

24 **MS. BENNETT:** Thank you, Mr. Chair, and I do  
25 want to point out I haven't been around that long.

1                   **CHAIRMAN CARTER:** I was just trying to relate  
2 to Mr. Moyle.

3                   **BY MS. BENNETT:**

4                   **Q.** In addition to the hiring freeze that you just  
5 recently talked about, does FPL or FPL Group have any  
6 plans to outsource or contract any work currently  
7 performed by FPL employees, and that's from 2009  
8 forward?

9                   **A.** We have no immediate plans to outsource work,  
10 although I will tell you that we constantly look for  
11 opportunities to see whether certain work is better  
12 outsourced than done in-house. But, for the immediate  
13 term, we don't have any plans to outsource any  
14 additional work.

15                   Well, maybe let me give you a complete answer.  
16 We still continue to have a philosophy of doing certain  
17 work that has -- I'm sorry to go on, but I want to be  
18 precise in my response to you. We still have a policy  
19 of certain work that we know has a clear beginning and a  
20 clear end, and generally we try to do that on an  
21 outsourced basis. So, for example, the automated meter  
22 initiative project, our plans are to have -- to do the  
23 installation and the change out of all of those devices  
24 primarily with contractors and not with FPL employees.

25                   **Q.** Thank you for the answer. I think I heard you

1 say previously that you did some reorganization in 2008  
2 as part of the economic downturn and as part of your  
3 hiring freeze. But since the direct testimony in this  
4 case, has FPL taken any actions or had any discussions  
5 concerning additional staffing responses because of the  
6 economic down turn? Any other reorganizations?

7 **A.** I believe because a number of the changes --  
8 we initiated a number of changes in '08, but because a  
9 number of those changes involved bargain unit employees,  
10 the full impact of those changes did not occur until  
11 really the earlier part of 2009. And those categories  
12 are primarily in the distribution and in the fossil  
13 generation area.

14 **Q.** And I should probably ask you specifically for  
15 2010, the projected test year, and for 2011, the  
16 subsequent projected test year, are there any plans by  
17 FPL to downsize or reorganize employees?

18 **A.** No. Really consistent with our sales forecast  
19 and really the economic outlook, we are anticipating  
20 kind of -- sort of a leveling out, and a moderate return  
21 of construction activity starting in 2010 and then  
22 carrying through into 2011.

23 **Q.** You said a moderate, can you be more specific?

24 **A.** I was afraid you were going to ask me that.  
25 I'm sorry, I am having a senior moment on the specific

1 customer growth forecast for 2010. Witness Morley can  
2 tell you, but it's a modest increase. I will hazard it  
3 is around a growth of -- I don't know, I think it is  
4 30 to 50,000 customers in 2010. But I say that subject  
5 to verification by Ms. Morley. It is in her testimony  
6 and sort of consistent with her economic outlook  
7 projections.

8 Q. Thank you. We will ask Ms. Morley, then.

9 Turning a little bit to a different subject.  
10 Does FPL, or FPL Group, or any of its affiliates own,  
11 lease, charter, or otherwise use private aircraft?

12 A. Yes.

13 Q. Do you know how many aircraft and what type of  
14 aircraft FPL -- well, let me ask, is it FPL Group or  
15 FPL?

16 A. FPL.

17 Q. Do you know how many aircraft and what type of  
18 aircraft FPL owns, leases, charters, or otherwise uses?

19 A. Yes. There is a witness who is better  
20 prepared than I am to talk about aircraft, so let me  
21 give you kind of the 50,000-foot answer. And if you  
22 would like more detail, I will defer to Mr. Chris  
23 Bennett. But to your question, FPL owns three  
24 fixed-wing aircraft, which includes one Falcon jet and  
25 two Cessna Citations. And then in addition, there are

1 two helicopters. The aircraft is really used by both  
2 companies.

3 Q. And I think you told me, but are you the  
4 witness who can answer detailed questions about the  
5 aircraft costs, or is that Mr. Bennett?

6 A. That is Mr. Bennett.

7 Q. Are any executives, including yourself,  
8 allowed to use the aircraft we have been discussing for  
9 personal reasons?

10 A. Yes. Executives are allowed to use it for  
11 personal reasons, personal use provided that they  
12 reimburse the company using certain criteria.

13 Q. Can you define that criteria?

14 A. Basically, it is you pay the equivalent of a  
15 first class airplane ticket. I should also add that you  
16 cannot use it without the approval of the CEO of FPL  
17 Group. So you can't just sort of on your own decide  
18 what you are going to do. It requires prior approval.  
19 And I think as the proxy, the '09 proxy shows, the  
20 personal use of aircraft by executives is pretty well  
21 limited. But, Mr. Bennett can give you more detail on  
22 that.

23 Q. Okay. I am going to ask you the same set of  
24 questions about boats. Does FPL Group, or FPL, or any  
25 of its affiliates own, lease, charter, or otherwise use

1 private boats?

2 **A.** Not that I know of. Although -- well, no, but  
3 it depends on what your definition of boats is. I think  
4 we own a few small launches for meter readers to get to  
5 certain locations that have small islands that you can't  
6 get to otherwise. So in that sense, I think we still  
7 own a few of those, but I'm not aware of any boats that  
8 FPL owns beyond those.

9 **Q.** For my next few questions I want to turn your  
10 attention to depreciation and to staff's Exhibit 79 from  
11 our composite Exhibit 35. And then I am going to ask  
12 Ms. Lee to pass out an order that I will also have you  
13 look at. This is the 2005 stipulation.

14 **CHAIRMAN CARTER:** Do you need a number or are  
15 you just going to use it for cross-examination?

16 **MS. BENNETT:** I'm just going to use it for  
17 cross-examination for the order. Exhibit 79 is on  
18 Staff's Composite Exhibit 35 that we will enter into the  
19 record at the end of the proceeding.

20 **CHAIRMAN CARTER:** Okay.

21 **BY MS. BENNETT:**

22 **Q.** I believe, Mr. Olivera, that it is one of the  
23 documents on the stack right next to you on your left.  
24 I think it might even be the top one.

25 **CHAIRMAN CARTER:** Let's hang on a second and



1 let everybody get a copy of it, so we can all be on the  
2 same page.

3 **MS. BENNETT:** On the PDF, if you are looking  
4 at your disk, it is the next to the last PDF file. It  
5 is Item 79. And to better describe it, it is an excerpt  
6 from the transcript of Docket Number 001148-EI.

7 **CHAIRMAN CARTER:** Does everyone have a copy,  
8 all the parties?

9 **MS. CLARK:** What pages are in the exhibit?  
10 It's a transcript, right?

11 **MS. BENNETT:** It's a transcript, and I believe  
12 it is -- are you asking me what pages -- what  
13 Bates-stamped pages it is on?

14 **MS. CLARK:** No, I'm sorry, of the transcript.

15 **MS. BENNETT:** I would ask that you turn to  
16 Page 30 of the transcript.

17 **THE WITNESS:** I'm sorry, you said 30?

18 **MS. BENNETT:** Thirty.

19 **CHAIRMAN CARTER:** Okay. Does everyone -- are  
20 we all on the same page here?

21 **MR. MCGLOTHLIN:** We haven't found it yet.

22 **CHAIRMAN CARTER:** Hang on a second, Ms.  
23 Bennett.

24 Mr. McGlothlin?

25 **MS. BRADLEY:** Let me have some further

1 directions about where it is and what it is.

2 **MS. BENNETT:** It is -- if you are looking on  
3 the disk, it is the next to the last PDF file. If you  
4 go almost down to the end of the PDF file.

5 **MS. BRADLEY:** Next to the last going across or  
6 going down?

7 **MS. BENNETT:** Going down.

8 **MS. BRADLEY:** Okay. It says errata sheet?

9 **MS. BENNETT:** If you keep on scrolling  
10 through, it is probably past the depo.

11 **CHAIRMAN CARTER:** Mr. Moyle, you found it?

12 **MS. BRADLEY:** No, it is just an errata sheet  
13 on our disk.

14 **MR. MOYLE:** I'm working on it. This is our  
15 first time bringing this up, so it may just take us one  
16 minute.

17 **CHAIRMAN CARTER:** Okay.

18 **THE WITNESS:** Take your time.

19 **CHAIRMAN CARTER:** Commissioner Edgar.

20 **COMMISSIONER EDGAR:** Thanks. Just while we  
21 are getting settled here, Ms. Bennett, is this supposed  
22 to be just an excerpt of the order and an excerpt of the  
23 attachment, or is it supposed to be --

24 **MS. BENNETT:** You should have the complete  
25 order.

1                   **COMMISSIONER EDGAR:** I don't think I do. I  
2 think I have some pages missing, I think. I have it  
3 in -- what I was just given by staff, the order itself  
4 goes through Page 6, and I think there is at least one  
5 more page. And then the attachment starts on page --  
6 what looks like it would be Page 7 of the attachment,  
7 and I am just wondering if that's a copying --

8                   **MS. BENNETT:** That is a copying mistake, but  
9 actually the information that I need to have the witness  
10 look at starts on Page 8 of Attachment A, which is Page  
11 15 of the order.

12                   **COMMISSIONER EDGAR:** Okay. Mr. Chairman, do  
13 we have extra copies of the entire agreement, which  
14 would be the entire attachment? I left mine up in my  
15 office. I can have somebody bring it to me, but if you  
16 happen to have some extras over there. And I don't mean  
17 you personally, Ms. Bennett.

18                   **MS. BENNETT:** All of my copies are incomplete,  
19 but I can give them to you.

20                   **COMMISSIONER EDGAR:** That's okay. I will do  
21 that. All right. Thank you.

22                   **THE WITNESS:** I'm sorry, I thought I knew  
23 where you were until this last exchange, because I was  
24 on Exhibit 79, Page 30, but you just --

25                   **MS. BENNETT:** I was answering the

1 Commissioner's question about what page of the order  
2 that I would be asking questions from, because the order  
3 evidently is incomplete, but you might as well be  
4 prepared for this, too.

5 **THE WITNESS:** And where is -- do I have a copy  
6 of the order here?

7 **MS. BENNETT:** Yes. It was something that  
8 Ms. Lee just handed to you.

9 **THE WITNESS:** Okay.

10 **MS. BENNETT:** And it would be Attachment A.  
11 At the bottom it would be Page 8. At the top it is Page  
12 15 of the order.

13 **THE WITNESS:** Okay. I have it.

14 **MR. BUTLER:** Do you have it?

15 **THE WITNESS:** I have a partial.

16 **CHAIRMAN CARTER:** This is just a little  
17 exercise we do when people come back from lunch to kind  
18 of wake them up, you know. I think it is working. Does  
19 everyone have -- we don't have it yet? Okay. Hang on a  
20 second.

21 **MS. BRADLEY:** What page in the PDF document is  
22 it, and what is the PDF document of? Is it a depo of --

23 **CHAIRMAN CARTER:** Let's do this. Let's go off  
24 the record for a moment, give staff an opportunity to  
25 come and kind of show everyone where they are, okay?

1 Let's do that. Let's take five.

2 (Off the record.)

3 **CHAIRMAN CARTER:** We are back on the record.  
4 And when we last left, we had a little exercise on how  
5 well people can go through a PDF file. And you all --  
6 all you guys passed. This was a pass/fail, not a grade  
7 deal, so everybody got a passing.

8 Ms. Bennett.

9 **MS. BENNETT:** Gee, I thought depreciation was  
10 hard, but PDF is harder.

11 **CHAIRMAN CARTER:** Maybe they were depreciating  
12 the PDF files.

13 **THE WITNESS:** Ms. Bennett, before we continue,  
14 I need to clarify a comment that I made just before we  
15 broke. During the break I was made aware that we have a  
16 couple of other boats that FPL owns. I think -- I  
17 believe we own two boats at the Turkey Point nuclear  
18 plant, which are used for environmental testing programs  
19 associated with the crocodiles that are in the cooling  
20 canals, and I believe that is included in our plant in  
21 service.

22 In addition, I was told we own a boat that is  
23 not included in rates. It is a below-the-line line  
24 item, which I assume means that it has been used for  
25 other than company purposes. But my understanding is

1 that it is not included in the base rate request.

2 **BY MS. BENNETT:**

3 Q. The one that is included in the base rate  
4 request, is that allowed -- are FPL employees,  
5 executives, or directors authorized to use that for  
6 personal business -- for personal use?

7 A. To the extent I just found out about it from  
8 Mr. Stall, but the way it was described to me, it is --  
9 they have got to be small boats, because they go along  
10 the canals at Turkey Point. So my understanding is that  
11 these boats are used for environmental testing purposes,  
12 and I am afraid that is about the extent of my  
13 knowledge. And if you want more details, I'm sure Mr.  
14 Stall can provide them for you. But I'm not aware of  
15 any FPL officer, or any executives, or any directors  
16 using those boats for recreational purposes.

17 Q. You did say on the aviation that both FPL and  
18 FPL Group employees are permitted to use the aircraft  
19 for personal use, is that correct?

20 A. Senior officers really, FPL Group, NextEra,  
21 and FPL employees.

22 Q. And how are the costs associated with that  
23 aircraft and the aviation expenses allocated between FPL  
24 and FPL Group?

25 A. Mr. Bennett can give you -- can walk you

1 through how that allocation is done. I am just not  
2 prepared today to kind of walk you through it. But it  
3 is a formula that reflects really kind of a combination  
4 of kind of the fixed costs and the variable costs  
5 associated with those planes.

6 Q. Have you, or has FPL, and probably it is a Mr.  
7 Bennett question, does FPL compare its costs of aviation  
8 to the use of commercial air travel when you -- when  
9 your executives have to reimburse FPL or FPL Group?

10 A. Yes.

11 Q. I think you told me first class?

12 A. First class travel, yes.

13 Q. Okay. And let's try the depreciation area  
14 again.

15 A. Lucky me.

16 Q. Yes. Would you agree with me, Mr. Olivera,  
17 that in the 2002 rate case stipulation, FPL was  
18 authorized to record an annual credit to depreciation  
19 expense of up to \$125 million?

20 A. Yes.

21 Q. Then all of that work for Transcript Number 79  
22 is not necessary.

23 A. It was very helpful for me to read it after  
24 you handed it to me. It kind of refreshed my memory.

25 Q. Well, let's go ahead and talk about that then,

1 since we have all spent time finding it on our PDF file.  
2 On Page 30 of the transcript, on Staff Exhibit Number  
3 79, Composite Exhibit 35, who is Mr. Evanson who is  
4 testifying there?

5 A. Mr. Evanson was president of FPL before I  
6 became president of FPL in 2003.

7 Q. And Mr. Evanson testified to the annual credit  
8 to depreciation expense of up to 125 million, correct?

9 A. Correct.

10 Q. And then in 2005, FPL again stipulated in a  
11 rate case, is that correct?

12 A. That is correct.

13 Q. And you have a portion of the order in front  
14 of you. I ask you to refer to Page 8 of the Attachment  
15 A, which is also Page 15 of the order. And I would ask  
16 you to look at Paragraph 8, which starts on Page 8.

17 A. Would you like for me to read it?

18 Q. I would just ask you to agree with me that FPL  
19 was authorized to continue amortizing up to 125 million  
20 annually as a credit to depreciation expense and a debit  
21 to the bottom line depreciation reserve over the term of  
22 the stipulation, is that correct?

23 A. That is correct.

24 Q. And it is true, isn't it, that FPL has  
25 calculated a 1.2 billion reserve surplus in its



1 depreciation study being considered in this proceeding?

2 A. Yes.

3 Q. Okay. That was all my depreciation questions.  
4 But I do want to talk to you a little bit about Page 16  
5 of your testimony, if you want to turn to that page.

6 A. Surely.

7 Q. And on Page 16, you have stated that FPL has  
8 achieved superior performance in the company's key  
9 operational areas which provides direct benefits to  
10 FPL's customers, correct?

11 A. Correct.

12 Q. Now I am going to ask you to turn to Page 45  
13 and 46 of your testimony and talking about return on  
14 equity of 12.5 percent. I am going to kind of summarize  
15 what I think I understand you to say. I think you are  
16 saying that an ROE of 12.5 percent would reflect  
17 appropriate recognition of FPL's overall high  
18 performance and the benefits and values such services  
19 provides to customers, is that correct?

20 A. That is correct.

21 Q. I don't think I even paraphrased it. I think  
22 I said it word-for-word. And on Page 47 you discuss why  
23 you believe it is appropriate to acknowledge a company's  
24 performance in establishing an ROE, correct?

25 A. Correct.

1           **Q.**    Have you had an opportunity to review the  
2 correspondence file that is set up by the Clerk's Office  
3 to receive consumer complaints in this rate case?

4           **A.**    I would be less than candid if I said I read  
5 it all, but I scanned it, and I went through a number of  
6 the documents.

7           **MS. BENNETT:**   And for the Commissioners, this  
8 is PDF File 82.  It's the very last exhibit on Staff's  
9 Composite Exhibit, if you would like to pull it up.  You  
10 don't have to scan through it.  It begins at the very  
11 beginning of that PDF file.

12 **BY MS. BENNETT:**

13           **Q.**    Mr. Olivera, you did say you have scanned --  
14 you have reviewed those documents.  This stack contains  
15 correspondence from FPL customers as well as responses  
16 from Commission staff, all in reference to the proposed  
17 rate increase, and it has only been open since the  
18 beginning of the rate case.  Does the amount of  
19 correspondence from consumers surprise you for this  
20 docket?

21           **A.**    Well, I wish there was none, but I recognize  
22 that, you know, people want to express their points of  
23 view, and that is the way that our process is meant to  
24 work.  I wish that I could satisfy every customer along  
25 every dimension, but I realize that that is not always

1 possible.

2 Q. And I think that we can agree that some of  
3 these are about the price increase, but some of them, I  
4 think, are about reliability. And I want to hand out an  
5 exhibit, and this will be -- actually, I'm asking for an  
6 exhibit number on this document, one for each.

7 CHAIRMAN CARTER: Okay. Commissioners, we are  
8 at 399, 399. A short title?

9 MS. BENNETT: Reliability Complaints and  
10 Responses.

11 CHAIRMAN CARTER: Reliability Complaints and  
12 Responses. Thank you.

13 (Exhibit Number 399 marked for  
14 identification.)

15 BY MS. BENNETT:

16 Q. Let me know when you have had an opportunity  
17 to review the documents, Mr. Olivera.

18 A. I will.

19 MS. CLARK: Ms. Bennett, just so I am clear,  
20 is this the listing of those that came in in this case?

21 MS. BENNETT: Yes. They are excerpts. They  
22 are pulled out of the docket correspondence file and are  
23 directly related to reliability issues, and they contain  
24 FPL responses to those reliability issues based on staff  
25 correspondence.

1           **MS. CLARK:** Yes. And I believe the  
2 appropriate person who would know the details about this  
3 would be Marlene Santos.

4           **MS. BENNETT:** Okay. I would still like to ask  
5 Mr. Olivera some questions about this, not many.

6           **THE WITNESS:** Sure. Would you like for me to  
7 read them all?

8 **BY MS. BENNETT:**

9           **Q.** I just ask that you -- would you agree with me  
10 that these are reliability problems for customers of FPL  
11 and FPL's responses to those reliability issues?

12           **A.** Yes. I think in at least what I have read so  
13 far, there is at least a reliability complaint. In some  
14 there are other comments. As I read, some -- they all  
15 consistently complain about reliability. There are  
16 others, part of the complaint includes discussion about  
17 rates, and also discussion about -- I read a couple  
18 where it says we should be doing more renewable energy  
19 and we are not doing enough in that area. But the  
20 constant theme in these are reliability related.

21           **Q.** And I think you told me that you got daily  
22 reports on the service hearings that the Commission  
23 conducted for this rate case, is that correct, or you  
24 told a previous attorney.

25           **A.** Yes, I got a summary every day of the service

1 hearings.

2 Q. And during those service hearings, some  
3 customers complained about reliability issues, and FPL  
4 followed up with those customers, correct?

5 A. That is correct.

6 Q. And subsequent to the service hearings, FPL  
7 provided the Commission with a report that is filed in  
8 this docket, correct?

9 A. Yes. It was sponsored by Ms. Marlene Santos.

10 Q. Okay. I think before you in that stack is  
11 Staff's Exhibit 81. And, again, this is a PDF file.

12 MS. CLARK: Are we moving to a different  
13 exhibit now?

14 MS. BENNETT: Yes, we are. Exhibit 81.

15 CHAIRMAN CARTER: On the PDF, what number is  
16 it?

17 MS. BENNETT: It is the -- on the PDF, it is  
18 Page 56 of 114, on the Exhibit 35, Item 78 to 82.

19 CHAIRMAN CARTER: Okeydokey.

20 MS. BENNETT: It starts on Bates-stamped Page  
21 8613.

22 CHAIRMAN CARTER: 8613.

23 MR. MOYLE: I'm sorry. Can you just tell us  
24 what page out of 114?

25 MS. BENNETT: Page 56 of 114.

1                   **MR. MOYLE:** Thank you.

2                   **BY MS. BENNETT:**

3                   **Q.** Have you had an opportunity to review the  
4 document, Mr. Olivera?

5                   **A.** Yes.

6                   **Q.** And is it a -- is it the FPL service hearing  
7 reports that were filed in this docket?

8                   **A.** Yes, I believe so.

9                   **Q.** And would you agree with me that many of those  
10 addressed reliability issues for FPL?

11                   **A.** Yes, I would. I would also like to point out  
12 that the overwhelming number of -- at least as it has  
13 been reported to me, the overwhelming number of service  
14 related complaints were positive complaints. So this  
15 really keys on the ones that were a specific problem.

16                   **Q.** And so with these reliability issues, is this  
17 something that the Commission should take into  
18 consideration in considering the 12.5 percent return on  
19 equity that FPL has requested?

20                   **A.** I think certainly quality of service is  
21 something that this Commission should completely look at  
22 and what I would urge this Commission is to put it in  
23 some context. Based on the summary report that I have,  
24 during the quality of service hearings 298 customers  
25 commented on the quality of service, 54 were negative

1 comments and 243 were positive comments. I don't have  
2 the math, but it is total attendees about 58 percent.  
3 And it is a bigger number than that relative to those  
4 that talked about quality of service.

5 So I think it is a very relevant issue to the  
6 case. I think it is part of the foundation that we are  
7 saying should be considered in the ROE, but I think it  
8 has to be put in the context of a system that has  
9 4.5 million customers.

10 Q. Okay. And I'm going to change just a little  
11 bit back to employee compensation. I don't believe you  
12 need the confidentiality exhibit in front of you. I  
13 just want a confirmation. On the confidentiality  
14 exhibit, there are some totals at the bottom of each of  
15 the lines, and I want to make sure that those numbers  
16 themselves are not confidential, is that correct, they  
17 don't appear in yellow?

18 **CHAIRMAN CARTER:** Mr. Butler.

19 **MS. BENNETT:** Yes, I can ask it of  
20 Ms. Slattery if it is easier.

21 **MS. CLARK:** Yes. I think we would need to  
22 confirm that. We don't have -- Mr. Olivera doesn't have  
23 any kind of --

24 **THE WITNESS:** I wish I could confirm it. I  
25 can't remember. I have had so many documents thrown at

1 me the last three days.

2 **MS. BENNETT:** Okay. I will wait and ask  
3 Ms. Slattery that question. But I do want to make  
4 certain as the last question, and I think it is more to  
5 Mr. Butler, we are going to reserve all of our employee  
6 compensation questions for Ms. Slattery. But my  
7 understanding is that if she has to defer any questions  
8 that we could take a little bit of time with  
9 Mr. Olivera's rebuttal testimony to finish up those  
10 questions that she was not able to answer, and I think  
11 Mr. Butler agreed to that.

12 **CHAIRMAN CARTER:** Mr. Butler.

13 **MR. BUTLER:** We did.

14 **CHAIRMAN CARTER:** Okeydokey.

15 **MR. BUTLER:** Thank you.

16 **MS. BENNETT:** That concludes my questions. I  
17 will be ready to talk about my exhibits when we are  
18 ready to talk about exhibits.

19 **CHAIRMAN CARTER:** At the appropriate time.

20 **MS. CLARK:** Mr. Chairman.

21 **CHAIRMAN CARTER:** Yes, ma'am, Ms. Clark.

22 **MS. CLARK:** I just want to clarify. I  
23 misspoke regarding 399 on the reliability. The  
24 appropriate witness would be Mr. Spoor.

25 **CHAIRMAN CARTER:** On 399?



1           **MS. CLARK:** Yes.

2           **CHAIRMAN CARTER:** The appropriate witness is?

3           **MS. CLARK:** Mr. Spoor.

4           **CHAIRMAN CARTER:** Okeydokey.

5           Okay. Let's go to the bench before we go back  
6 for redirect. Commissioners. Okay.

7           Ms. Clark, redirect.

8           **MS. CLARK:** You will be happy to know I have  
9 very little redirect.

10           **CHAIRMAN CARTER:** I have heard that before.  
11 For the last three days, I've got very little. I'm not  
12 going to call any names because you guys are all my good  
13 friends and all. Just one more question, and what they  
14 meant was one more question in that line, but that is  
15 cool.

16           **MS. CLARK:** I hope to prove it different.

17           I would like to pass out two exhibits, and if  
18 I could get numbers for them. The first exhibit I would  
19 like to have -- I will have them passed out at the same  
20 time. The first exhibit would be CEO Compensation  
21 Comparison.

22           **CHAIRMAN CARTER:** That will be 400.

23           **MS. CLARK:** And --

24           **CHAIRMAN CARTER:** Hang on. CEO -- give me the  
25 title again.

1           **MS. CLARK:** CEO Compensation Comparison.

2           **CHAIRMAN CARTER:** Okay. CEO Compensation  
3 Comparison. That is Number 400, Commissioners, for your  
4 records. Okay.

5                   (Exhibit Number 400 marked for  
6 identification.)

7           **MS. CLARK:** And the next exhibit I am handing  
8 out is an article from the Lakeland Ledger, and per your  
9 instructions for a short title, I would like to name it  
10 Lakeland Ledger Publix Article.

11           **CHAIRMAN CARTER:** Okay. Number 401, Lakeland  
12 Ledger -- give me the rest of it.

13           **MS. CLARK:** Publix Article.

14           **CHAIRMAN CARTER:** Lakeland Ledger Publix  
15 Article.

16                   (Exhibit Number 401 marked for  
17 identification.)

18           **MS. CLARK:** And just to provide the  
19 context for this, Mr. Wright yesterday identified three  
20 exhibits, and they were 391, 392, and 393, regarding  
21 executive compensation of Miami Dade School Board  
22 Chairman and Publix Chairman. And in the interest of  
23 completing the record with regard to executive  
24 compensation, we have compiled information from proxy  
25 statements of Florida Retail Federation and AFFIRM

1 members, and AFFIRM is another party in this case. We  
2 don't intend to cover everything in this exhibit on  
3 redirect with Mr. Olivera, but would like it identified,  
4 and at the appropriate time moved in the record. This  
5 is in lieu of any objections to the three exhibits that  
6 Mr. Wright offered.

7 Then there is one exhibit, which I will ask  
8 Mr. Olivera about, and it is the article entitled Publix  
9 CEO Pulls in Less than Winn-Dixie Chief. And if I need  
10 to, I can wait a minute while everybody gets a copy of  
11 that.

12 **MR. MOYLE:** At the appropriate time FIPUG  
13 would like to be heard on this.

14 **CHAIRMAN CARTER:** Mr. Moyle --

15 **MR. MOYLE:** I don't want to interrupt her.

16 **CHAIRMAN CARTER:** No, no, just as a reminder,  
17 when we get to -- at the end of the witnesses, that is  
18 when we will start dealing with the exhibits, so we can  
19 do that all at the same time.

20 **MR. MOYLE:** Yes, sir. But I think in order to  
21 have a good clean record that objections need to be  
22 interposed at the time a document is shown, otherwise  
23 the witness is asked about a whole bunch of stuff in a  
24 document that may not be admissible, and then all of  
25 that comes in the record. So it has been my practice --

1           **CHAIRMAN CARTER:** If we don't admit it, it  
2 won't be in the record.

3           **MR. MOYLE:** Then you are going to have to  
4 strike all the testimony, all the verbal testimony, I  
5 guess, that is given in response.

6           **MS. CLARK:** Well, I just said I don't intend  
7 to ask him questions on it.

8           **CHAIRMAN CARTER:** Ms. Helton.

9           **MS. HELTON:** If I were to be asked,  
10 Mr. Chairman, I would say that an objection would need  
11 to be contemporaneous to the document being used in the  
12 proceeding.

13           **CHAIRMAN CARTER:** Okay. Just for the record,  
14 do you want to make it now for which one of the two,  
15 or --

16           **MR. MOYLE:** I don't want to interrupt her. I  
17 just wanted to indicate that I will have an objection at  
18 the appropriate time. She was in the process of  
19 describing the document, so I will let her finish her  
20 description. And then if I could be heard, I would  
21 appreciate it.

22           **CHAIRMAN CARTER:** Okay. I think she has  
23 finished the description, haven't you, Ms. Clark?

24           **MS. CLARK:** Yes. At least with regard to I  
25 think it is Exhibit 400.

1                   **CHAIRMAN CARTER:** 400.

2                   **MS. CLARK:** As I indicated yesterday, I  
3 objected to the exhibits proffered by Mr. Wright, 391,  
4 392, and 393, which had information from a Publix proxy  
5 statement and then newspaper articles regarding CEO  
6 compensation comparisons.

7                   **CHAIRMAN CARTER:** Is that the one you want to  
8 be heard on, Mr. Moyle, Exhibit 400?

9                   **MR. MOYLE:** I'm sorry, I want to be heard on  
10 both of them. The Publix CEO Pulls in, which number is  
11 that?

12                   **CHAIRMAN CARTER:** Okay. That's 401.

13                   **MR. MOYLE:** Okay.

14                   **CHAIRMAN CARTER:** Do you need, Ms. Clark, to  
15 continue and describe this one, 401, as well.

16                   **MS. CLARK:** If I may, what you have on the  
17 front is a compilation of the information that comes  
18 from the summary compensation tables in the proxy  
19 statements. If need be, we have the full proxy  
20 statements here so that Mr. Moyle and others can look at  
21 them. And what you have in the front, as I say, is a  
22 compilation of that. And I would refer you back to the  
23 exhibits that Mr. Wright proffered and for which the  
24 objection was overruled. It likewise gives proxy  
25 information for Publix. We are just asking that the

1 record be made complete with information about other CEO  
2 compensation.

3 **CHAIRMAN CARTER:** Okay.

4 Mr. Moyle.

5 **MR. MOYLE:** Sure. Let me just first be heard  
6 on 400.

7 **CHAIRMAN CARTER:** Okay. You're recognized.

8 **MR. MOYLE:** Which is a document, I guess it  
9 was prepared yesterday, and the objection would be in  
10 part -- and if I understand how we -- the rules of the  
11 road, I mean, I just want them to be consistently  
12 applied throughout, and I want to make sure I understand  
13 them. But, I understand in this process that your  
14 direct witnesses file prefiled testimony, that that then  
15 is adopted, that is what they said in effect as if they  
16 had taken the stand. They are then subjected to cross.  
17 Following that there is an opportunity for redirect to  
18 clean things up.

19 I don't understand that as to be an  
20 opportunity to also then come in and introduce new  
21 documents that have never been attached to prefiled  
22 testimony, and I would object on that grounds and that  
23 it is new evidence that was not identified previously.

24 Also, you know, this is a hearsay statement.  
25 There is -- I don't know if there is any kind of

1 sufficient data to support this or the reliability. It  
2 can't be tested because it is out of state statements.  
3 You know, somebody may have made an error transposing  
4 the numbers or something like that. Trying to keep a  
5 clean record.

6 And the Publix article, I mean, we are  
7 introducing newspaper stories. I don't think that is  
8 appropriate evidence in a proceeding in which we are  
9 trying to determine disputed issues of fact. It is  
10 hearsay, and it is not appropriate, and we would object  
11 to both of these on the grounds as I stated.

12 **CHAIRMAN CARTER:** Okay. We have several  
13 newspapers articles already. But anyway, Ms. Clark, on  
14 the objection.

15 **MS. CLARK:** Well, that is my point. I mean,  
16 it is a new -- it is the same caliber of article that  
17 Mr. Wright introduced yesterday which was admitted.

18 **MR. MENDIOLA:** Your Honor, may I be heard on  
19 this, as well?

20 **CHAIRMAN CARTER:** Absolutely.

21 **MR. MENDIOLA:** Thank you.

22 **CHAIRMAN CARTER:** Good to hear from you again.

23 **MR. MENDIOLA:** Thank you, Mr. Chair. I  
24 haven't had my coffee yet this afternoon, so I have been  
25 quiet. On behalf of SFHHA, we also object as this is

1 supplemental direct testimony. The company had an  
2 opportunity to put forward the exhibits it wanted to put  
3 forward in its direct case, so we object on that  
4 grounds.

5 Additionally, to the extent and in the  
6 alternative, if the document 400 is admitted into  
7 evidence, there is a column here, CEO stock holdings,  
8 which I don't think Mr. Olivera was asked about that I  
9 understand this to be the cumulative stock holdings. If  
10 we are going to have apples-to-apples, then I think  
11 Mr. Olivera should be asked on the record what his  
12 cumulative stock holdings are so that we can have a  
13 comparison. But our first objection is that it  
14 shouldn't go in the record. If it is, we should have  
15 apples-to-apples. Thank you.

16 **CHAIRMAN CARTER:** Okay. Before I go to  
17 Ms. Helton, anyone else? Okay. Ms. Helton.

18 Oh, Ms. Clark.

19 **MS. CLARK:** You know --

20 **CHAIRMAN CARTER:** Go ahead.

21 **MS. CLARK:** They had -- they cross-examined  
22 Mr. Olivera on this point introducing what we thought  
23 was not relevant information on market comparisons. We  
24 made that statement at the time, and Mr. Olivera  
25 responded to it. You made the ruling that this other



1 compensation information specifically regarding Publix  
2 and Miami-Dade could be put in. We think it is entirely  
3 appropriate cross-examination.

4 And in lieu of cross-examining him on every  
5 one of these, people can look at the pages that actually  
6 have the compensation. We have the proxy statements  
7 here for them to verify that there has been no mistake  
8 in transposing the numbers onto the top sheet. I think  
9 it is entirely appropriate and procedurally correct for  
10 us to counter on redirect what was brought up in  
11 cross-examination.

12 **CHAIRMAN CARTER:** Okay. Ms. Helton.

13 **MS. HELTON:** Mr. Chairman, my recollection is  
14 that, I think it was yesterday when Mr. Wright was  
15 cross-examining the company's president with respect to  
16 some other executive compensation not related to Florida  
17 Power and Light, that he did so over the objection of  
18 Ms. Clark, and at my recommendation I said that I  
19 recommended that we go down that line.

20 And the basis for the questions that Mr.  
21 Wright asked were hearsay newspaper articles, and I was  
22 actually quite proud of Florida Power and Light that  
23 they did not object to that, because I believe that that  
24 helped us move on more quickly through the proceeding.  
25 I think it is only fair that Florida Power and Light be

1 able to ask the president of the company further  
2 information about the executive pay for these other  
3 companies to have a complete record.

4 I think that Ms. Clark has made an honest  
5 attempt in my mind to short-circuit that by obtaining  
6 the proxy statements for these companies and putting  
7 them in the record. This is similar to other types of  
8 evidence that you will be considering at the end of Mr.  
9 Olivera's testimony. So my recommendation to you is  
10 that it be put into the record.

11 **CHAIRMAN CARTER:** Okay.

12 **MR. MOYLE:** Mr. Chairman, if I could just be  
13 heard.

14 **CHAIRMAN CARTER:** Very, very briefly. Very  
15 briefly, Mr. Moyle.

16 **MR. MOYLE:** Yesterday the objection was to  
17 relevancy. It was a relevancy objection. There was a  
18 discussion about the school board chief vis-a-vis an  
19 electric company. I think the recommendation was we  
20 will let it in and give it the weight that it is due  
21 because they are dissimilar industries. That is not the  
22 basis for my objection today. It is hearsay and it  
23 violates the rule about additional exhibits coming in,  
24 coming in on redirect with our witnesses.

25 Now, I guess if that is how it is going to be,

1 then we will have our witnesses coming along, but I just  
2 wanted to make that point clear, that the objection as I  
3 remember was not raised on hearsay grounds, it was  
4 raised on relevancy grounds.

5 **CHAIRMAN CARTER:** Mr. Wright.

6 **MR. WRIGHT:** Thank you, Mr. Chairman. I  
7 fundamentally agree with Ms. Helton. I think I opened  
8 the door as to the compensation. I also want to point  
9 out, however, that I agree with Mr. Mendiola, and I  
10 believe that if we are going to include cumulative CEO  
11 stock holdings in this table as FPL has done, that we  
12 ought to have the same thing for Mr. Hay and  
13 Mr. Olivera.

14 **MS. HELTON:** I should have said that, that I  
15 agree that we should have an apples-to-apples  
16 comparison. And I guess I should have said, too, that  
17 Mr. Wright did open the door here, and as I understood  
18 what Ms. Clark is doing with this exhibit, it is not so  
19 much as putting in an additional exhibit; it is  
20 short-circuiting the redirect examination that she would  
21 be entitled to ask her witness.

22 We are in the third day of a hearing, and I  
23 have counted 48 witnesses that you all are scheduled to  
24 hear, and we haven't even gotten the first witness off  
25 the stand.



1 reporting guidelines would be reported as income. And  
2 so, I believe that the Publix dividend is at around 41  
3 cents a share, which makes a total income from the  
4 dividend of the stock somewhere around, I believe it is  
5 \$3.6, 3.7 million.

6 **CHAIRMAN CARTER:** Ms. Clark, before you go  
7 into Exhibit 400, why don't we take a moment so you can  
8 ensure that the information requested by the parties so  
9 we will have an apples-to-apples comparison and we can  
10 get that so that exhibit will reflect that.

11 **MS. CLARK:** I have just -- do you want to take  
12 a break, and I will make sure.

13 **CHAIRMAN CARTER:** Yes, I want to take a break,  
14 and then let you guys -- to make sure that everybody has  
15 the same information.

16 Mr. Wright. Turn your mike on.

17 **MR. WRIGHT:** It's on. I am going to object to  
18 the last part of the witness' testimony about  
19 compensation reporting. We had been dealing with what  
20 everybody has represented is apples-to-apples proxy  
21 statements, and I agreed that I had opened the door, but  
22 he gave some extra explanation about something that is  
23 not reported as a dividend component on the Publix  
24 proxy, and the proxy statements are the apples-to-apples  
25 comparisons that I think we have.

1           Additionally, I was not able quickly enough to  
2 follow to find the sentence that Ms. Clark had kindly  
3 highlighted for Mr. Olivera.

4           **MS. CLARK:** I beg your pardon. I'm sorry, I  
5 should have given them time.

6           **CHAIRMAN CARTER:** I think it is the last  
7 sentence on the second page.

8           **MR. WRIGHT:** Is that Page 9, or page --

9           **CHAIRMAN CARTER:** It's Page 2 of 3.

10          **MS. CLARK:** I'm sorry, I was on the newspaper  
11 article.

12          **MR. WRIGHT:** I apologize. Thank you. I was  
13 on the proxy. Talking about shares of stock, that's  
14 where I was looking.

15          **CHAIRMAN CARTER:** I wanted to head us off  
16 before we got on the proxy to make sure that we did an  
17 apples-to-apples comparison in all fairness to the  
18 parties. I want to make sure that we are fair to  
19 everyone and people have an opportunity to be heard.

20                 But, also, we on the bench will give it  
21 whatever weight we think it deserves. So with that, I  
22 will give you guys an opportunity to kind of make sure  
23 that you get the right information on this.

24                 And, Commissioners, we will come back at --  
25 what is that, 11:00. Is that five of? Yeah, five of.

1 (Off the record.)

2 **CHAIRMAN CARTER:** We are back on the record.  
3 Ms. Clark, you are recognized.

4 **MS. CLARK:** Yes, Mr. Chairman. I've spoken  
5 with the parties regarding this issues, and we will  
6 agree to provide a late-filed exhibit that would be a  
7 calculation in the same manner as indicated in the  
8 middle column on Exhibit 400.

9 **CHAIRMAN CARTER:** Where is Ms. Bradley?

10 **UNIDENTIFIED SPEAKER:** Do you want me to go  
11 try to find her?

12 **CHAIRMAN CARTER:** Yes.

13 **MS. CLARK:** For Mr. Olivera and Mr. Hay, and  
14 provide that to the parties and indicate they would have  
15 the opportunity --

16 **CHAIRMAN CARTER:** Hang on a second, Ms. Clark.  
17 I want you to -- before we go there, I want Ms. Bradley  
18 to be here for that, because I think that was one of  
19 the -- we talked about that during the issue on the  
20 motion in limine, and I said that if something came up  
21 like that, then we would talk about it during that time.  
22 Okay. So let's just give a couple of minutes here.

23 Ms. Bradley, before going forward, I wanted  
24 you to be here, because there is -- and I wanted  
25 Ms. Clark to wait before she introduced this issue,

1 because she said that the parties had gotten together,  
2 and I wanted to make sure that you were on board with  
3 this discussion, because it's part of what we talked  
4 about on day one about the late-filed exhibits. I  
5 wanted to make sure that you were privy to this whole  
6 discussion before we went down that road.

7 **MS. BRADLEY:** I appreciate that. My  
8 understanding is that they are going to adjust the  
9 exhibit and that you are going to allow some additional  
10 cross-examination about this.

11 **CHAIRMAN CARTER:** No, that was not my  
12 understanding.

13 **MS. BRADLEY:** Okay.

14 **MS. CLARK:** To be clear, that we would provide  
15 that information for Mr. Olivera and Mr. Hay, and  
16 provide it to the parties soon, and they would have the  
17 opportunity to cross-examine Ms. Slattery on it to the  
18 extent they felt the need to ask Mr. Olivera when he  
19 came back on rebuttal.

20 **CHAIRMAN CARTER:** On rebuttal?

21 **MS. CLARK:** That would be an opportunity.

22 **CHAIRMAN CARTER:** Okay. All right, then. You  
23 may proceed with that understanding.

24 Mr. Wright.

25 **MR. WRIGHT:** Just as we were breaking, I had



1 interposed an objection to Mr. Olivera testifying about  
2 the --

3 **CHAIRMAN CARTER:** The last part of his answer.

4 **MR. WRIGHT:** -- asserted dividend issue.

5 There is nothing here. He just said -- I heard him say  
6 there is a dividend component with 41 cents.

7 **CHAIRMAN CARTER:** Okay. Ms. Clark, I'm sorry.  
8 Let's back up for a second. Mr. Wright raised the  
9 objection that at the end of the answer Mr. Olivera  
10 talked about a matter that was not part of the  
11 discussion related to the dividend, and he said it was  
12 the last part of his answer. Is that correct,  
13 Mr. Wright?

14 **MR. WRIGHT:** Yes, sir.

15 Ms. Clark.

16 **MS. CLARK:** And I think he wanted to ask a  
17 follow-up question on where the 41 cents came from, and  
18 that is --

19 **MR. WRIGHT:** Well, if you are going allow that  
20 in, then I do. I object to it, because throwing that in  
21 creates further non-apples to, you know, peanut butter  
22 comparison, because I have to believe that there are  
23 dividend income from other CEOs' stock holdings that we  
24 would have to go on to add into everybody's  
25 compensation.

1                   **CHAIRMAN CARTER:** Okay. Then here is what we  
2 will do.

3                   Ms. Helton, I am inclined to strike that  
4 portion of the answer. I am thinking aloud before I  
5 rule, but I'm --

6                   **MS. HELTON:** That works for me, Mr. Chairman.

7                   **CHAIRMAN CARTER:** Okay. So that latter part  
8 of it will be stricken from the record.

9                   **MR. WRIGHT:** Thank you, sir. And with that  
10 I'm not going to have any further cross, and also with  
11 Ms. Clark's representation of the work out on getting  
12 apples-to-apples on the CEO stock holdings is accurate.

13                   **CHAIRMAN CARTER:** Okay.

14                   **MR. WRIGHT:** Thank you, sir.

15                   **CHAIRMAN CARTER:** Okay. Ms. Clark, you may  
16 proceed.

17                   **MS. CLARK:** Mr. Chairman, that concludes my  
18 redirect.

19                   **CHAIRMAN CARTER:** Okay. I love it when a plan  
20 comes together. Exhibits. Let's deal with the -- hang  
21 on a second, guys and dolls, let's go with the list that  
22 was provided by staff, which will be -- we will use this  
23 one first, and then we will flip over to the triple  
24 digits, okay?

25                   Ms. Clark, I think you identified Exhibit 38

1 on the comprehensive list. I think you identified  
2 Exhibits 38 through 39, is that correct?

3 **MS. CLARK:** That is correct, and we would move  
4 them into the record.

5 **CHAIRMAN CARTER:** Okay. Are there any  
6 objections?

7 **MR. WRIGHT:** No objection.

8 **CHAIRMAN CARTER:** Okay, 38 and 39.

9 (Exhibit Numbers 38 and 39 admitted into the  
10 record.)

11 **CHAIRMAN CARTER:** Now let's flip over to the  
12 back pages. Okay. Hang on one second, guys.

13 Okay. Mr. Mendiola, 383.

14 Turn your mike on, please.

15 **MR. MENDIOLA:** SFHHA moves for the admission  
16 of 383, 384, and 385.

17 **CHAIRMAN CARTER:** Okay. Are there any  
18 objections to 383, 384, and 385?

19 **MS. CLARK:** No, Mr. Chairman.

20 **CHAIRMAN CARTER:** Without objection, show it  
21 done.

22 (Exhibit Numbers 383, 384, and 385 admitted  
23 into the record.)

24 **CHAIRMAN CARTER:** Mr. Moyle, 386, I think that  
25 is you, isn't it?

1           **MR. MOYLE:** I think we had a discussion about  
2 that and we were going to wait on Mr. Barrett.

3           **CHAIRMAN CARTER:** That's correct.

4           **MR. MOYLE:** It was the capital expenditure  
5 chart, and I think on the other exhibit --

6           **CHAIRMAN CARTER:** That was a great idea, by  
7 the way.

8           **MR. MOYLE:** The other exhibit that FIPUG used  
9 on its cross was the salary information, the 165 and  
10 above, and I have talked with staff and with Mr. Butler  
11 on that, and I think it is important, you know, that it  
12 be part of the record. But rather than introducing it  
13 now as a FIPUG exhibit, staff has explained that it is  
14 easier to handle as a confidential document if they make  
15 it part of their confidential document set. So they  
16 have indicated that it will be set out as a separate  
17 exhibit --

18           **CHAIRMAN CARTER:** That's correct.

19           **MR. MOYLE:** -- to go in with staff on the  
20 confidential piece.

21           **CHAIRMAN CARTER:** Thank you, Mr. Moyle. And  
22 thank you, staff, for getting with Mr. Moyle on that. I  
23 wanted to make sure that we accommodated everyone on  
24 that particular issue.

25           Okay. Now, that brings us to Mr. Stewart.

1 Mr. Stewart on Exhibit 387.

2 Ms. Clark, do you have any objection to  
3 Mr. Olivera's testimony that was presented from 2005?

4 **MS. CLARK:** No objection.

5 **CHAIRMAN CARTER:** Okay. Show it done.

6 (Exhibit Number 387 admitted into the record.)

7 **CHAIRMAN CARTER:** Okay. Mr. Wright, you have  
8 got 388, 389, 390, 391, 392, 393, 394, 395, 396, and  
9 397.

10 **MR. WRIGHT:** Yes, sir, and I move their  
11 admission.

12 **MS. CLARK:** With the understanding that I  
13 don't object to those three exhibits I named, and with  
14 the understanding the two exhibits that I will move into  
15 the record will not be objected to.

16 **CHAIRMAN CARTER:** Is that your understanding,  
17 Mr. Wright?

18 **MR. WRIGHT:** It is, Mr. Chairman.

19 **CHAIRMAN CARTER:** Okeydokey. Let's do it,  
20 then. Without objection, show it done, Exhibits 388  
21 down through Exhibit 397, right, Mr. Wright?

22 **MR. WRIGHT:** Yes, sir. Thank you.

23 (Exhibit Numbers 388 through 397 admitted into  
24 the record.)

25 **CHAIRMAN CARTER:** Okay. Mr. Armstrong,

1 Exhibit 398.

2 **MR. ARMSTRONG:** Mr. Chair, I believe that  
3 was --

4 (Simultaneous conversation.)

5 **CHAIRMAN CARTER:** That's right.

6 **MR. ARMSTRONG:** We just reserve our rights,  
7 obviously.

8 **CHAIRMAN CARTER:** Okay. Well, we'll just --  
9 that will not be -- that exhibit will not be admitted,  
10 Commissioners, for your records. Let's still use it as  
11 a place holder, but 398 will not be entered into the  
12 record.

13 Staff, Exhibit 399.

14 **MS. BENNETT:** Staff would move 399 into the  
15 record. I would also like to discuss staff's composite  
16 exhibit, just the ones we used, and how we are going to  
17 propose --

18 **CHAIRMAN CARTER:** I'm going to come back to  
19 you. Do you want to do at 399?

20 **MS. BENNETT:** When you are finished with --

21 **CHAIRMAN CARTER:** Okay. I will do that. Are  
22 there any objections to Staff Exhibit 399? Without  
23 objection, show it done.

24 (Exhibit Number 399 admitted into the record.)

25 **CHAIRMAN CARTER:** Ms. Clark, 400 and 401.

1           **MS. CLARK:** We would move them into the  
2 record.

3           **MR. MOYLE:** We would just preserve our  
4 objection that we made when we talked about those. We  
5 don't want to waive that by not objecting now, but we  
6 don't need to have another discussion.

7           **CHAIRMAN CARTER:** Okay.

8           **MS. CLARK:** Mr. Chairman, it has just been  
9 pointed out to me that we should probably identify  
10 Late-Filed Exhibit 402.

11           **CHAIRMAN CARTER:** One momento, por favor. We  
12 are not there yet. 400 and 401, show it done.

13                   (Exhibit Numbers 400 and 401 admitted into the  
14 record.)

15           **CHAIRMAN CARTER:** The late-filed will be  
16 Exhibit Number 402. I wanted to make sure that  
17 Ms. Bradley was here before we went through that, and  
18 she assured me that she is comfortable with the  
19 information that is presented based upon the parties.

20                   Now, Ms. Clark, Exhibit 402, the late-filed.  
21 Give me a title, please.

22           **MS. CLARK:** That is what I am struggling with.

23           **CHAIRMAN CARTER:** Oh, okay. While you are  
24 thinking about a title, let me go to staff for the  
25 staff -- staff, let's go through to the exhibits.

1           **MS. BENNETT:** Just for clarity, Staff's  
2 Composite Exhibits 35, 36, and 37 we are going to move  
3 in at the end of the record. But what I would like is  
4 for those three exhibits that we discussed, I would like  
5 to know if there is any objections and have a ruling on  
6 those. So that would be 79, 81, and 82 of Staff's  
7 Composite Exhibit 35.

8           **CHAIRMAN CARTER:** Are there any objections to  
9 exhibits -- what was it, 79 through 82, is that correct?

10          **MS. BENNETT:** We are not going to enter 80;  
11 79, 81, and 82.

12          **CHAIRMAN CARTER:** 79, 80, and 82.

13          **MS. BENNETT:** 81 and 82, sorry.

14          **CHAIRMAN CARTER:** Okay. Let's take them one  
15 at a time. 79. Without objection, show it done.

16          **MR. MOYLE:** No objection.

17 (Exhibit Number 79 admitted into the record.)

18          **CHAIRMAN CARTER:** Ms. Bennett.

19          **MS. BENNETT:** 81.

20          **CHAIRMAN CARTER:** 81. Any objections?  
21 Without objection, show it done.

22 (Exhibit Number 81 admitted into the record.)

23          **CHAIRMAN CARTER:** Ms. Bennett.

24          **MS. BENNETT:** 82.

25          **CHAIRMAN CARTER:** 82. Any objections?



1 Without objection, show it done.

2 (Exhibit Number 82 admitted into the record.)

3 **CHAIRMAN CARTER:** Ms. Bennett.

4 **MS. BENNETT:** That would be it. Thank you.

5 **CHAIRMAN CARTER:** Okay. Now --

6 **MR. WRIGHT:** Mr. Chairman.

7 **CHAIRMAN CARTER:** Yes, sir, Mr. Wright.

8 **MR. WRIGHT:** If I could just try to speed  
9 things up. I think that an appropriate title for what  
10 is going to be 402 would just be FPL and FPL Group CEO  
11 Stock Holdings. And given the work out that we have  
12 agreed to, it might be better to have that not be a  
13 late-filed, flag it as 402, and then we will deal with  
14 it when Ms. Slattery takes the stand.

15 **CHAIRMAN CARTER:** Ms. Bradley, are you  
16 comfortable with that?

17 **MS. BRADLEY:** Yes, sir.

18 **MS. CLARK:** As am I, and thank you for the  
19 title.

20 **CHAIRMAN CARTER:** Give me that title again,  
21 Mr. Wright.

22 **MS. CLARK:** I would say FPL's CEO Stock  
23 Holdings.

24 **CHAIRMAN CARTER:** FPL CEO's Stock Holdings.  
25 And that will come in -- just remind me when we get

1 there so we can deal with that.

2 Ms. Clark, so you will be 402. That will  
3 be -- what witness will that be?

4 **MS. CLARK:** Slattery.

5 **CHAIRMAN CARTER:** Slattery.

6 (Late-filed Exhibit Number 402 marked for  
7 identification.)

8 **CHAIRMAN CARTER:** Okay. Staff.

9 **MS. BENNETT:** There are no other --

10 **CHAIRMAN CARTER:** No other staff exhibits?

11 **MS. BENNETT:** No other staff exhibits.

12 **CHAIRMAN CARTER:** Any other -- did I get all  
13 the parties' exhibits? Okay. Anything further for this  
14 witness on direct?

15 **MS. CLARK:** No. And may he be excused?

16 **CHAIRMAN CARTER:** He can go on a recess, but  
17 he can't -- yes, sir. Thank you, Mr. Olivera.

18 **MS. CLARK:** Thank you.

19 **CHAIRMAN CARTER:** Recess just means that he'll  
20 be back for rebuttal, that's all it means.

21 Okay. Call your next witness.

22 Mr. Butler, give me a heads up so I can have  
23 the right volume up here. You know, we are making  
24 accommodations for this witness.

25 **MR. BUTLER:** I'm sorry, Mr. Chairman. What

1 are you looking for?

2 **CHAIRMAN CARTER:** Yes. The witness, because  
3 we are taking him out of order. Give me some --

4 **MR. BUTLER:** I'm sorry, Mr. Stall.

5 **CHAIRMAN CARTER:** So I have got to pick up  
6 another volume here.

7 **MR. ROSS:** Good afternoon, Mr. Chairman and  
8 Commissioners.

9 **CHAIRMAN CARTER:** Good afternoon. You may  
10 proceed.

11 **MR. ROSS:** Let me make just one comment. I  
12 would like to express the company's appreciation to the  
13 parties for agreeing to take Mr. Stall out of order. It  
14 is very important and we really appreciate the  
15 cooperation.

16 **CHAIRMAN CARTER:** We have a proud tradition of  
17 collegiality here at the Commission among our attorneys,  
18 and I appreciate that.

19 **MR. ROSS:** Mr. Chairman, Mr. Stall has not  
20 been sworn.

21 **CHAIRMAN CARTER:** Okeydokey. Would you please  
22 stand and raise your right hand?

23 (Witness sworn.)

24 **CHAIRMAN CARTER:** You may proceed.

25 JOHN ARTHUR STALL

1 was called as a witness on behalf of Florida Power and  
2 Light Company, and having been duly sworn, testified as  
3 follows:

4 DIRECT EXAMINATION

5 **BY MR. ROSS:**

6 Q. Would you please state your name and business  
7 address?

8 A. My name is John Arthur Stall, 700 Universe  
9 Boulevard, Juno Beach, Florida.

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

11 A. I am employed by Florida Power and Light  
12 Company, President of the Nuclear Division.

13 Q. Have you prepared and caused to be filed 45  
14 pages of prefiled direct testimony in this proceeding?

15 A. I have.

16 Q. Did you also cause to be filed errata to your  
17 testimony?

18 A. I have.

19 Q. Would you just explain for the parties what  
20 the errata is? It is just one change.

21 A. It is on Page 36, Line 4, it would change the  
22 amount from 543 million to 547 million.

23 Q. Do you have any further changes or revisions  
24 to your prefiled direct testimony?

25 A. I do not.

1           **Q.** With the one change you indicated, if I asked  
2 you the same questions contained in your direct  
3 testimony, would your answers be the same?

4           **A.** Yes.

5           **MR. ROSS:** Mr. Chairman, I ask that  
6 Mr. Stall's prefiled direct testimony be inserted into  
7 the record as though read.

8           **CHAIRMAN CARTER:** The prefiled testimony of  
9 the witness will be inserted into the record as though  
10 read.

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1           **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                   **FLORIDA POWER & LIGHT COMPANY**

3                           **DIRECT TESTIMONY OF J.A. STALL**

4                                   **DOCKET NO. 080677-EI**

5  
6   **Q.    Please state your name and business address.**

7    A.    My name is J.A. (Art) Stall. My business address is Florida Power & Light  
8           Company (FPL), 700 Universe Boulevard, Juno Beach, Florida, 33408-0420.

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

10   A.    I am employed by FPL Group, Inc. as President, FPL Group Nuclear.

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

12   A.    I am responsible for the overall strategic direction for all of FPL's nuclear  
13           assets, consisting of four nuclear units in Florida -- two at Turkey Point  
14           Nuclear Plant near Florida City, Florida, (1,386 MW) and two at St. Lucie  
15           Nuclear Plant, near Jensen Beach, Florida (1,677 MW). I also hold this same  
16           responsibility for the nuclear plants owned by FPL's affiliates -- one unit at  
17           Seabrook Station in Seabrook, New Hampshire (1,294 MW), one unit at  
18           Duane Arnold Energy Center in Palo, Iowa (600 MW), and two units at Point  
19           Beach Nuclear Plant in Two Rivers, Wisconsin (1,036 MW).

20   **Q.    Please describe your educational background and overview of your  
21           experience in nuclear operations.**

22   A.    I earned my Bachelor of Science degree in nuclear engineering from the  
23           University of Florida in 1977. I also earned a Master's degree in Business

1 Administration from Virginia Commonwealth University in 1983. I am a  
2 career nuclear professional with approximately 30 years of nuclear operating  
3 experience. I joined Virginia Power Company in 1977, where I held various  
4 positions of increasing responsibility, including superintendent of operations,  
5 assistant station manager for safety and licensing, and superintendent of  
6 technical services. I also held a senior nuclear reactor operator license from  
7 the U.S. Nuclear Regulatory Commission (NRC) while working at Virginia  
8 Power Company's nuclear plants. In 1996, I joined FPL as the Site Vice  
9 President at the St. Lucie Nuclear Plant. From 2000 to 2001, I was Vice  
10 President for Nuclear Engineering at FPL. I was named Senior Vice  
11 President, Nuclear Operations, and Chief Nuclear Officer at FPL in June  
12 2001, and in 2008 I was named Executive Vice President, Nuclear Operations,  
13 and Chief Nuclear Officer. In these positions, I was responsible for the day-  
14 to-day operations of all of FPL and NextEra Energy Resources (formerly  
15 known as FPL Energy) nuclear plants. In January 2009, I was named  
16 President, FPL Group Nuclear.

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

18 A. Yes, I am sponsoring the following Exhibits:

- 19 • JAS-1 – FPL Nuclear Personnel Safety
- 20 • JAS-2 – INPO Index
- 21 • JAS-3 -NRC Performance Indicators for St. Lucie and Turkey Point
- 22 • JAS-4 –NRC Inspection Findings for St. Lucie and Turkey Point for  
23 2008

- 1 • JAS-5 –NRC Regulatory Status for St. Lucie and Turkey Point
- 2 • JAS-6 – Capacity Factors for FPL Nuclear
- 3 • JAS-7 – Equivalent Availability Factor for FPL Nuclear
- 4 • JAS-8 –Annual Capital Expenditures for St. Lucie and Turkey Point
- 5 • JAS-9 –Cumulative Capital Investment 2006-2011
- 6 • JAS-10 – Annual Operations & Maintenance (O&M) Expenditures for
- 7 St. Lucie and Turkey Point

8 **Q. Are you sponsoring or co-sponsoring any Minimum Filing Requirements**  
9 **(MFRs) in this case?**

10 A. Yes, I am sponsoring the following MFR:

- 11 • F-4, NRC Safety Citations

12 I am co-sponsoring the following MFRs:

- 13 • B-12, Production Plant Additions (Subsequent Year)
- 14 • B-13, Construction Work in Progress
- 15 • B-16, Nuclear Fuel Balances
- 16 • B-24, Leasing Arrangements
- 17 • C-8, Detail of Changes in Expenses
- 18 • C-15, Industry Association Dues (Test Year, Subsequent Year)
- 19 • C-16, Outside Professional Services
- 20 • C-41, O&M Benchmark Variance By Function
- 21 • C-43, Security Costs



1 I am also sponsoring or co-sponsoring the following 2009 supplemental MFR  
2 schedules that FPL has agreed with the Commission Staff and the Office of  
3 Public Counsel to file:

- 4 • F-4, NRC Safety Citations
- 5 • B-13, Construction Work in Progress
- 6 • C-15, Industry Association Dues
- 7 • C-41, O&M Benchmark Variance By Function

8 **Q. What is the purpose of your testimony in this proceeding?**

9 A. The purpose of my testimony is to (1) describe how FPL's nuclear fleet  
10 performance has yielded significant benefits to FPL customers; (2) describe  
11 challenges facing FPL's nuclear operations, including new and evolving NRC  
12 requirements; (3) describe additional steps FPL is taking or plans to take to  
13 address these challenges and to improve efficiencies; (4) discuss FPL's  
14 accomplishments on items discussed in my testimony filed in FPL's 2005  
15 Rate Case; and (5) discuss the resulting impact of topics (1) through (4) on the  
16 2010 Test Year and 2011 Subsequent Year costs for FPL's nuclear operations.

17 **Q. Please summarize your testimony.**

18 A. FPL's nuclear power plants are a source of reliable, safe, and cost effective  
19 energy for FPL's customers. These plants are a key component of FPL's  
20 energy mix that benefits FPL's customers in terms of fuel savings, enhanced  
21 system fuel diversity, and reductions of greenhouse gas (GHG) emissions, all  
22 of which are very important considerations in light of the current difficult  
23 economic situation. In order to continue the reliable, safe, and cost effective

1 operation of FPL's nuclear power plants, to meet the significant operational  
2 and regulatory challenges and evolving NRC requirements facing these plants,  
3 and to position our plants for operation into their renewed license terms, FPL  
4 is required to increase its capital and O&M spending to implement required  
5 equipment upgrades, and recruit and retain a qualified workforce.

6  
7 **BACKGROUND ON FPL'S NUCLEAR ENERGY OPERATIONS**

8  
9 **Q. Please describe FPL's nuclear plants.**

10 A. FPL's long and successful involvement with nuclear power started in the mid-  
11 1960s with the first order for nuclear generation in the South. FPL's plans to  
12 build nuclear units at the Turkey Point Plant were announced in 1965, and the  
13 first nuclear unit achieved commercial operation in 1972. FPL is currently  
14 licensed by the NRC to operate the St. Lucie Nuclear Plant, Units 1 and 2, and  
15 the Turkey Point Nuclear Plant, Units 3 and 4. Turkey Point Units 3 and 4 are  
16 pressurized water reactors designed by Westinghouse. Unit 3 commenced  
17 commercial operation in 1972, and Unit 4 did so in 1973. St. Lucie Units 1  
18 and 2 are pressurized water reactors designed by Combustion Engineering  
19 (now owned by Westinghouse). Unit 1 went into commercial operation in  
20 1976, and Unit 2 did so in 1983.

21 **Q. Describe the ownership structure for FPL's nuclear units.**

22 A. FPL owns 100 percent of Turkey Point Units 3 and 4 and St. Lucie Unit 1.  
23 FPL owns 85.10449 percent of St. Lucie Unit 2. The balance of St. Lucie

1 Unit 2 is owned by the Florida Municipal Power Agency, which owns 8.806  
2 percent, and the Orlando Utilities Commission, which owns 6.08951 percent.

3 **Q. How long are FPL's nuclear units currently licensed to operate?**

4 A. In June 2002, FPL received renewed operating licenses from the NRC for  
5 Turkey Point Units 3 and 4, and in October 2003, FPL received renewed  
6 operating licenses from the NRC for St. Lucie Units 1 and 2. The renewed  
7 licenses give FPL the authority to operate each unit for twenty years past the  
8 original license expiration date should FPL choose to do so. Accordingly, the  
9 current license expiration dates are for Turkey Point Unit 3, 2032; for Turkey  
10 Point Unit 4, 2033; for St. Lucie Unit 1, 2036; and for St. Lucie Unit 2, 2043.

11 **Q. Has FPL decided yet whether to operate its nuclear plants for the full  
12 period of extended operation as authorized by the renewed NRC  
13 operating licenses?**

14 A. No. FPL will periodically review the prudence of the continued operation of  
15 these plants, in light of changing regulatory requirements and the overall  
16 economics of continued operation. I should add, however, that I fully expect  
17 FPL to operate Turkey Point and St. Lucie well into their renewed license  
18 periods and the company is making necessary investments to preserve this  
19 option.

20 **Q. Is FPL pursuing power uprates to its nuclear plants?**

21 A. Yes. FPL is pursuing power capacity uprates for Turkey Point and St. Lucie.  
22 The power uprates at Turkey Point and St. Lucie will be implemented in 2011  
23 and 2012. At Turkey Point, each unit is expected to increase gross power by

1 about 14 percent. The net increase will be about 104 MW per unit for a two-  
2 unit total of about 208 MW. At St. Lucie, each unit is expected to increase  
3 gross power by about 11 percent. The net increase will be 103 MW per unit  
4 for a two-unit total of 206 MW.

5  
6 This project is the best choice for addressing FPL's future capacity needs  
7 starting in 2012 and 2013. Since the electric power needs of Florida will  
8 continue to grow, uprating an existing nuclear plant, which will involve no  
9 new plant construction and can be accomplished within the existing nuclear  
10 plant footprints, is a reliable and an environmentally attractive way to generate  
11 additional electricity. The need for these projects was previously determined  
12 by the Florida Public Service Commission (Commission). FPL is authorized  
13 to recover certain costs through the Nuclear Cost Recovery Clause.

14  
15 In an era of increasing uncertainty, FPL's focus is on creating and preserving  
16 a high level of resource options for its system. The addition of the nuclear  
17 capacity uprates will immediately benefit FPL's customers in terms of fuel  
18 savings and enhanced system fuel diversity, as well as result in deferral of  
19 new capacity additions.

20  
21 Importantly, the Turkey Point and St. Lucie uprates will reduce FPL's system  
22 GHG emissions consistent with the policy directives of Governor Crist.  
23 Given FPL's current fuel mix, the addition of non-fossil fuel, non-greenhouse

1 gas emitting sources for generation is necessary to maintain system reliability,  
2 increase fuel diversity and allow progress toward meaningful GHG  
3 reductions.

4 **Q. Is FPL considering new nuclear capacity?**

5 A. Yes. FPL is pursuing the necessary licenses and approvals to allow  
6 construction of two advanced-design nuclear plants at Turkey Point that  
7 would add 2,200 megawatts. If built, the units are expected to go into service  
8 in the years 2018 and 2020. The Commission's approval of the need for these  
9 units in April 2008, and subsequent approval of nuclear cost recovery for the  
10 project in November 2008, represent important steps in a process that will  
11 take 10 years or more. The nuclear cost recovery process sets forth a  
12 deliberate and transparent review process, by which FPL and the FPSC  
13 annually review the feasibility of the Turkey Point 6 and 7 project. The  
14 licensing and approvals process involves comprehensive reviews with  
15 government agencies and wide-ranging discussions and consultations with  
16 local residents and governments, including licensing review and project  
17 oversight by the NRC. Under the Florida Power Plant Siting Act, the  
18 Governor and Cabinet must also approve the project.

19

#### 20 **FPL'S NUCLEAR PLANT PERFORMANCE**

21

22 **Q. What metrics are used by FPL to measure the performance of FPL's**  
23 **nuclear plants?**

1 A. FPL uses the following metrics to measure the performance of our nuclear  
2 plants: personnel safety, nuclear safety, reliability, regulatory performance as  
3 measured by the NRC, and overall plant performance as measured by an  
4 objective numerical index maintained by the Institute for Nuclear Power  
5 Operations (INPO). INPO is an organization that promotes the highest levels  
6 of safety and reliability by promoting excellence in the operation of nuclear  
7 electric generating plants. FPL is a member of INPO.

8 **Q. Please describe the personnel safety performance of the Nuclear Business**  
9 **Unit.**

10 A. FPL has an excellent personnel safety record. FPL measures its personnel  
11 safety performance using a standard from the Occupational Safety and Health  
12 Administration (OSHA) of the U.S. Department of Labor known as an OSHA  
13 recordable injury. Exhibit JAS-1 shows FPL's substantial improvement in the  
14 area of personnel safety over the last 14 years. In 1994, FPL had 68  
15 recordable injuries in its nuclear operations. In contrast, there were less than  
16 10 recordable injuries for each year in the 2001-2008 period. FPL is  
17 committed to conducting its nuclear operations in a safe and responsible  
18 manner that avoids injuries and promotes the physical safety and well being of  
19 its employees. This performance was recognized in 2007 when FPL received  
20 the Southeastern Electric Exchange award for the best nuclear industrial safety  
21 performance in the Southeast.

1 **Q. Please describe the nuclear safety and reliability performance of FPL's**  
2 **nuclear power plants.**

3 A. FPL's nuclear plant performance reflects a strong and improving nuclear  
4 safety and reliability record. FPL measures its nuclear plant performance  
5 using the INPO index (Exhibit JAS-2). The INPO index is a metric of nuclear  
6 plant safety and reliability widely used in the U.S. nuclear power industry.  
7 The INPO index is calculated by summing weighted values of the following  
8 key indicators:

- 9 1. Unit Capability Factor (15 percent)
- 10 2. Forced Loss Rate (15 percent)
- 11 3. Unavailability of High Pressure Safety Injection System (10 percent)
- 12 4. Unavailability of Auxiliary Feedwater System (10 percent)
- 13 5. Unavailability of Emergency AC Power System (Site Average) (10  
14 percent)
- 15 6. Unplanned Automatic Reactor Trips (10 percent)
- 16 7. Collective Radiation Exposure (10 percent)
- 17 8. Nuclear Fuel Reliability/Fuel Rod Defects (10 percent)
- 18 9. Quality of Secondary Water Chemistry (five percent)
- 19 10. Industrial Safety (five percent)

20

21 Prior to 2004, FPL's performance as measured by the INPO index was in the  
22 top half of the industry. However, FPL's performance has been affected since  
23 that time by the need to make major component replacements associated with

1 several key industry events. Industry events impacting INPO indices on U.S.  
2 pressurized water reactors during this time period were the discovery of  
3 degradation in reactor vessel head penetrations at multiple plants, most  
4 notably the findings at the Davis-Besse nuclear plant in 2002; continuing  
5 deterioration in alloy 600 steam generator tubes at a number of pressurized  
6 water reactor plants, including a tube rupture at the Indian Point plant; and  
7 pressurizer heater weld degradation at a number of plants.

8  
9 To address these issues, FPL has completed the following major component  
10 replacements based on these industry events: replacement of reactor pressure  
11 vessel heads on each of its four units; replacement of the pressurizer at St.  
12 Lucie Unit 1; and replacement of the St. Lucie Unit 2 steam generators. The  
13 efforts by FPL to ensure major component integrity required extended outage  
14 durations for these component replacements which affected some of the INPO  
15 indicators. However, FPL was an early mover at addressing these industry  
16 issues. FPL's actions will ensure integrity of these major components for  
17 extended life operations for St. Lucie and Turkey Point, thereby saving  
18 customers significant expenditures for these replacements, and positioning its  
19 nuclear plants for safer, more reliable long term performance, as discussed in  
20 further detail in my testimony. These investments have already showed  
21 performance improvements that are reflected in the INPO index measurement  
22 in three consecutive years (2006-2008), and I expect this improvement to  
23 continue.



1 **Q. How does the NRC rate FPL's nuclear safety record?**

2 A. The nuclear safety aspects of FPL's nuclear operations are comprehensively  
3 regulated by the NRC. The NRC maintains and tracks a set of performance  
4 indicators as objective measures of nuclear safety performance. These  
5 indicators monitor performance in initiating events, performance of safety  
6 systems, maintenance of fission product barrier integrity, emergency  
7 preparedness, occupational and public radiation safety, and physical  
8 protection (security). As shown in Exhibit JAS-3, all four of FPL's nuclear  
9 units are in the "green" band of all NRC Performance Indicators, indicating  
10 good nuclear safety performance in 2008. As shown in Exhibit JAS-4, all of  
11 the NRC inspection findings for 2008 were also in the "green" band,  
12 illustrating no findings with any nuclear safety significance. Since the NRC  
13 performance indicator program was introduced in the fourth quarter of 2000,  
14 all of the performance indicators for FPL's nuclear plants have been in the  
15 "green" band with one exception for one quarter.

16 **Q. How do FPL's nuclear plants compare to the remainder of the industry in  
17 terms of the NRC performance system?**

18 A. From the NRC's perspective, FPL's plants compare favorably with the  
19 remainder of the industry. Based on the NRC's Performance Indicators and  
20 inspection activities, the NRC determines the appropriate level of agency  
21 response, including the need for supplemental inspections, regulatory actions,  
22 and senior management meetings. Nuclear plants in the "green" band receive  
23 only baseline NRC inspections. Approximately 17 percent of the nuclear

1 plants in the United States are characterized by the NRC as having a level of  
2 plant performance requiring increased NRC regulatory involvement for those  
3 plants: the “regulatory response” category (14 plants having at least one  
4 regulatory finding of low to moderate safety significance in the past 12  
5 months); the “degraded cornerstone” category (three plants), and the  
6 “multiple/repetitive degraded cornerstone” category (one plant having a  
7 regulatory finding of low to moderate safety significance, a regulatory finding  
8 of substantial safety significance, or a finding of high safety significance,  
9 usually coupled with inadequate corrective actions). As illustrated by Exhibit  
10 JAS-5, none of FPL’s units falls into these categories. The NRC conducts  
11 additional inspections of plants with performance indicators showing  
12 degraded performance (white, yellow, or red). This regulatory structure  
13 places a premium on FPL’s ability to identify and correct problems.  
14 Degraded performance can result in increased NRC regulatory activity, which  
15 in turn would require management attention to these NRC inspections and  
16 increase O&M costs accordingly. FPL’s 2008 regulatory performance has  
17 ensured only baseline inspections at FPL’s nuclear units.

18 **Q. Please describe FPL’s nuclear generation performance and compare this**  
19 **performance to the rest of the nuclear industry.**

20 A. As shown in Exhibits JAS-6 and JAS-7, FPL’s nuclear plants have continued  
21 to improve their generation performance as measured by capacity factors  
22 (including the planned extended refueling outages for major component  
23 replacements and other equipment related issues) and equivalent availability

1 factors at or near the nuclear industry average. These factors were achieved  
2 and are improving while at all times maintaining solid levels of safety and  
3 regulatory performance. The benefit of this work has already manifested itself  
4 in capacity factors and equivalent availability factors that were improved in  
5 2008 when compared to 2007 results. The lower capacity factor in 2005 was  
6 driven primarily by two major planned outages: the St. Lucie Unit 1 outage to  
7 replace the reactor pressure vessel head and the pressurizer; and the Turkey  
8 Point Unit 4 outage to replace the reactor pressure vessel head. The lower  
9 capacity factor in 2007 was to replace the reactor pressure vessel head and  
10 two steam generators at St. Lucie Unit 2 during the same outage. The work  
11 performed during these outages is resulting in long term benefits for FPL's  
12 customers, as discussed further below.

13 **Q. Please summarize the benefits of the operations of nuclear generation to**  
14 **FPL's customers.**

15 A. The preservation of FPL's nuclear generating assets immediately benefits  
16 FPL's customers in terms of fuel savings and enhanced system fuel diversity,  
17 and reductions in FPL's system GHG emissions consistent with the policy  
18 directives of Governor Crist. Given FPL's current fuel mix, the maintenance  
19 of non-fossil fuel, non-GHG emitting sources for generation is necessary to  
20 maintain system reliability, increase fuel diversity and allow progress toward  
21 meaningful GHG reductions.

1 **Q. Please describe the benefits of operating a large nuclear fleet.**

2 A. FPL and its affiliates are collectively the third largest nuclear operator in the  
3 United States, owning and operating eight nuclear units at five locations.  
4 FPL's affiliates own interests in and operate the Duane Arnold Energy Center  
5 in Iowa, the Point Beach Nuclear Plant, Units 1 and 2, in Wisconsin, and  
6 Seabrook Station in New Hampshire. There are several important benefits of  
7 owning and operating a large fleet of nuclear plants. First, we are able to  
8 directly share operational experience among the plants in its nuclear fleet. We  
9 also share operational experience in occupational health and safety matters  
10 that improve plant safety. Second, we continuously pursue standardization of  
11 programs and procedures and share best practices among our nuclear fleet,  
12 improving safety, efficiencies, and reducing costs. Third, we are able to  
13 leverage contracts for goods and services among our nuclear fleet, resulting in  
14 more favorable pricing and contract terms. Fourth, we are able to maintain a  
15 staff of subject matter experts to address specific technical or regulatory issues  
16 that may arise at our nuclear plants. It is increasingly difficult and expensive  
17 for smaller nuclear operators or operators of single nuclear units to retain such  
18 in-house expertise. Fifth, in a similar manner, each of our fleet's nuclear  
19 plants maintains an inventory of spare parts, enabling plants to share critical  
20 spare parts in some circumstances. Sixth, with the trend of consolidation in  
21 the nuclear industry, recruiting and retaining talent in an aging workforce has  
22 become a significant challenge. One of the key benefits of operating a large  
23 nuclear fleet is the existence of numerous business opportunities for

1 employees to pursue career advancement in our nuclear program in different  
2 jobs at different locations. All of these benefits are not available to the  
3 operator of a smaller nuclear fleet or a single nuclear plant.

4  
5 In summary, FPL is proud of its nuclear performance, both from a safety and  
6 reliability standpoint. However, this performance cannot be sustained without  
7 continued investment in our nuclear plants and our people.

8

9

### COMPLIANCE WITH NEW AND EVOLVING

10

### NRC REQUIREMENTS

11

12 **Q. Have new NRC requirements and commitments affected costs?**

13 A. Yes. New NRC requirements, such as new gas accumulation limitations, new  
14 containment sump requirements, and regulatory commitments regarding alloy  
15 600 issues have increased costs and also made costs less predictable, as  
16 explained in further detail below.

17 **Q. Please describe new NRC gas accumulation requirements and the  
18 impacts on FPL.**

19 A. The NRC recently issued Generic Letter 2008-01 which requires each licensee  
20 to demonstrate that gas voids within the Emergency Core Cooling, Decay  
21 Heat Removal, and Containment Spray Systems are maintained below the  
22 levels that would challenge system operability and that appropriate action is

1 taken when gas accumulation is identified. Gas accumulation in safety related  
2 and safety significant piping systems can challenge system operability.

3  
4 In order to address the NRC's technical concerns, FPL has installed vent  
5 valves, and will likely be required to install additional vent valves, to support  
6 operability of these systems. In order to determine where these vent valves  
7 need to be installed, walkdowns and analyses of the existing piping  
8 configuration will be performed; analyses will be required to determine  
9 susceptibility of pumps to gas intrusion issues based on walkdown results;  
10 pump testing may be required to determine allowable void fraction acceptance  
11 criteria; performance of ultrasonic testing of piping will be performed to  
12 determine the location of air pockets. Required modifications may include:  
13 installation of vent valves in certain locations based on walkdown results and  
14 analysis of susceptibility; installation of water accumulator tanks to piping  
15 systems; installation of removable panels in piping insulation; and installation  
16 of monitoring equipment. Industry experience indicates that the installation of  
17 as many as 50 additional vent valves as well as other modifications could be  
18 required at each nuclear plant in order to comply with the generic letter. The  
19 vent valve installations into existing systems will require extensive scaffold  
20 and platform erection, and insulation removal/re-installation. The overall cost  
21 of this work is estimated to be approximately \$15.3 million in capital  
22 expenditures.

1 **Q. Please describe the NRC's containment sump design and performance**  
2 **requirements.**

3 A. In 2003 and 2004, the NRC issued generic communications to the nuclear  
4 industry to assess performance of pressurized water reactor containment  
5 sumps based on NRC's conclusion that current sump designs were non-  
6 conservative. The NRC requested licensees to confirm compliance with  
7 applicable regulatory requirements, or describe any compensatory measures  
8 implemented to reduce the potential risk for sump blockage, and requested  
9 FPL to perform plant specific evaluations of the potential for sump blockage  
10 resulting from postulated design basis accidents and to provide the results of  
11 the analysis and a schedule for completion of the modifications to bring the  
12 sump into compliance with the new requirements. The resulting analyses  
13 demonstrated that modifications to the existing sump configurations at all four  
14 FPL nuclear units were required to increase sump screen area.

15  
16 FPL has completed its responses to the NRC and the design, analysis, testing,  
17 fabrication, and installation of containment sump strainers at St. Lucie and  
18 Turkey Point. FPL has also completed downstream effects analyses and  
19 chemical effects testing for its containment sump installations at its nuclear  
20 plants. This issue however, is, not yet resolved as NRC continues to question  
21 the downstream chemical effects methodology used by FPL and the industry  
22 to demonstrate the adequacy of the new containment sump installations. In  
23 September 2008, the NRC issued formal Requests for Additional Information

1 that resulted in FPL agreeing to perform additional testing for St. Lucie Unit 1  
2 and additional analyses for Turkey Point Unit 3. In addition, NRC concerns  
3 with a generic methodology to address downstream effects will require FPL to  
4 perform additional analyses after industry testing is completed. It is probable  
5 that additional expenditures will result from this testing and regulatory review,  
6 but these potential expenditures cannot be quantified at this time.

7  
8 The total cost to date, for preparing the containment sump Generic Letter  
9 responses, plant specific analyses, modification design, equipment fabrication,  
10 and installation was approximately \$59.4 million in capital expenditures  
11 (representing spending from 2006 through 2008).

12 **Q. What impact could all of these challenges have on FPL?**

13 A. Failure to maintain the condition of safety-related equipment at FPL's nuclear  
14 plants could have substantial economic, safety, reliability, and regulatory  
15 consequences for FPL, as illustrated by events at other nuclear plants. The  
16 discovery of the reactor head degradation at Davis-Besse caused that plant to  
17 be shut down for more than two years for regulatory reasons, with resulting  
18 impacts of more than \$600 million to that company. In this context, the NRC  
19 received significant criticism from stakeholders, including members of  
20 Congress, for not taking a stronger position on ongoing equipment problems  
21 at Davis-Besse and for a perception that the NRC allowed Davis-Besse to  
22 continue operating for economic reasons. The result of the Davis-Besse event  
23 is that there is now a significant premium on critical self-identification and



1 problem resolution. This has numerous implications for FPL and other  
2 nuclear plant operators, including reduced regulatory tolerance for equipment  
3 degradation issues in general. This reduced tolerance for equipment problems  
4 has resulted in longer and more expensive outages at FPL and throughout the  
5 industry.

6 **Q. Does the age of FPL's nuclear plants exacerbate these challenges?**

7 A. Yes. Turkey Point Units 3 and 4 have each been in service for more than 35  
8 years, St. Lucie Unit 1 has been in service for 32 years, and St. Lucie Unit 2  
9 has been in service for 25 years. As noted above, equipment aging is resulting  
10 in an increase in the amount of work necessary to operate safely and reliably,  
11 and has resulted in unplanned generation loss. In addition, the NRC  
12 regulatory environment since the Davis-Besse event strongly discourages  
13 operation with degraded equipment even if that degradation does not cause a  
14 direct threat to safety or reliability. Accordingly, FPL has invested in and  
15 must continue to invest in its nuclear program in order to preserve the viability  
16 of FPL's nuclear plants into the renewed license terms.

17

## 18 **RESPONSES TO CHALLENGES TO FPL'S NUCLEAR PROGRAM**

19

20 **Q. How is FPL reacting to the challenges to its nuclear program?**

21 A. The challenges to FPL's nuclear program are driving proactive and major  
22 investments in plant equipment programs, staffing, and training to preserve  
23 the nuclear option. As part of a long-range plan, FPL is focusing on the

1 infrastructure necessary to ensure the successful execution of a multi-year  
2 capital investment program. The areas of focus are: improvements in plant  
3 material condition, address equipment reliability and aging, backlog reduction  
4 and staffing. In order to meet these challenges, FPL plans on making  
5 significant capital investments in its nuclear plants. FPL is also undertaking  
6 several operational programs which will result in significant additional O&M  
7 expenses.

8 **Q. What is included in FPL's capital investment effort?**

9 A. FPL is investing in updating the technology and maintenance at our nuclear  
10 facilities to maximize fuel savings, as well as environmental and fuel diversity  
11 benefits, of existing nuclear generation, to permit the safe and reliable  
12 operation of its nuclear units into their renewed license terms. The major  
13 projects included in the capital investment effort are:

- 14 1. Turkey Point Excellence Project;
- 15 2. Equipment Replacement Related to Alloy 600 Issues and the St. Lucie  
16 Pressurizers;
- 17 3. License Renewal Efforts;
- 18 4. St. Lucie and Turkey Point Long Term Equipment Reliability Projects;
- 19 5. Nuclear Asset Management System project implementation;
- 20 6. Control Room Digital Upgrades;
- 21 7. Spent Fuel Storage Initiatives; and
- 22 8. St. Lucie In-Core Instrument Thimble Replacements.

23

1 The details of each of these efforts and their cost impact are explained further  
2 below.

3 **Q. Please explain the Turkey Point Excellence Project.**

4 A. FPL has implemented a multi-year initiative for the Turkey Point Nuclear  
5 Plant called "Turkey Point Excellence." This initiative was implemented at  
6 Turkey Point in late 2007 in an effort to focus efforts on the restoration of  
7 equipment and material condition, on training and qualifying new staff,  
8 reducing attrition rate and on modifying processes and procedures to improve  
9 workforce efficiency.

10

11 The Turkey Point Excellence project is divided into three categories:  
12 addressing people, process, and plant improvements. In the "people"  
13 category, the project is focused on addressing filling station staffing to  
14 approved numbers, attracting and retaining talented employees, establishing  
15 and reinforcing standards and expectations, improving leadership skills,  
16 providing professional work environment for employees, and implementing a  
17 career development program. In the "process" category, the project focuses  
18 on implementing a procedure upgrade program, reducing the corrective action  
19 backlog, upgrading training programs, and implementing process  
20 improvements consistent with industry best practices. In the "plant  
21 improvement" category, the project is focused on reducing on-line and outage  
22 maintenance and corrective action backlogs, proactive management of age-  
23 related corrosion and coatings related issues, improving operational margin,

1 and implementing a preventative maintenance optimization program. FPL  
2 estimates that the capital expenditures of the Turkey Point Excellence Project  
3 from 2007-2011 will be approximately \$220 million. The implementation of  
4 this project is designed to result in improved capacity factors and equivalent  
5 availability factors for Turkey Point, thereby resulting in benefits to customers  
6 through fuel savings and enhanced system fuel diversity, and reductions in  
7 greenhouse gas emissions.

8 **Q. Please explain the alloy 600 issues affecting FPL's nuclear plants.**

9 A. Operators of pressurized water reactors have experienced age-related  
10 degradation of alloy 600 materials within the nuclear steam supply system.  
11 Alloy 600 is a nickel chromium iron alloy that has been used for many years  
12 in applications which require resistance to corrosion and heat. Because of  
13 these traits, it was used extensively as a construction material in nuclear plants  
14 throughout the industry. The principal degradation mechanism for alloy 600  
15 is primary water stress corrosion cracking. The issues have affected the  
16 following nuclear plant components:

- 17 1. Pressurizer penetrations (heater sleeves and instrument nozzles);
- 18 2. Alloy 600 weld materials (alloy 82/182) associated with pressurizer  
19 hot leg and cold leg piping connections including butt welds; and
- 20 3. Reactor vessel head penetrations.

1 **Q. Please explain the necessity of addressing alloy 600 issues in pressurizers**  
2 **at FPL's nuclear plants.**

3 A. In 2004, the NRC issued an Information Bulletin requiring all utilities to  
4 identify locations of alloy 600 materials in their pressurizers and requesting  
5 that utilities provide an acceptable inspection program to assure the integrity  
6 of the components for the future. The high operating temperature of the  
7 pressurizer makes the materials associated with the pressurizer and its  
8 connected piping especially susceptible to primary water stress corrosion  
9 cracking. Ten pressurizers at Combustion Engineering plants have developed  
10 leaks or cracks in more than 60 heater sleeve penetrations and instrument  
11 nozzles since 1998. St. Lucie Units 1 and 2 are Combustion Engineering  
12 plants and have experienced these same pressurizer penetration degradation  
13 issues. These leaks have resulted in increased inspection costs, repairs, and  
14 component replacements. Industry experience indicates that, by the time it is  
15 detectable, such cracking is proceeding at an accelerated rate.

16  
17 In response to the Bulletin, the nuclear industry developed an initiative to take  
18 a proactive approach to addressing material degradation issues. Had the  
19 industry not developed its own initiative, the NRC would have imposed new  
20 regulatory requirements to deal with materials issues. As part of this  
21 initiative, FPL replaced the St. Lucie Unit 1 pressurizer using resistant  
22 materials during the Fall 2005 refueling outage concurrent with the reactor  
23 vessel head replacement. FPL performs visual inspections of the St. Lucie 2

1           pressurizer heater sleeves every refueling outage as part of normal procedures,  
2           which meets FPL's commitment to the NRC. The most recent inspection was  
3           performed during the Fall 2007 refueling outage, and no leaks were identified.  
4           FPL is planning to make repairs to the St. Lucie Unit 2 alloy 600 heater  
5           sleeves during the 2010 refueling outage. In the long run, repairs to the St.  
6           Lucie Unit 2 alloy 600 pressurizer heater sleeves will reduce occupational  
7           radiation dose to workers, will reduce the risk of extended outages to repair  
8           penetrations, and will save money to FPL customers since FPL's nuclear  
9           plants are the lowest cost energy providers within FPL's generation system.  
10          FPL estimates that the costs of the St Lucie Unit 2 pressurizer heater sleeve  
11          work from 2008 through 2010 will be approximately \$16 million in capital  
12          expenditures.

13   **Q.    Please explain the necessity of addressing alloy 600 issues in hot leg and**  
14   **cold leg piping connections including butt welds at FPL's nuclear plants.**

15   A.    Material degradation concerns were also identified in the alloy 600 weld  
16          materials (i.e., alloy 82/182) associated with hot leg and cold leg piping  
17          connections in most pressurized water reactor units. The utility industry has  
18          developed an initiative to take a proactive approach to addressing material  
19          degradation issues. This initiative determined a schedule and frequency for  
20          periodic inspections of reactor coolant system alloy 600 (82/182) butt welds  
21          unless mitigated or replaced with resistant material. Visual inspections started  
22          in spring of 2004 and will continue for the life of each plant. Under the  
23          industry's materials initiative, more comprehensive volumetric inspections of

1 the alloy 600 (82/182) butt welds started in 2007, and all initial inspections on  
2 all butt welds must be completed by the end of 2010. Performing the new  
3 volumetric inspection requirements and the impact of long term periodic  
4 inspections of the alloy 600 (82/182) butt welds have driven most nuclear  
5 plant operators to mitigate these welds. Mitigation of these welds reduces the  
6 life cycle cost of inspections, reduces occupational radiation exposure for  
7 plant workers, and increases plant reliability.

8  
9 The largest scope of these butt welds are in the reactor coolant system cold leg  
10 locations at St. Lucie Units 1 and 2 and will have their first volumetric  
11 inspection to the new requirements prior to the end of 2010. Inspections and  
12 mitigation efforts associated with these welds are significant due to their  
13 number and size (there are eight 36 inch diameter welds per nuclear unit).  
14 FPL estimates that the cost to inspect and mitigate the alloy 600 (82/182) butt  
15 weld issue is approximately \$72.2 million in capital expenditures  
16 (representing spending from 2006 through 2011).

17  
18 The St. Lucie Unit 2 pressurizer butt welds were mitigated or replaced during  
19 the Fall 2007 refueling outage. The issue is not applicable to the Turkey Point  
20 reactor coolant system pressure boundary butt welds since they are made of  
21 materials that are resistant to primary water stress corrosion cracking.

1 The St. Lucie Unit 2 hot leg butt welds were mitigated during the Fall 2007  
2 refueling outage. The St. Lucie Unit 1 hot leg butt welds were mitigated  
3 during the Fall 2008 refueling outage. Plans are being developed for the cold  
4 leg locations at St. Lucie Units 1 and 2 to determine whether inspection or  
5 mitigation is the best approach. Visual inspections of these alloy 600 (82/182)  
6 butt welds completed between 2004 and 2007 did not identify any leakage.  
7 FPL projects that it will meet the 2010 deadline for all required inspections.

8 **Q. Please explain how FPL addressed alloy 600 issues associated with the**  
9 **reactor vessel heads for Turkey Point and St. Lucie.**

10 A. As explained in more detail below, FPL has replaced the reactor vessel heads  
11 on all four of its nuclear units. Each replacement effort was conducted safely,  
12 on time, and within budget.

13 **Q. Please describe FPL's license renewal efforts.**

14 A. In June 2002, FPL received renewed operating licenses from the NRC for  
15 Turkey Point Units 3 and 4, and in October 2003, FPL received renewed  
16 operating licenses from the NRC for St. Lucie Units 1 and 2. The renewed  
17 licenses give FPL the authority to operate each unit for twenty years past the  
18 original license expiration date should FPL choose to do so. As a requirement  
19 of the renewed operating licenses for St. Lucie and Turkey Point, FPL  
20 committed to the NRC to implement a number of new programs unique to  
21 license renewal as part of equipment aging management. The NRC will  
22 undertake inspections, including document reviews and visual plant  
23 inspections, to determine whether FPL has met its commitments and



1 determine whether it is acceptable for St. Lucie and Turkey Point to operate  
2 past their existing license terms. FPL is required to provide tangible proof that  
3 implementation of license renewal programs has been completed prior to  
4 beginning of the license renewal period for each nuclear unit.

5  
6 FPL's required efforts include completion of preventative maintenance  
7 optimization programs; installation of equipment coatings; equipment single  
8 point vulnerability program completion; and procedure development and  
9 upgrades based on new industry standards. For accounting purposes, these  
10 efforts for Turkey Point are contained within the Turkey Point Excellence  
11 project budget. These efforts will be significant, with a total estimated capital  
12 expenditure of \$99.1 million (representing spending from 2007 through 2011).

13 **Q. Please describe the St. Lucie and Turkey Point Long Term Equipment**  
14 **Reliability Projects.**

15 A. The long term equipment reliability projects address the ongoing component  
16 issues as part of the day to day operations of St. Lucie and Turkey Point. The  
17 primary components addressed in these projects consist of the replacement  
18 and refurbishment of pumps, motors, valves and breakers. From 2006 through  
19 2011, FPL has incurred and will incur capital expenditures of  
20 approximately \$80.2 million for St. Lucie and \$81.7 million for Turkey Point  
21 for these projects.

1 **Q. Please describe the NAMS Project.**

2 A. The Nuclear Asset Management System (NAMS) is an integrated software  
3 system being implemented across the entire nuclear fleet at FPL Group. This  
4 effort will utilize the Ventyx Asset Suite software to upgrade and standardize  
5 work management, engineering, action tracking, document management,  
6 purchasing, inventory, contract management, procurement engineering, and  
7 accounts payable for all of the nuclear sites.

8  
9 The FPL sites currently run on a disparate group of systems including the  
10 Indus Passport System Version 1 which was heavily customized and  
11 implemented at FPL in the 1980s. That version of software is no longer  
12 supported by the vendor. Ventyx is the new company name and Asset Suite is  
13 the product that has replaced Passport. The version of Asset Suite that NAMS  
14 will implement is at least 10 versions newer than what the FPL sites currently  
15 use.

16 **Q. What efficiencies/improvements does NAMS provide for FPL?**

17 A. The NAMS system will standardize the processes and systems being used  
18 across the nuclear fleet. The system being implemented is an integrated  
19 solution which is used by over 70 percent of the nuclear industry.  
20 Accordingly, moving the FPL sites to this version is designed to enable FPL  
21 to leverage and share internal knowledge and expertise across sites more  
22 easily, reduce plant outage duration, reduce number of disparate systems

1 being maintained and supported, and put FPL on a platform that is vendor  
2 supported.

3  
4 The NAMS system is scheduled to be implemented by the end of the second  
5 quarter of 2010. FPL will begin to realize immediately the benefits I just  
6 described. The cost of the software and the system implementation is  
7 depreciated over 60 months, which offsets the value of those benefits through  
8 2015. However, starting in 2016, approximately \$5 million per year of annual  
9 savings before taxes is forecasted. From 2007 through 2010, FPL estimates it  
10 has spent and will spend approximately \$32.8 million (\$4.6 million in O&M;  
11 \$28.2 million in capital) for this system.

12 **Q. Please explain the necessity for the Control Room Digital Upgrades.**

13 A. The Control Room Digital Upgrade capital project will replace older  
14 instrument and controls (I&C) in several critical plant control systems at the  
15 St. Lucie and Turkey Point. In many cases, analog technology will be  
16 replaced with digital technology. I&C maintenance costs are increasing with  
17 equipment aging. Existing equipment utilizes older technology that requires  
18 maintenance by specially trained personnel. Maintaining specialized  
19 personnel increases training costs as the workforce ages and retires.  
20 Additionally, many parts may not be available and custom refurbishment of  
21 existing parts is necessary. New modern control equipment will minimize the  
22 potential for extended plant shutdowns, and maintain plant reliability.  
23 Inventory and spare part costs will also be reduced since the availability of

1 spare parts from vendors is increased. Costs associated with maintenance  
2 specialization will be reduced. FPL estimates the cost of these upgrades to be  
3 approximately \$94.2 million in capital expenditures (representing spending  
4 from 2006 through 2011 excluding uprate projects).

5 **Q. How is FPL affected by the United States Department of Energy's (DOE)**  
6 **failure to carry out its legal obligation to dispose of FPL's spent nuclear**  
7 **fuel?**

8 A. FPL has previously provided the Commission with details of its attempts  
9 through litigation to seek recovery of past and future damages related to the  
10 U.S. Government's failure to dispose of FPL's spent fuel. FPL's efforts are  
11 continuing, and there is currently no trial date set for FPL's lawsuit against the  
12 U.S. Government to recover damages.

13 **Q. Please explain the necessity for spent fuel storage initiatives.**

14 A. As discussed above, FPL will incur capital and O&M expenditures to manage  
15 the DOE's failure to begin accepting spent fuel for disposal as required by  
16 law. On-site storage capacity for spent fuel in the spent fuel pools is limited.  
17 As existing capacity is utilized, alternative methods of storing the spent fuel  
18 are required. Alternative storage is required as a prudent operational measure  
19 whenever the spent fuel pools can no longer accommodate a full-core offload.  
20 Maintaining a full-core offload capability is a prudent measure in the event  
21 that all of an entire core of reactor fuel must be offloaded to accomplish  
22 emergent repairs to the reactor.

1 Storage space could also be lost at Turkey Point Units 3 and 4 due to  
2 degradation of the neutron absorbing material (Boraflex) in the spent fuel  
3 storage racks. To date, Boraflex degradation has only affected the loss of full-  
4 core offload capability at Turkey Point Unit 3. As discussed below, FPL is  
5 working toward development of alternatives to Boraflex.

6 **Q. What are the specific spent fuel initiatives for St. Lucie?**

7 A. To address the ongoing need for interim spent fuel storage in the nuclear fleet,  
8 FPL has chosen dry cask storage. The NRC provides a general license in its  
9 regulations (10 CFR Part 72 Subpart K) for operating nuclear plants to  
10 implement dry cask storage at Independent Spent Fuel Storage Installations  
11 (ISFSIs) at nuclear plant sites. A general license is a generic authorization not  
12 requiring the issuance of a specific license or an opportunity for a formal  
13 adjudicatory hearing from the NRC.

14  
15 Dry cask storage consists of a system of concrete and steel storage casks  
16 placed on a secure onsite storage pad. Each spent fuel storage cask can  
17 contain as many as 32 spent fuel assemblies. Once operational, dry storage  
18 would extend the full-core reserve capability of each spent fuel pool. St.  
19 Lucie has completed the construction of its ISFSI and in 2008, the plant  
20 completed its first loading campaign of six casks. From 2006 through 2011,  
21 FPL estimates that it has spent and will spend approximately \$71.7 million  
22 (\$60.6 million in capital; \$11.1 million in O&M) on spent fuel storage  
23 initiatives at St. Lucie. These initiatives include dry cask storage, upgrades of

1 the cranes required to handle the spent fuel storage casks, cask pit rack  
2 installation, and addressing Boraflex issues.

3 **Q. What are the specific spent fuel initiatives for Turkey Point?**

4 A. Installation of a removable storage rack in the cask pit area of each spent fuel  
5 pool provides increased storage space for both units. In November 2004, the  
6 NRC approved the use of these racks and the racks have been installed. The  
7 cask pit racks extend the loss of full-core reserve dates for Turkey Point Units  
8 3 and 4 to 2012.

9  
10 These projected dates for the loss of the full-core offload capability dates are  
11 based on the existing spent fuel pool storage capacity without further  
12 degradation of Boraflex or assuming successful implementation of a solution  
13 to Boraflex degradation. FPL is implementing alternatives to eliminate the use  
14 of Boraflex, such as neutron-absorbing storage rack inserts to replace the need  
15 for Boraflex. A contract has been awarded to install these neutron-absorbing  
16 storage rack inserts, and NRC approval was obtained in July, 2007 allowing  
17 use of these inserts. The objective of this project is to restore the full storage  
18 capacity of the Turkey Point spent fuel pools with no reliance on Boraflex.  
19 FPL has also extended the storage capacity of the Turkey Point Unit 3 spent  
20 fuel pool by recovering storage cells that were previously unusable. This cell  
21 recovery project allows deferring the first loading of dry storage casks at  
22 Turkey Point plant by one operating cycle (approximately 18 months).

1 To extend Turkey Point operations for the long term, FPL is planning to  
2 implement dry cask storage at Turkey Point. In 2006, FPL initiated design  
3 work for an ISFSI at Turkey Point as well as spent fuel cask crane upgrades.  
4 FPL plans to start storing spent nuclear fuel in dry storage casks at the Turkey  
5 Point ISFSI by the end of 2011. From 2006 through 2011, FPL estimates that  
6 it has spent and will spend approximately \$88.5 million (\$82.5 million in  
7 capital; \$6 million in O&M) on spent fuel storage initiatives at Turkey Point.  
8 These initiatives include dry cask storage, upgrades of the cranes required to  
9 handle the spent fuel storage casks, cask pit rack installation, and addressing  
10 Boraflex issues.

11 **Q. Please explain the necessity of the St. Lucie In Core Instrument (ICI)**  
12 **Thimble Replacements.**

13 A. Industry experience at another nuclear plant identified a dimensional  
14 discrepancy with a thimble support plate (TSP) in the reactor core. The TSP  
15 is part of the reactor in-core instrumentation system. This system is made up  
16 of thimble tubes containing detectors that are inserted into selected fuel  
17 assemblies for monitoring of nuclear fuel performance during operation.  
18 Thimble elongation is caused by the high level of radiation exposure  
19 experienced by the Zircaloy thimbles due to their extensive time in the reactor  
20 core. The Zircaloy material elongation is occurring at a rate greater than the  
21 amount anticipated in the original thimble design. When the thimbles  
22 elongate to the point where they contact the fuel assembly lower end fitting,  
23 the TSP can be lifted off its normal seated position in the reactor vessel, and

1 the ICI thimbles may buckle. A long term resolution of this issue requires  
2 replacement of the zircaloy thimbles. Both St. Lucie Units 1 and 2 are  
3 affected by the unanticipated growth of the zircaloy tubes. The ICI thimbles  
4 were replaced in St. Lucie Unit 1 in 2007, and the ICI thimbles will be  
5 replaced in St. Lucie Unit 2 during the refueling outage in Fall 2010. The cost  
6 of this effort for St. Lucie Unit 1 was \$20.4 million, and for St. Lucie Unit 2  
7 the cost is projected to be \$16.7 million all in capital expenditures.

8  
9 **REVIEW OF ISSUES FROM FPL'S 2005 RATE CASE**

10  
11 **Q. Please summarize the results of the major projects included in the capital  
12 investment effort for the 2005 Rate Case.**

13 **A.** In my testimony in the 2005 Rate Case, I explained that FPL would be  
14 undertaking a number of modifications to its nuclear plants to improve  
15 reliability, reduce occupational radiation exposure, reduce outage time, and to  
16 provide savings to FPL customers. I am proud to report that all of the projects  
17 that were undertaken were executed within the schedule allotted for each and  
18 within the overall budget. While FPL implemented the most significant of the  
19 planned projects, FPL dealt with emerging regulatory and operational issues  
20 and reprioritized projects as appropriate. FPL constantly faces such emerging  
21 issues and we are consistently required to re-evaluate projects based on safety,  
22 regulatory, and reliability factors.



1 FPL replaced the reactor vessel heads on all four of its nuclear units, the St.  
2 Lucie Unit 1 pressurizer, and the St. Lucie Unit 2 steam generators. The total  
3 combined budget for these projects was \$570 million. FPL accomplished all  
4 of these projects with a total expenditure of \$543 million (net of AFUDC).  
5 These projects were also accomplished within the schedule set for each  
6 project. In addition, the construction of the concrete storage pad and  
7 associated facilities and first cask loading campaign of the St. Lucie dry cask  
8 storage project was completed on budget and within the project schedule.

9 **Q. How did FPL and its customers benefit from FPL's early decisions to**  
10 **replace the reactor heads, the St. Lucie Unit 2 steam generators, and the**  
11 **St. Lucie Unit 1 pressurizer?**

12 A. FPL and its customers enjoyed a substantial cost savings by placing orders for  
13 these components prior to recent cost increases. Delayed procurement of  
14 these major components would have resulted in component costs more than  
15 \$100 million higher than the prices paid by FPL. These increases have  
16 resulted from increased demand on the nuclear supply chain, including on  
17 forging suppliers, arising from the interest in new nuclear plant construction,  
18 replacement of components at nuclear plants worldwide, demand from the  
19 petrochemical industry, and new desalinization plants. As a result of this  
20 increased demand, prices for major nuclear components and the necessary  
21 lead times for component ordering have both doubled. FPL avoided all of  
22 these challenges by ordering new reactor vessel heads, the replacement steam

1 generators for St. Lucie Unit 2, and the replacement pressurizer for St. Lucie  
2 Unit 1 in a timely fashion.

3  
4 Delaying procurement also would have resulted in substantial additional  
5 O&M costs due to necessary inspection and repair of additional degradation  
6 of alloy 600, resulting in more extensive remediation and at least two more  
7 outages of expanded inspection and remediation at each affected nuclear unit  
8 for each component due to extended procurement lead times. These actions  
9 will result in increased efficiencies over the remaining lives of FPL's nuclear  
10 plants because of reduced inspection requirements and less frequent  
11 inspections, saving outage time and reducing occupational radiation dose.  
12 These factors result in direct benefits to customers in the form of fuel savings  
13 and enhanced system fuel diversity, and reductions in FPL's system GHG  
14 emissions.

15

## 16 **FINANCIAL IMPACTS OF RESPONDING TO CHALLENGES**

17

18 **Q. How do the forecasted capital expenditures compare to historical values?**

19 A. Exhibit JAS-8 shows the past several years the Nuclear Business Unit's  
20 capital expenditures. With the challenges going forward, these spending  
21 levels must be increased to preserve the nuclear option. The overall impact on  
22 capital expenditures is summarized as follows: For 2006, FPL incurred  
23 capital expenditures for the Nuclear Business Unit of approximately \$193

1 million. In the 2010 Test Year, FPL expects that its capital expenditures for  
2 the Nuclear Business Unit will be approximately \$276.0 million. In 2011,  
3 FPL expects that its capital expenditures for the Nuclear Business Unit will be  
4 approximately \$175.5 million. Collectively, FPL expects that its capital  
5 expenditures for the Nuclear Business Unit from 2006 through 2011 will be  
6 approximately \$1.4 billion in order to meet regulatory requirements and  
7 sustain long term operations of the nuclear units. The details of the projects  
8 that make up these expenditures are set forth in Exhibit JAS-9.

9 **Q. Are there other O&M expenses, besides the Nuclear Business Unit's**  
10 **O&M expenses described earlier in this testimony, included in the FERC**  
11 **Nuclear O&M accounts and functional total presented in FPL's MFRs?**

12 A. Yes. Included in the FERC Nuclear O&M accounts (accounts 517-532) and  
13 functional total are O&M expenses incurred or associated with other FPL  
14 business units that provide support to the Nuclear Business Unit (as defined  
15 by FERC). Examples of these expenses would include those incurred by  
16 Integrated Supply Chain and Information Management supporting the nuclear  
17 stations. There is also a reduction to the FERC Nuclear O&M accounts for  
18 the portion of expenses related to the owners of St. Lucie Unit 2. In Exhibit  
19 JAS-10, the total O&M by year reflects the O&M for all functional areas in  
20 order to reconcile the Nuclear Business Unit O&M expenses with the FERC  
21 Nuclear functional totals contained in the MFRs.

1 **Q. How do the forecasted O&M expenditures compare to historical values?**

2 A. Exhibit JAS-10 shows FPL's historical O&M expenditures for its nuclear  
3 plants. With respect to O&M expenditures, the overall impact is summarized  
4 as follows: In 2006, FPL incurred O&M expenditures for the Nuclear  
5 Business Unit of approximately \$336.1 million. In the 2010 Test Year, FPL  
6 expects that its O&M expenditures for the Nuclear Business Unit will be  
7 approximately \$424.3 million. In 2011, FPL expects that its O&M  
8 expenditures for the Nuclear Business Unit will be approximately \$439.8  
9 million.

10 **Q. Please discuss the comparison of FPL's 2010 and 2011 O&M for the**  
11 **Nuclear Business Unit to the Commission's benchmark using 2006 as the**  
12 **benchmark year.**

13 A. FPL's 2010 Test Year and 2011 Subsequent Year O&M for the Nuclear  
14 Production function exceeds the benchmark based on 2006 by \$37.3 million  
15 and \$44.7 million respectively. The major drivers of the variance are  
16 categorized as follows:

17

18 **Regulatory Commitments:**

19 First, the NRC has significantly increased the fees FPL must pay as a result of  
20 the nuclear units being regulated by the NRC. NRC licensing fees are charged  
21 at a per unit rate and inspection fees are charged at a per hour rate for services  
22 required. Second, FPL is required to load spent nuclear fuel in dry casks for

1 St. Lucie in 2010 and Turkey Point in 2011, which is discussed previously in  
2 my testimony.

3

4 Long Term Infrastructure Investment:

5 Although long term infrastructure investment typically refers to improvements  
6 to the capital of FPL's system, it is also true that long term safe, reliable  
7 operations of our nuclear units depends upon our maintaining a stable, high  
8 quality work force. As discussed in my testimony regarding aging workforce  
9 and competition for workers in the industry, FPL's compensation of the  
10 Nuclear Business Unit work force has to keep pace with industry expectations.  
11 As a result of these factors, the primary driver of increased costs in the area of  
12 competitive labor is the payroll escalation at four percent per year, which is  
13 necessary to ensure retention of talent given the shortage of qualified nuclear  
14 professionals in the industry, and a payroll staffing increase for 270  
15 employees to address Operations staffing needs and the Maintenance &  
16 Engineering College Program.

17

18 Second, the primary driver of increased costs in the area of availability  
19 improvements is the addition of the Turkey Point Excellence project,  
20 discussed previously in my testimony, which commenced in 2007. Included  
21 as part of this project is costs associated with NRC commitments to  
22 implement a number of new programs unique to license renewal as part of  
23 equipment aging management. This project was not in place in 2006.

1 **Q. What actions have been taken by the Nuclear Business Unit in response**  
2 **to the economic downturn experienced starting in 2008?**

3 A. The Nuclear Business Unit had performed an evaluation of our business plans  
4 and determined the following measures were necessary to address this issue.  
5 First, several vacant positions within the Nuclear Business Unit were either  
6 deferred or eliminated. The associated positions were primarily fleet support  
7 positions deemed non-critical to ongoing safe and reliable operation of St.  
8 Lucie and Turkey Point. Second, various projects and initiatives were  
9 prioritized with some eliminated and some being deferred to future periods.  
10 All actions to address the economic downturn did not in any way compromise  
11 the safety or reliability to the operations of St. Lucie and Turkey Point.

12 **Q. Can you explain why the salaries of FPL Nuclear employees are higher**  
13 **and are increasing more rapidly than salaries in other FPL business**  
14 **units?**

15 A. Yes. As I discussed earlier, there is growing competition for talent in the  
16 nuclear industry, which is being driven by a shrinking skilled labor pool  
17 coupled with a high demand for skilled workers. There is also general  
18 attrition related to retirements because of the aging nuclear workforce.  
19 Another factor is the decrease in the number of U.S. nuclear engineering  
20 programs, from 65 in 1980 to 29 in 2007. There has also been talent  
21 migration from commercial nuclear operators to contracting firms, suppliers,  
22 engineering firms, etc. Finally, there is renewed interest in nuclear power,

1 based on the number of NRC combined construction/operating license  
2 submittals to date and announced submittals.

3  
4 FPL's total compensation costs for its nuclear employees have also been  
5 impacted by the following factors: an industry-wide practice of "poaching"  
6 existing talent from peer organizations due to the limited pool of available  
7 experienced talent, creating an inflated market rate for impacted job  
8 classifications; the shrinking size of experienced talent pool created by limited  
9 hiring zones due to agreements established as a result of asset acquisitions and  
10 attempted mergers; efforts to reduce attrition and to maintain requisite skill-  
11 sets; maintaining equity for similar positions and contributions across FPL's  
12 sites locations; increased pressure to ensure that the existing engineering  
13 design and support knowledge base is maintained resulting from NRC hiring a  
14 minimum of 350 new technical staff to support the licensing process for new  
15 reactors; architectural/engineering firms developing the capability through  
16 increased technical staffing to successfully compete for and execute the  
17 construction of new nuclear plants; and FPL's approach to aggressively  
18 establish and maintain an internal pipeline of talent.

19  
20 There are also special cost factors driven by federal regulatory requirements  
21 applicable to operators who must be licensed by the federal government to  
22 operate FPL's nuclear plants. Federal law and NRC regulations at 10 CFR  
23 Part 55 require that any person who manipulates the controls of a nuclear

1 power plant must have a personal, site-specific operator license issued by the  
2 NRC. NRC regulations further require each nuclear power plant control room  
3 to have a continuous presence of two licensed reactor operators (ROs) and one  
4 senior reactor operator (SRO) per nuclear unit. The hours that each RO and  
5 SRO can work are also limited by NRC requirements, so there must be an  
6 adequate number of licensed operators at each site that accounts for illness  
7 and attrition. Further, the licensing process for individual operators is time-  
8 consuming and costly.

9  
10 It can take as long as eight to nine years to develop an operator candidate into  
11 an SRO. In general, the cost to FPL of training, examination development,  
12 and licensing of a single candidate who starts without a license to obtain an  
13 SRO license is approximately \$160,000, not including payroll and benefits of  
14 each candidate, or the fees charged by the NRC for its review of the  
15 examination materials and oversight of the training and examination process.  
16 Additionally, FPL has been required to increase licensed operator class size  
17 (and hire additional training instructors to support such classes) to ensure  
18 adequate staffing in light of the competitive environment for nuclear  
19 professionals.

20 **Q. Has FPL had to increase staffing for its nuclear plants in order to**  
21 **mitigate the increase in nuclear industry salaries?**

22 **A.** Yes. A substantial percentage of the nuclear workforce is approaching  
23 retirement age, creating challenges for maintenance of needed expertise and



1 creating demands for staffing adjustments and training of new workers. In  
2 particular, certain highly skilled classes within the Nuclear Business Unit will  
3 have approximately 660 employees eligible to retire within the next five years.  
4 The entire nuclear industry faces this issue. As a result, FPL cannot count on  
5 hiring from other nuclear entities to compensate for the workforce attrition  
6 issue. FPL is now required to add staff to anticipate and ultimately  
7 compensate for attrition and retirements. In 2006, FPL partnered with the  
8 Homestead campus of Miami Dade College (Miami Dade) and the Indian  
9 River State College (IRSC) to create an associate of science degree in  
10 electrical power technology to help meet FPL's need for more nuclear  
11 workers. As part of the FPL Professional Training Pipeline, FPL agreed with  
12 each of Miami Dade and IRSC, through 2016, to provide that a maximum of  
13 30 internships will be made available by FPL each summer for candidates  
14 who complete all requirements of the first year of the program, and FPL  
15 agreed to hire at least 20 (if available) candidates per year who successfully  
16 complete the two-year program. FPL has also entered into a Memorandum of  
17 Understanding with its labor union, the International Brotherhood of Electrical  
18 Workers, System Council U-4, to implement a nuclear employee apprentice  
19 program to develop additional nuclear workers for St. Lucie and Turkey Point.  
20 FPL expects to incur an annual cost of less than \$125,000 per year to  
21 administer the training pipeline. This low cost option will provide FPL a  
22 mechanism to address the attrition and retirements in the maintenance  
23 organization.

1 Q. Does this conclude your direct testimony?

2 A. Yes.

**ERRATA SHEET**

(X) DIRECT TESTIMONY, OR ( ) REBUTTAL TESTIMONY (PLEASE MARK ONE WITH "X")  
WITNESS: J. A. Stall

<u>PAGE #</u>	<u>LINE #</u>	<u>CHANGE</u>
36	4	Change amount from \$543 million to \$547 million

1 **BY MR. ROSS:**

2 Q. Mr. Stall, are you also sponsoring exhibits to  
3 your direct testimony?

4 A. I am.

5 Q. And do those exhibits consist of ten pages,  
6 also shown as Exhibit JAS-1 through JAS-10, on staff's  
7 exhibit list?

8 A. That's correct.

9 **MR. ROSS:** Mr. Chairman, I would note that Mr.  
10 Stall's exhibits have been premarked for identification  
11 as Exhibits 85 through 94.

12 **CHAIRMAN CARTER:** And one thing further, and I  
13 know you guys have been here already. Mr. Stall was  
14 not here, so would you -- Mr. Stall, these little lights  
15 here that are in front of you is that green means good.  
16 When the amber light goes on, you have two minutes. And  
17 red, how can I describe it? Red you have got about,  
18 what, 30 seconds. So I just kind of want to explain  
19 this really high-tech operation to you here.

20 **THE WITNESS:** Thank you, Mr. Chairman.

21 **BY MR. ROSS:**

22 Q. Mr. Stall, have you prepared a summary of your  
23 direct testimony?

24 A. I have.

25 Q. Would you please provide your summary to the

1 Commission?

2           **A.** Yes, I will. Thank you. Good afternoon,  
3 Commissioners. My testimony today explains how FPL's  
4 nuclear fleet performance has yielded significant  
5 benefits for our customers. I also explained the steps  
6 FPL is taking to address challenges to FPL's nuclear  
7 operations and how these challenges impact the 2010 test  
8 year and 2011 subsequent year costs for our nuclear  
9 operations.

10           FPL's nuclear power plants are a source of  
11 reliable, safe, and cost-effective energy for FPL's  
12 customers. These plants are a key component of FPL's  
13 energy mix that benefit FPL customers in terms of fuel  
14 savings, enhanced system fuel diversity, and reductions  
15 of greenhouse gas emissions. FPL's nuclear plants have  
16 the lowest fuel cost of any of our generating assets.

17           FPL uses a variety of measures of metrics --  
18 excuse me -- to measure the performance of our nuclear  
19 plants in the areas of personnel safety, nuclear safety,  
20 reliability, regulatory performance, and overall plant  
21 performance. These metrics show that FPL's performance  
22 in these areas has ranged from good to superior.

23           To the extent that some of the metrics show  
24 challenges to our operations, such data reflects our  
25 significant investment in our plants and the proactive

1 implementation of major component replacement projects,  
2 all of which benefit FPL customers because they preserve  
3 the ability of our plants to operate into their renewed  
4 license terms.

5 In order to continue to provide the benefits  
6 of safe, reliable, and low cost operations of our  
7 nuclear power plants to FPL's customers, we must  
8 increase capital and O&M spending to implement the  
9 required equipment upgrades and recruit and retain a  
10 qualified workforce. The challenges to FPL's nuclear  
11 program are driving proactive and major investments in  
12 plant equipment, programs, staffing, and training to  
13 preserve the nuclear option. FPL's plans include  
14 focusing on improving plant material condition and  
15 addressing equipment reliability, aging, backlog  
16 reductions, and staffing.

17 In order to meet these challenges, we must  
18 undertake significant capital investments in our nuclear  
19 plants, and we are undertaking several operational  
20 programs which will result in significant additional O&M  
21 expenses, all of which will benefit customers by  
22 preserving the long-term value of these safe, reliable,  
23 and cost-effective assets.

24 In summary, I am pleased to be part of, and  
25 I'm very proud to be part of the team that has safely

1 and reliably operated our nuclear fleet for decades with  
2 significant benefits to our customers. However, this  
3 performance cannot be sustained without continued  
4 investment in our nuclear plants and our people.

5 That concludes my summary.

6 **MR. ROSS:** I tender the witness for cross, Mr.  
7 Chairman.

8 **CHAIRMAN CARTER:** Thank you.

9 Ms. Christensen. Good afternoon.

10 **MS. CHRISTENSEN:** Good afternoon. And we have  
11 no cross for this witness.

12 Ms. Bradley.

13 **MS. BRADLEY:** No cross.

14 **CHAIRMAN CARTER:** Mr. Moyle. Wait a minute,  
15 hang on. That's right. Mr. Moyle, you are on the list.

16 **MR. MOYLE:** I think the hospital guys are  
17 next.

18 **CHAIRMAN CARTER:** Oh, sorry.

19 **MS. SPINA:** Good morning.

20 **CHAIRMAN CARTER:** Wait a minute. I should  
21 have gone from OPC to FSHHA.

22 **MS. SPINA:** Yes, FSHHA. Good afternoon, Mr.  
23 Stall.

24 **CHAIRMAN CARTER:** Did I get enough of those Hs  
25 in there?

1                   **MS. SPINA:** Yes.

2                   **CHAIRMAN CARTER:** You're recognized.

3                   **MS. SPINA:** Thank you.

4   CROSS EXAMINATION

5                   **BY MS. SPINA:**

6                   **Q.** Good afternoon, Mr. Stall. My name is  
7 Jennifer Spina, and I am one of the attorneys  
8 representing the South Florida Hospital and Healthcare  
9 Association in this proceeding. How are you?

10                   **A.** Good afternoon. Fine, thank you.

11                   **Q.** Good. I don't have very many questions for  
12 you. So, hopefully, we can move this right along.

13   You have stated that there are a number of  
14 benefits of owning and operating a large fleet of  
15 nuclear plants, correct?

16                   **A.** That is correct.

17                   **Q.** And one of these benefits is the ability to  
18 share operational experience among your plants, correct?

19                   **A.** That is correct.

20                   **Q.** And you strive for some level of  
21 standardization of programs and procedures from plant to  
22 plant, do you not?

23                   **A.** Yes.

24                   **Q.** And such standardization would theoretically  
25 at least allow for some interchangeability among staff



1 at various plants, correct?

2 A. Yes.

3 Q. And FPL maintains a staff of subject matter  
4 experts to address specific technical and regulatory  
5 issues that may arise at its nuclear plants, right?

6 A. Yes, we do.

7 Q. And this staff of experts is made available to  
8 all of FPL's nuclear plants, correct?

9 A. Yes.

10 Q. And having a large nuclear fleet gives FPL an  
11 advantage over smaller nuclear fleets with respect to  
12 attracting and retaining talent, doesn't it?

13 A. It does.

14 Q. For example, FPL is able to provide its  
15 employees with more opportunities for career advancement  
16 within the nuclear program than a company with a smaller  
17 nuclear fleet, correct?

18 A. Yes.

19 Q. And FPL is also able to offer its employees  
20 more physical locations from which to work than a  
21 company with a smaller nuclear fleet, correct?

22 A. That is correct.

23 MS. SPINA: Mr. Wiseman here is going to hand  
24 out an exhibit, which is an excerpt from the April 2008  
25 addition of FYI Plus.

1           **CHAIRMAN CARTER:** Do you need a number or are  
2 you using it for cross-examination?

3           **MS. SPINA:** I would like a number, please.

4           **CHAIRMAN CARTER:** Okay. Commissioners, we're  
5 on Number 403. A short title, please.

6           **MS. SPINA:** April 2008 Edition of FYI Plus.

7           **CHAIRMAN CARTER:** April 2000 -- give me that  
8 again.

9           **MS. SPINA:** 2008 Edition of FYI Plus.

10          **CHAIRMAN CARTER:** FYI Plus. Thank you.

11                   (Exhibit Number 403 marked for  
12 identification.)

13          **BY MS. SPINA:**

14                **Q.** Mr. Stall, are you familiar with this  
15 document?

16                **A.** I am.

17                **MR. ROSS:** Counsel, could we wait until we all  
18 have copies, please?

19                **MS. SPINA:** I'm sorry. Sure.

20                **CHAIRMAN CARTER:** I appreciate your  
21 enthusiasm. Okay. Does everyone have one, all the  
22 parties? Make sure you give one to our federal  
23 agencies.

24                   You may proceed.

25                **MS. SPINA:** Thank you, Mr. Chairman.

1 **BY MS. SPINA:**

2 Q. Mr. Stall, is it a goal of FPL to enable its  
3 employees to have a good work/life balance?

4 A. It certainly is.

5 Q. And on the second page of this exhibit, there  
6 is an article entitled survey helps nuclear fleet change  
7 sooner, faster, better, correct?

8 A. Yes.

9 Q. And you are familiar with this article?

10 A. Well, it has been awhile since I have read it,  
11 so I'm trying to scan it as we are talking here right  
12 now. Yes, I recall this article.

13 Q. Okay. Well, perhaps I can short-circuit the  
14 consideration. My question really goes to the nine-day  
15 rotational schedule that was discussed in this article  
16 that is in place at some facilities. And that schedule  
17 allows non-bargaining nuclear employees to take off  
18 every other Friday, does it not?

19 A. Yes, it does.

20 Q. And as of April 2008, which is the date of  
21 this article, a nine-day rotational schedule was being  
22 considered for nuclear staff employees, as well,  
23 correct?

24 A. Yes.

25 Q. And do you know whether such a schedule was,

1 in fact, implemented?

2 **A.** I'm not sure at this point if it is fully  
3 implemented, but that is our intent is to implement  
4 that. And I would just point out in the context of this  
5 article, this is one of a number of initiatives that we  
6 are taking within the nuclear division and, indeed,  
7 across the company, designed around improving the  
8 work/life balance. And it is another tool that we have,  
9 so to speak, in our tool bag for attracting and  
10 retaining qualified people to work, particularly in this  
11 case, in our nuclear fleet.

12 So, we have been fortunate particularly at the  
13 sites to be able to generally implement this alternate  
14 work schedule, with the exception of what we call some  
15 blackout periods around our refueling outages and other  
16 significant activities that occur at the plant when we  
17 sort of go back to a base schedule, more normal. But,  
18 this has helped us in regard to some of the work/life  
19 balance issues. It sort makes up for some of the  
20 overtime and weekend work that people have to do,  
21 call-ins, and those sort of things. So this has been a  
22 positive initiative for our company and the division.

23 **Q.** Okay, thank you. And Mr. Olivera testified  
24 yesterday that FPL offers a cash incentive to employees  
25 who have been with the company for a certain number of

1 years in order to try to improve retention of those  
2 employees. Are you familiar with that aspect of FPL's  
3 compensation?

4 **A.** Well, we have a variety of incentive programs.  
5 I don't believe that it is -- I am certain it is not  
6 based on just a number of years with the company.  
7 Essentially, it is a performance based award, and it  
8 recognizes highly skilled employees who are performing  
9 their jobs in an admirable manner. And it is designed,  
10 again, as another tool to be able to attract and retain  
11 the qualified people, particularly in the nuclear  
12 division. That has really become a serious problem, not  
13 just for us at FPL, but, indeed, across the entire  
14 industry.

15 **Q.** And do you know whether the number of years  
16 that an employee has been with FPL is factored into the  
17 determination of the amounts of the cash initiative that  
18 is offered?

19 **A.** No, I don't believe that the number of years  
20 has much to do with it. It has more to do with the  
21 skill set that the employee has, the value that they are  
22 adding to the organization, and the risk that we  
23 perceive of flight for the particular individual that is  
24 being contemplated for one of these awards at any given  
25 time.

1           **Q.**   Okay, thank you.  And FPL is in the process of  
2 implementing the nuclear asset management system, or  
3 NAMS, is it not?

4           **A.**   It is.

5           **Q.**   And NAMS is scheduled to be fully implemented  
6 by the end of the second quarter of 2010, correct?

7           **A.**   I think we are a little bit off that plan,  
8 maybe several months behind.  We rolled it out at one of  
9 our other sites up north, and as you might expect with  
10 any complex software that transcends multiple  
11 departments on a given site, we discovered some bugs  
12 with it that we need to work through before we roll it  
13 out down south.  So we're just a few months off of that  
14 schedule, I believe, right now.

15          **Q.**   And moving to NAMS will provide FPL with a  
16 number of benefits, correct?

17          **A.**   That is correct.

18          **Q.**   Okay.  And is it your goal that NAMS will  
19 result in productivity improvements?

20          **A.**   We clearly see productivity improvements from  
21 NAMS.  And for those in the room who aren't familiar  
22 with NAMS, it is an asset management system for nuclear  
23 plants.  And, essentially what it is, is a software  
24 system that allows each of our nuclear plants to develop  
25 work packages that are very complex in nature and to be

1 able to sort of warehouse these work packages in a  
2 software library and develop this library over time that  
3 we can share across the fleet. And we can do virtual  
4 planning for nuclear work from anywhere in the fleet as  
5 opposed to having a disparate set of software programs  
6 at each of our plants. So there is clearly a lot of  
7 productivity to be gained as the system gets implemented  
8 and we gain the proficiency with it that I'm sure we  
9 will.

10 **MS. SPINA:** Okay, thank you. That's all I  
11 have for you. Thank you very much.

12 **CHAIRMAN CARTER:** Okay. Mr. Moyle.

13 **MR. MOYLE:** Thank you, Mr. Chairman.

14 CROSS EXAMINATION

15 **BY MR. MOYLE:**

16 **Q.** Good afternoon. I have a few questions for  
17 you on some of the topics that you covered in your  
18 direct testimony, and I believe we got to chat a little  
19 bit during a deposition. I am Jon Moyle. I represent  
20 FIPUG.

21 **A.** I remember you, John.

22 **Q.** Just explain the nuclear option.

23 **A.** Could you --

24 **Q.** Sure. I think we talked a little bit about it  
25 in the deposition, but my understanding is that is

1 referenced to the process you are engaging now with  
2 respect to possibly moving toward with new nuclear?

3 **A.** Oh, okay. You mean with regard to the new  
4 nuclear option?

5 **Q.** Yes, sir.

6 **A.** In Turkey Point 6 and 7.

7 **Q.** Yes, sir.

8 **A.** Well, as you heard from Witness Olivera this  
9 morning, we have, number one, made no firm decision that  
10 we are going to build these plants, but we are keeping  
11 that option open, and we are taking all of the right  
12 steps today to put ourselves in position to be able to  
13 build these plants if the landscape and the environment  
14 is right for doing so.

15 And the NRC, or the Nuclear Regulatory  
16 Commission, has introduced a new licensing process  
17 called the combined operating and licensing application,  
18 which is a change from the old process, which was a  
19 two-step process where an applicant would go in and ask  
20 for a license to construct. And then after the  
21 construction was completed and inspections were done,  
22 then you would go for a license to operate. So the NRC  
23 has sort of stepped back and streamlined that process,  
24 at least in theory, with a one-step application where  
25 you get a license to construct and operate provided that



1 you meet all of the requirements along the way. And  
2 there are a large number of requirements.

3 And the problem with this new process is that  
4 it is largely untested yet. There are, I think, today  
5 around 17, if I'm not mistaken of these applications  
6 that are on file with the Nuclear Regulatory Commission.  
7 So there is clearly a number of parties that are  
8 interested in doing this, but nobody has really been  
9 through the process in its entirety yet.

10 So, there are still a substantial amount of  
11 risk, I believe, left in that process. But,  
12 nonetheless, I think that if you sort of pull up and see  
13 the forest for the trees here, I think anybody would say  
14 that this is an improvement over the situation that  
15 existed back in the 1970s when there were so many  
16 problems with building and putting these plants into  
17 service.

18 **Q.** And just so I am clear, your position, you are  
19 head of nuclear development for the company, isn't that  
20 correct?

21 **A.** No, we have strategically at the company  
22 taken -- separated the nuclear development and  
23 construction structurally from the operating site. And  
24 the reason for that is that as the construction and  
25 development process and the application just being filed

1 with the NRC begins to receive reviews, there are going  
2 to be just a ton of technical questions coming back and  
3 forth. It is going to take a lot of attention and  
4 resources to do that. And we don't want to put our  
5 day-to-day operations at any sort of risk with using the  
6 talent that we have for operating these plants dealing  
7 with answering these questions and shepherding, if you  
8 will, this application through the Nuclear Regulatory  
9 Commission. So I'm not directly responsible for that,  
10 but I obviously sit in on a lot of the meetings and a  
11 lot of the discussions that go on with regard to  
12 questions and issues that come up with this application.

13 Q. Has the Nuclear Regulatory Commission  
14 recommended or advised that handling applications for  
15 new nuclear should be segregated, as you described, from  
16 staff who was responsible for operations, or is that  
17 just a policy that FPL has decided to implement?

18 A. The Nuclear Regulatory Commission would not  
19 take a position on that. However, that is considered to  
20 be a standard practice, a good practice in the industry  
21 and it is fairly prevalent across the industry.

22 Q. I don't want to spend a lot of time on this,  
23 but my understanding is that we had a little discussion  
24 yesterday with Mr. Olivera about strategic partnerships.  
25 Your St. Lucie unit, you have partners in St. Lucie, do

1 you not?

2 **A.** Yes, we do.

3 **Q.** And has that arrangement worked out fairly  
4 well?

5 **A.** It has worked out fine. From an operating  
6 point of view, it has worked fine.

7 **Q.** And part of the advantage that you believe you  
8 have with respect to FPL, the regulated company's  
9 nuclear, is that you also on the unregulated side of the  
10 house have nuclear units, correct?

11 **A.** That is correct.

12 **Q.** And you can leverage buying power with the  
13 combined units on the regulated and unregulated side of  
14 the house, is that right?

15 **A.** There is absolutely no question that as we  
16 have grown from four units to eight units we have  
17 accrued tremendous benefits in a variety of areas from  
18 operating a fleet. And these benefits, as you point  
19 out, have translated to cost savings for our customers  
20 on the FPL side. One of them being with leveraging  
21 contracts across the fleet, inventory, sharing of talent  
22 and expertise. There is six or seven things that I  
23 could tick off that have really demonstrated the value  
24 of having a large fleet.

25 **Q.** And given the St. Lucie situation, the

1 leverage, there is no reason in your mind is there not  
2 to explore strategic partnerships with other companies  
3 in Florida?

4 **A.** From an operating point of view, I would say  
5 no. However, you know, there is larger policy issues,  
6 obviously, that I'm not in a position to address that  
7 would be more appropriately handled by Witness Olivera,  
8 obviously.

9 **Q.** Okay. We have heard a lot about five years  
10 and \$16 billion. The monies associated with the new  
11 nuclear or the nuclear option are not part of that  
12 five-year, \$16 billion figure, are they, because they  
13 are recovered in the nuclear cost-recovery clause?

14 **MR. ROSS:** Mr. Chairman, I have let some of  
15 these questions go by, but as the Commission is well  
16 aware, the new nuclear issues were extensively litigated  
17 in the need case. And that is not part of this case, so  
18 I would object on the grounds of relevance to these  
19 continuing questions.

20 **CHAIRMAN CARTER:** Mr. Moyle.

21 **MR. MOYLE:** I am just trying to understand  
22 when they say they -- it is five years, 16 billion, that  
23 term has been thrown around quite a bit, whether that  
24 includes costs associated with the new nuclear effort.  
25 I also do believe that there is some testimony with

1 respect to recovering a portion of nuclear costs that  
2 may not be picked up in the nuclear cost recovery clause  
3 in a separate rate adjustment proceeding. So I think --  
4 I think it's fair game.

5 **MR. ROSS:** And I would also point out, Mr.  
6 Chairman, that Witness Barrett is really the one to  
7 testify as to the percentage of that dollar figure  
8 that's in the cost recovery clause. Mr. Stall is  
9 here pretty much as an operational witness.

10 **CHAIRMAN CARTER:** Ms. Helton.

11 **MS. HELTON:** I do remember hearing someone  
12 talk about the incremental difference between what is  
13 being recovered in the nuclear clause and what would be,  
14 I guess, a base rate adjustment proceeding. But it  
15 sounds like that Power and Light is telling us that  
16 Mr. Barrett is the appropriate witness. So do you have  
17 a problem, Mr. Moyle, with saving those questions for  
18 Mr. Barrett?

19 **MR. MOYLE:** No, that is fine. The only  
20 question I was asking on that was the five year,  
21 16 billion, but I will save it for Mr. Barrett.

22 **BY MR. MOYLE:**

23 **Q.** So, let me refer you to something in your  
24 testimony, Page 23, Line 2. I don't know if you need to  
25 see it or not. We always refer people, you know, to

1 their testimony, but I don't know if it is necessary.  
2 But you have a project called the Turkey Point  
3 Excellence Project that I think you are looking to  
4 recover \$220 million for, is that right?

5 **A.** That is correct.

6 **Q.** And the goal of the Turkey Point Excellence  
7 Project is to increase -- one of the goals is to  
8 increase the capacity factor, am I right?

9 **A.** That is correct. I think we refer to that, or  
10 I do in my testimony, as one of the benefits that will  
11 come out of that.

12 **Q.** Okay. And do you know how that \$220 million  
13 is split up, is divvied up in terms of the -- those  
14 costs are being sought from ratepayers, correct?

15 **A.** Yes. And your question is what, again?

16 **Q.** Well, I am just trying -- I'm just trying to  
17 understand. Ratepayers are being asked to pay  
18 220 million to improve the capacity factor. The  
19 capacity factor before, the year before you entered the  
20 program, 2006, the capacity factor hasn't improved  
21 materially from 2006, before the program was started,  
22 the next year or the year after. I mean, the program is  
23 not really materially improving the capacity factor as  
24 compared to the year before you put it in place, isn't  
25 that correct?

1           **A.**   No.   Perhaps I can explain a little bit about  
2 the nature of this project.   One of the issues that we  
3 are dealing with with our plants in Florida is very  
4 similar to what is going on in the entire industry, and  
5 it has to do with aging reactors and some of the issues  
6 that are beginning to manifest themselves as a result of  
7 that and my testimony sort of refers to that.

8           The Turkey Point plant went into service back  
9 in 1972, and is well over 35 years old now.   We are  
10 coming up to the end of its original license life, and  
11 we are going to be going into a period of license  
12 renewal, which is an additional 20 years of operation.  
13 And what we are beginning to see is some of this  
14 equipment that has been installed since the beginning of  
15 the plant is beginning to be more problematic, if you  
16 will, in terms of maintenance, spare parts, and those  
17 sorts of things.

18           So our philosophy has always been at FPL with  
19 regard to how we run our nuclear plants is to work in  
20 what we call prevention space, to find and fix our  
21 problems essentially before they find us.   So, the  
22 Turkey Point Excellence Project really has three  
23 components to it.   One of them is the people, and we are  
24 doing a lot of things around the people to be able to  
25 attract and retain the skill and qualified workers we

1 need for the future. The plant, and that is where the  
2 equipment and the capacity factor improvements that we  
3 are projecting will come into play from some of the  
4 equipment issues that I was just referring to. And,  
5 finally, last but not least, processes, procedures,  
6 training programs, all of those sorts of things.

7 So by making these investments now at Turkey  
8 Point, and we are really just starting to get into the  
9 meat of this now, we expect that we will be able to  
10 avoid some of the problems that could potentially occur  
11 in the future as we operate these plants another  
12 20 years. I think it is important to remember that, you  
13 know, these plants originally licensed for 40 years.  
14 And if we are going to operate them for 60 years, this  
15 equipment is not going to make it that long without some  
16 of these programs.

17 Q. Thank you. Thank you for that explanation,  
18 and I am raising these questions and would argue and  
19 venture to say that the customers' investment, return on  
20 equity, hasn't been very high on these if I understand  
21 the objective with respect to the plant, which was to  
22 achieve a higher capacity factor. And if you would  
23 refer to your exhibit, please.

24 A. Which exhibit?

25 Q. JAS-6, which is the chart showing the capacity



1 factors for FPL nuclear.

2 **A.** Okay.

3 **Q.** Okay. In 2006, which was before you put this  
4 in place, you were at 91 percent, correct?

5 **A.** This is for all four of our nuclear plants at  
6 FPL, not specifically Turkey Point.

7 **Q.** Okay. So you haven't broken out Turkey Point?

8 **A.** No, this is not broken out specifically for  
9 Turkey Point.

10 **Q.** All right. This chart reflects that the  
11 overall capacity factor went down significantly in 2007,  
12 the first year of the program, correct?

13 **A.** I think that in order --

14 **Q.** If you can answer yes or no, and then if  
15 you can explain.

16 **A.** Yes, that is correct, but let me explain if I  
17 could just a little bit about that. During this period  
18 of time, specifically in 2007, we were doing a reactor  
19 and had a replacement project down there too. We were  
20 doing that all through this period of time when you look  
21 at these capacity factors that dipped. I would point  
22 out that those were planned dips in the capacity factors  
23 as we undertook these large component replacement  
24 projects.

25 For example, the reactor heads at both St.

1 Lucie and Turkey Point, the pressurizer at St. Lucie,  
2 the steam generator replacement at St. Lucie. And  
3 keeping with our philosophy of going after these things  
4 before they become problematic, we replaced them early  
5 before a number of other utilities. And because of  
6 doing that, we actually saved our customers over \$100  
7 million that would have been spent just in the capital  
8 costs alone of these placements. Not to mention had we  
9 deferred that maintenance, we would have been having  
10 extended outages spending O&M dollars on the order of 5  
11 to \$6 million an outage just to go do inspections only  
12 to be replacing them later. So, I think that you have  
13 to look at these in the context of what was our plans  
14 during that period of time.

15 Q. Okay. And the process you just described, I  
16 mean, you went through that process. Presumably that  
17 process didn't spill over into 2008, did it? I mean,  
18 that is the reason for the low capacity factor in 2007.  
19 In 2008, you did a little better, is that right?

20 A. In 2008 you see a significant rebound in  
21 capacity factors back up in the order of 93.4, which is  
22 pretty good. Very good.

23 Q. And if you did the comparison as to the before  
24 and after 2006, you are at 91.1, in 2008 you are at  
25 93.4, a little over 2 percent increase in capacity

1 factor for the \$220 million-plus, right?

2           **A.** Well, this is about -- with these nuclear  
3 plants, keep in mind that we shut these things down  
4 every 18 months to do a refueling outage. And when you  
5 have four units, you have got refueling outages  
6 constantly going on each calendar year. One year you  
7 will have two, the other year you will have three. So  
8 my point is that there is a theoretical maximum here.  
9 You are never going to approach 100 percent because it  
10 is physically not possible.

11           So when you start seeing capacity factors in  
12 the high eighties and into the nineties, that is a  
13 signal that you are running a pretty darn good program.  
14 And so we are proud of that performance. And where you  
15 see these dips in the capacity factor, I just want to  
16 point out again that these were planned for significant  
17 component replacements to get ahead of the curve in the  
18 industry.

19           And the thing that I think is also important  
20 to note is where utilities have not invested in these  
21 nuclear plants that they own and have not taken  
22 preventative steps have led in many cases in the  
23 industry to long-term regulatory required shutdowns,  
24 some as long as two years costing hundreds of millions  
25 of dollars while they did those projects, similar

1 projects under duress. So I think, again, that this is  
2 the right strategy for operating a nuclear plant.

3 Q. Thank you. And a lot of what you said was in  
4 your direct testimony, we are aware of that. I don't  
5 know if you were here early on for Mr. Olivera, but the  
6 Commission has a practice of yes, no, and then  
7 explanation if it is warranted.

8 MR. ROSS: Objection. Objection. Let counsel  
9 ask the question, rather than --

10 CHAIRMAN CARTER: You may proceed. It's all  
11 right. You may proceed.

12 BY MR. MOYLE:

13 Q. I want to ask you a few questions about what I  
14 will term in a short-hand fashion the lawsuit against  
15 the U.S. Government, the Department of Energy. And as I  
16 understand that lawsuit -- I am going to tell you my  
17 understanding, and if you could just say is that  
18 essentially right is that there is a fee collected of a  
19 dollar on every megawatt hour that is currently  
20 generated from your nuclear units that goes into a pot  
21 that the federal government is supposed to use to figure  
22 out, okay, how are we going to dispose of the spent  
23 nuclear rods, is that essentially it?

24 A. That is essentially correct.

25 Q. Okay. And the federal government has -- you

1 contend in the lawsuit they may not have done as good a  
2 job as they could have with respect to their  
3 responsibility of disposing of this nuclear fuel, is  
4 that correct?

5 **A.** I would not characterize it as haven't done as  
6 good a job as they could have. They have not performed  
7 at all. They have not met their obligations.

8 **Q.** And what were their obligations to your  
9 understanding?

10 **A.** To essentially begin to pick up spent fuel, I  
11 believe back in 1998, and they have not been able to  
12 achieve that objective. I think many of the folks in  
13 this room are very familiar with the whole Yucca  
14 Mountain saga. And that led -- their failure to perform  
15 to that contract is what led to this variety of lawsuits  
16 being filed in the industry against DOE.

17 **Q.** So this is the radioactive nuclear waste  
18 issue, Yucca Mountain, is that right?

19 **A.** That is correct.

20 **Q.** You all received some monies from a settlement  
21 with DOE, is that correct?

22 **A.** Yes.

23 **Q.** And is that money being allocated back to the  
24 ratepayers?

25 **A.** That money is flowed into the company as

1 described in our 10Qs, which I think we went through on  
2 the phone the other day. And it flows back into an  
3 accounting adjustment to the capital that was associated  
4 with it, and it flows back through that to the customers  
5 and the benefit of rates benefit going forward. And  
6 when it -- if there are any really detailed questions  
7 around the accounting associated with that, really Ms.  
8 Kim Ousdahl would be the right one to talk to with  
9 regard to that.

10 Q. Okay. I won't get into the accounting  
11 aspects, but let's just spend a minute about sort of the  
12 broader policy aspects. Notwithstanding the fact that  
13 the federal government is not doing their job and has  
14 completely failed in their responsibilities, is that  
15 dollar per megawatt charge still being collected and  
16 imposed on ratepayers today?

17 A. It is. And, you know, typically you see it  
18 described as a one mill per kilowatt hour, which is  
19 essentially the same for the nuclear waste fund. And I  
20 would just have -- the answer to it is, yes, it is still  
21 being paid as of today.

22 Q. Okay. And then I guess operationally that  
23 presents a bit of an issue in that if you don't have  
24 anyplace to take these nuclear rods, you store them  
25 on-site, is that right?

1           **A.** That is correct. The first place that you  
2 store them is in your spent fuel pools, which are part  
3 of the original design of the plants. And over time  
4 almost all of us in the industry, we have re-racked  
5 these spent fuel pools to allow more nuclear fuel  
6 assemblies per square foot, if you will, to be put into  
7 the spent fuel pools.

8           But as time went on and DOE was not  
9 performing, we began to run out of room in the spent  
10 fuel pools, so we went to dry cast storage, which is a  
11 concept that has been used in the industry for many,  
12 many years and proven to be safe, where we take the --  
13 after a sufficient amount of time of cooling off in the  
14 spent fuel pools, we will remove these fuel assemblies  
15 and put them in concrete and metal canisters on a pad  
16 that we pour at site. So, yes, we are storing the waste  
17 on-site pending the ability to ship it off-site.

18           **Q.** And this waste has been stored this way,  
19 either in the pools or in these dry casts since the  
20 operation of the plants, I mean for 30-plus years?

21           **A.** Yes.

22           **Q.** Is there any Plan B, or alternate plan if the  
23 Yucca Mountain thing doesn't work, or just to continue  
24 to store them on-site?

25           **A.** Well, for the foreseeable future, I think that

1 we are going to be storing them on-site. My personal  
2 opinion is, perhaps, for the rest of my life that will  
3 be the case. And we can do that safely. We know that  
4 we can do that. It has been done here and in Europe and  
5 elsewhere safely.

6 However, there are a variety of other  
7 alternatives that are out there to be explored, one of  
8 which is reprocessing of spent fuel, which is done  
9 overseas very safely and successfully. So I would have  
10 to say it is my opinion that this is not a technical  
11 issue as much as it is a political issue.

12 **CHAIRMAN CARTER:** Mr. Moyle. Mr. Moyle, would  
13 you mind for a moment?

14 **MR. MOYLE:** Sure.

15 **CHAIRMAN CARTER:** I would like to pursue that  
16 with you in terms of the reprocessing. Where do you  
17 think the United States from a policy standpoint is  
18 going with reprocessing, particularly in view of what  
19 they have not done at Yucca Mountain? Do you have an  
20 opinion on that?

21 **THE WITNESS:** It is my personal opinion that  
22 as of this point in time that there is no government  
23 support for a reprocessing option in this country. What  
24 that will look like down the road, I can't be sure. And  
25 I think also today, also with the cost of uranium where



1 it is, it is probably not economical anyway. But all of  
2 this spent fuel that is being stored on these sites  
3 across the country contain useful energy that is still  
4 there and will be there in the future. So I think that,  
5 you know, some of the brightest minds around this issue  
6 and the most forward thinking is that we should not take  
7 that option off the table for this country because  
8 someday we may very well need that.

9 **CHAIRMAN CARTER:** And the French are using the  
10 reprocessing with all of their plants, and they are  
11 pretty much -- in fact, they are generating so much from  
12 nuclear power they are actually exporting it to their  
13 neighbors.

14 **THE WITNESS:** That is absolutely right. They  
15 are exporting to other European countries who decided  
16 that they did not want to proceed with the nuclear  
17 option. They sort of took that off the table. The  
18 French continued to develop it. Now, today they are  
19 exporting that power to those countries. And some of  
20 those countries are beginning to step back and say,  
21 whoa, wait a minute, maybe we shouldn't have done what  
22 we did.

23 **CHAIRMAN CARTER:** And the United States  
24 actually developed the technology for reprocessing, is  
25 that correct?

1           **THE WITNESS:** Yes.

2           **CHAIRMAN CARTER:** This is kind of -- that is  
3 why I was asking you was there any movement or anything  
4 like that on the national level from the Congress or  
5 anything like that. It just kind of defies common  
6 sense.

7           **THE WITNESS:** They are working with DOE, the  
8 industry and a number of policymakers around stepping  
9 back now and sort of putting together, I call it a blue  
10 ribbon panel or commission, to take another look at  
11 where do we go from here. Because it is quite clear  
12 that for the foreseeable future Yucca Mountain is just  
13 not going anywhere.

14           **CHAIRMAN CARTER:** Thank you, Mr. Moyle. I  
15 appreciate you yielding.

16           **MR. MOYLE:** Sure. Sure. I'm happy to.

17 **BY MR. MOYLE:**

18           **Q.** And the reason I'm asking these questions, I  
19 have experienced sometimes with contractors if they are  
20 doing work on your house, when they come in and  
21 something doesn't work exactly right, well, the  
22 subcontractor or the architect usually they come back to  
23 the owner and say it is going to cost you a little bit  
24 more. And, you know, I kind of say, well, it really  
25 wasn't part of my job as I understood it, but you

1 usually work something out. And I am just curious as to  
2 whether there is not some kind of a similar work out  
3 with respect to the issue of the nuclear storage. I  
4 mean, because as we have talked about it, the ratepayers  
5 are paying this dollar per megawatt currently to the  
6 federal government, the federal government is not doing  
7 anything, and now you are going to this dry cast  
8 storage, which I guess you are asking the ratepayers to  
9 fully fund, is that right?

10 **A.** Well, no. The DOE settlement actually is  
11 going to reimburse us for those costs that we would not  
12 have otherwise had had they met their obligation. And I  
13 share your concern about the one mill per kilowatt  
14 payment. We do at FPL, as well. And we are part of an  
15 industry group that is looking at how do we proceed with  
16 that. It is not so simple as to just not pay that. For  
17 example, if we were -- we are contractually obligated to  
18 pay that one mill per kilowatt hour fee for this waste  
19 fund. If we weren't to pay it, the NRC could turn  
20 around and would turn around and would not give us  
21 license amendments for our existing operating plants,  
22 which would, in essence, cause those plants to have to  
23 shut down ultimately.

24 So this is a very complex legal issue, and we  
25 happen to share the thought about that. We don't like

1 to see it paid, either.

2 Q. Okay. It sounds like there is some leverage  
3 there that the federal government has on you. But let  
4 me just move on on a couple of questions, and I think we  
5 will be wrapping up. How much -- how do you measure  
6 this spent nuclear fuel, by pounds or tons?

7 A. Typically, the way we measure it is several  
8 ways. Obviously, we can't the number of fuel assemblies  
9 because that is how we manage where we are going to  
10 store it. But the other thing that we have to do is, of  
11 course, with the concerns around proliferation and those  
12 sorts of things, we have very strict requirements from  
13 the Nuclear Regulatory Commission to do audits of the  
14 inventory in these spent fuel pools and physically  
15 verify that every fuel assembly that we have ever  
16 discharged since day one is in the right place at the  
17 right location and that there are no missing pellets, or  
18 rods, or any of those sorts of things. So there is a  
19 variety of controls that are in place around managing  
20 the inventory of this spent nuclear fuel.

21 Q. So it is essentially 30 year's worth of spent  
22 fuel rods at Turkey Point and St. Lucie that are still  
23 there, correct?

24 MR. ROSS: Mr. Chairman. Mr. Chairman, I  
25 would just like to object. That question has been asked

1 and answered. And, second of all, this is a very  
2 interesting discussion, but I'm not sure it goes to a  
3 single issue in the case.

4 **CHAIRMAN CARTER:** You're right. It's a very  
5 interesting discussion. I think he can answer it.

6 **MR. MOYLE:** Yes. And the overarching issue  
7 from our concern is the cost aspects of it. But, I'll  
8 move on.

9 **CHAIRMAN CARTER:** Okay.

10 **MR. MOYLE:** Counselor, just a couple -- just  
11 follow-up questions, then we will we move on to another  
12 line.

13 **BY MR. MOYLE:**

14 **Q.** But, given that it has been this long, is this  
15 something that the Nuclear Regulatory Commission is  
16 responsible for or does DEP have any involvement with  
17 this issue?

18 **A.** With the spent nuclear fuel issue?

19 **Q.** Yes, sir.

20 **A.** No. It is a DOE obligation, Department of  
21 Energy.

22 **Q.** The Commission established moving on to an  
23 operation and maintenance issue. The Commission  
24 previously established some benchmarks for O&M for the  
25 nuclear business unit, did they not?

1           **A.**    Yes.

2           **Q.**    And those benchmarks when they were  
3 established were reasonable benchmarks, you would agree  
4 with that?

5           **A.**    I think so.

6           **Q.**    Okay.  And in 2010, FPL's O&M expenses  
7 exceeded the benchmark by \$37 million, correct?

8           **A.**    Let me refer to my testimony.  I don't  
9 remember.

10          **Q.**    Page 39, Line 14, I believe.

11          **A.**    Yes, I see that.  That is correct.

12          **Q.**    So it was \$37 million exceeded in 2010, and in  
13 2011 you exceeded it by another 44 million, is that  
14 right?

15          **A.**    That is correct.

16          **Q.**    Okay.  So the sum total of that number,  
17 80 million or so, is that money that you are also asking  
18 the ratepayers to pay?

19          **A.**    Yes, it is.  And, again, it goes to the point  
20 of we have an obligation to make certain that we are  
21 taking the right steps with these nuclear power plants  
22 to make sure that they continue to operate safely, and  
23 reliably, and to their 20-year license extension.

24                   As part of the ticket to admission to get that  
25 20-year license extension we have made a lot of

1 commitments to the NRC along with other utilities that  
2 we are going to be inspected on. So we are all about at  
3 this point in time getting on with doing those things  
4 that we have to do for that.

5 Now, as a result of that expenditure, which I  
6 think is a great deal for our customers, you know, they  
7 are going to continue to enjoy the benefits from these  
8 plants. And as Witness Olivera pointed out, I mean on a  
9 \$6 billion fuel spend, we spend \$110 million on our  
10 nuclear fuel and we generate 20 percent of the system  
11 energy. So even with these expenditures this is a  
12 tremendous deal for our customers, and it is in their  
13 interest that we take these actions now rather than  
14 later and still spend the money probably spend more  
15 later and have operational problems while we are doing  
16 it.

17 **Q.** Right. And the point you just made about the  
18 wonderful advantage because it is a low spend on the  
19 fuel cost and a 20 percent output, that description  
20 doesn't take into account the capital expenditure, the  
21 very large capital expenditure for the units, correct?

22 **A.** That is true. But even with all of that taken  
23 into account, these plants are a home run for our  
24 customers, and they are even becoming even more valuable  
25 today now that the environmental benefits of nuclear are

1 becoming clear with the fact that they don't emit  
2 carbon. Also, just the fact that these plants are  
3 fueled by nuclear fuel instead of natural gas. We heard  
4 a lot of discussion over the last couple of days around  
5 our dependence upon natural gas. I think it is  
6 comforting for the customers to know that in the event  
7 of a hurricane, for example, that goes up into the Gulf  
8 and disrupts natural gas supply, or we have fires at one  
9 of the gas compression stations like we had a number of  
10 years ago, that we have these four big baseload nuclear  
11 plants that don't depend upon natural gas. It serves  
12 our customers well and provides, I think, a tremendous  
13 value to them. So I think this is a good deal for the  
14 customers.

15 Q. Just a couple more questions. You talked  
16 about the environmental benefits of nuclear with respect  
17 to emissions. You would agree that someone could argue  
18 that that environmental benefit is offset by the fact  
19 that you have spent nuclear fuel that you can't get rid  
20 of, correct?

21 A. Yes, somebody could certainly make that  
22 argument.

23 Q. Okay. And I used the contractor thing, a  
24 little shorthand there, but given the fact that the  
25 company exceeded reasonable benchmarks that this



1 Commission established by 37 million in 2010 and  
2 44 million in 2011, would you be willing to split it  
3 50/50 with the ratepayers?

4 **A.** No, because, again, back to my original point.  
5 I would rather be sitting here explaining today to the  
6 Commission why we exceeded these benchmarks doing the  
7 right thing for sustainability of these nuclear plants  
8 rather than be sitting here two years from now or three  
9 years from now explaining why we are spending that money  
10 now and why didn't we take action before we had the  
11 problems that we could have prevented.

12 So, I think that, again, I go back to my  
13 fundamental point, which is these are good investments  
14 for our customers, and I think that it is incumbent upon  
15 myself as an officer of this company to make sure that I  
16 do everything to protect these assets for the company  
17 and the customers.

18 **Q.** Thank you. And there has been quite a bit of  
19 discussion about salaries, there has been a confidential  
20 exhibit, and Mr. Olivera said that the nuclear people  
21 are very highly sought after and highly paid. You would  
22 agree with that, correct?

23 **A.** Yes.

24 **Q.** Right. And the 222 million that you are  
25 spending as part of this excellence project that we

1 talked about, one key component is personnel, right?

2 A. Yes.

3 Q. Okay. But that component is above and beyond  
4 the salary component, correct, that we have looked at  
5 with respect to the salaries that FPL is asking to be  
6 paid by the ratepayers?

7 MR. ROSS: I object. It mischaracterizes the  
8 witness' testimony.

9 CHAIRMAN CARTER: Just rephrase.

10 BY MR. MOYLE:

11 Q. The component of the excellence project that  
12 you talked about, you indicated that it was focusing on  
13 personnel, and I'm just trying to establish that  
14 whatever the focus of that is, it is separate and apart  
15 from the increased monies that FPL is seeking in salary  
16 expense related to the nuclear employees, is that  
17 correct?

18 A. Yes. Let me see if I can explain that,  
19 though. First of all, Witness Slattery can back me up  
20 on this subject of verification, but all of our salaries  
21 are captured in what I call the salary bucket. So that  
22 is transparent and available for everybody to see. When  
23 I talk about the people part of this, for example, a lot  
24 of these buildings at Turkey Point, for those plants to  
25 have been constructed and to go into operation in 1972,

1 some of the buildings that the people are in, for  
2 example, down there are 40 years old and plus. And they  
3 are just in need of refurbishment and repair. So there  
4 is more to the people side of this than just salaries  
5 and incentives and compensation. It is way of providing  
6 a professional work environment for the people, making  
7 certain that our plants can compete with our peers'  
8 plants when they go to another plant and they have a  
9 decent working area, nice shops to work in.

10 All of those things are sort of the ticket for  
11 admission, if you will, to running a quality nuclear  
12 program. So we are -- the time has come for us to  
13 invest in some of this infrastructure to support a  
14 professional work environment. We have gotten useful  
15 life out of some of these facilities.

16 **Q.** There has been a lot of discussion about the  
17 difficult economic situation and dire economic  
18 situation. Do you think maybe that given the difficult  
19 economic situation facing the businesses in the state  
20 and the homeowners in the state that maybe expenditures  
21 related to improving buildings at Turkey Point, that you  
22 could push those out a few years?

23 **A.** We have already pushed them out a few years.  
24 We have done that. And anyplace where we believe that  
25 there is opportunities for doing that, believe me when I

1 tell you, we are going that. And for some of these  
2 facilities that we are talking about in this project, it  
3 is time to get on with doing this. It has actually  
4 become a dissuader for some of the recruiting activities  
5 that we have had in the past.

6 **MR. MOYLE:** That's all I have, Mr. Chairman.

7 **CHAIRMAN CARTER:** Thank you. Let's see.

8 **MR. MOYLE:** Thank you by the way.

9 **CHAIRMAN CARTER:** Ms. Bradley, you had no  
10 questions, correct?

11 **MS. BRADLEY:** No, sir.

12 **MR. LaVIA:** Mr. Chairman, J. LaVia for the  
13 Retail Federation.

14 **CHAIRMAN CARTER:** Retail Federation.

15 **MR. LaVIA:** No questions.

16 **CHAIRMAN CARTER:** Mr. Armstrong.

17 **MR. ARMSTRONG:** No questions.

18 **CHAIRMAN CARTER:** Commissioners, I am going to  
19 go to staff before I come back to the bench. I did get  
20 all the parties, did I not? If I missed you -- okay.  
21 Good.

22 Staff, you are recognized.

23 **MR. YOUNG:** Thank you, Mr. Chairman.

24 Mr. Chairman, may we approach the witness?

25 **CHAIRMAN CARTER:** Absolutely. Be careful, he

1 is a nuke guy, so, you know.

2 **MR. YOUNG:** Mr. Chairman, just for the record,  
3 I was in discussion with the parties, and the parties  
4 all agreed to certain stipulations for a part of Staff's  
5 Composite Exhibit Number 35, the interrogatories, and  
6 that is what we are handing to the witness, along with  
7 the witness' deposition, which we are going to get into  
8 a discussion later. I have some questions as relates to  
9 Mr. Stall's deposition and some questions as relates to  
10 the interrogatories.

11 **CHAIRMAN CARTER:** Okay. Let's do this, guys,  
12 let's take a quick -- oh, I needed to mention that --  
13 Chris, what time do they put the locks on the doors?  
14 6:00. You know we have those electronic locks on the  
15 doors. DMS did agree to extend it to 6:00, and we are  
16 going to go to about 7:00 tonight like we did last  
17 night. So remember the buddy system if you go out. We  
18 want you to come back in.

19 The other thing is that we do have air  
20 conditioning till 7:30, so that is a good thing. I  
21 wanted to kind of get those housekeeping matters out  
22 there. Let's take a quick break. We're off the record.

23 We are going to be changing court reporters  
24 around 6:00 or so, and she will be with us for that last  
25 hour. So let's just take a quick five minutes where you

1 guys can get all the paperwork out there. And you don't  
2 need a number on this anyway, you are just going to use  
3 it for cross-examination?

4 **MR. YOUNG:** No, sir.

5 **CHAIRMAN CARTER:** Okay. Let's just take a  
6 stretch break.

7 **MR. YOUNG:** They are already numbered.

8 **CHAIRMAN CARTER:** Okay, good.

9 (Off the record.)

10 **CHAIRMAN CARTER:** We're back on the record.  
11 And when we last broke, staff was passing out a document  
12 for ease of reference for the cross-examination.

13 Mr. Young, you're recognized.

14 **MR. YOUNG:** Thank you, Mr. Chairman.

15 Mr. Chairman, like I was saying before we  
16 broke, that I handed out what is -- I handed out a set  
17 of documents. One is the deposition of Mr. Art Stall  
18 that was August 12th, 2009. Also included in that  
19 package was a set of interrogatories that all the  
20 parties have agreed to dismiss the formal presentation  
21 of laying the proper foundation. They agreed to have it  
22 entered into -- identified as a part of Staff's  
23 Composite Exhibit Number 35.

24 **CHAIRMAN CARTER:** Okay.  
25

1           **MR. YOUNG:** And I will go through each one of  
2 them so we can dispense with the proper foundation,  
3 laying the proper foundation.

4           **CHAIRMAN CARTER:** You may proceed.

5           **MR. YOUNG:** Starting on page -- and for ease  
6 of reference it is the pink handout sheet.

7           **CHAIRMAN CARTER:** Okay. I started to say real  
8 men don't wear pink, but actually I remembered I have a  
9 pink shirt, so I can't say that.

10           **MR. YOUNG:** It is Item Number 10, Staff  
11 Composite Exhibit Number 35, and it is FPL's Response to  
12 Staff's 12th Set of Interrogatories. And it is  
13 covered -- it is a one sheeter. It is front and back,  
14 and it is Interrogatory Number 31, Page 1 of 1. Okay.

15           The second document is Item Number 37 on  
16 Staff's Composite Exhibit Number 35, And it is FPL's  
17 Response to Staff's Third Set of Interrogatories  
18 Numbers -- and it's numbers -- excuse me, I am trying to  
19 get all the documents in front me. Sorry, let's back  
20 up. Number 11.

21           **CHAIRMAN CARTER:** Number 11.

22           **MR. YOUNG:** Staff's Composite Exhibit Number  
23 35, and it is Item Number 11, and it is FPL's Response  
24 to Staff's 13th Set of Interrogatories, and it is  
25 Numbers 234, 235, 236.

1           **CHAIRMAN CARTER:** Are you sure about those  
2 numbers? I am showing 249, 262 -- am I on the wrong  
3 document?

4           **MR. YOUNG:** No, it's FPL's 12th Set of  
5 Interrogatories, I'm sorry, the affidavit. You can  
6 remove the affidavit. It is FPL's 13th set of -- 12th  
7 set of interrogatories. I'm sorry.

8           **CHAIRMAN CARTER:** Okay.

9           **MR. YOUNG:** And it is 234, 235, and 236.  
10 Okay?

11          **CHAIRMAN CARTER:** Okay.

12          **MR. YOUNG:** Now we move to Item Number 11,  
13 which is FPL's 13th set of interrogatories, FPL's  
14 Response to Staff's 13th Set of Interrogatories Number  
15 269, Item Number 14 on Staff's Composite Exhibit, FPL's  
16 Response to OPC's Second Set of Interrogatories  
17 number -- Interrogatory Number 131; same set,  
18 Interrogatory Number 133; same set, Interrogatory Number  
19 134; same set, Interrogatory Number 135. And if I am  
20 going too fast, please.

21          **CHAIRMAN CARTER:** No, no, I am with you.  
22 Commissioners, everybody okay with that?

23          **MR. YOUNG:** Same set, Interrogatory Number  
24 145; same set, Interrogatory Number 147.

25          **CHAIRMAN CARTER:** That's all the -- okay, 147



1 is the last one listed on 14?

2 **MR. YOUNG:** Yes. And if we move to Item  
3 Number 16 on Staff's Composite Exhibit List, Exhibit  
4 Number 35, move to Item 16, and it is FPL's Response to  
5 OPC's Fourth Set of Interrogatories Number 180.

6 **CHAIRMAN CARTER:** Number 16, 180.

7 **MR. BUTLER:** Mr. Chairman.

8 **CHAIRMAN CARTER:** Yes, sir, Mr. Butler.

9 **MR. BUTLER:** Just for clarification, may I  
10 inquire as to -- and make sure I understand how this is  
11 going to work. Mr. Young has referred to  
12 interrogatories that are a part of, but by no means all  
13 of the interrogatory numbers that are identified for  
14 these various item numbers in Exhibit 35. Is the idea  
15 that eventually you will have with all the witnesses the  
16 other of the interrogatories that are here on each of  
17 these item numbers, or are we cutting down what will be  
18 on the ultimate Exhibit 35 by the end of the hearing?

19 **MR. YOUNG:** It is the first part. I will let  
20 Ms. Bennett speak on that.

21 **CHAIRMAN CARTER:** Ms. Bennett.

22 **MS. BENNETT:** We eventually by witness will  
23 enter each of the interrogatories and PODs, and then at  
24 the end -- I shouldn't say end, we are going to check  
25 them off of our checklist. And at the end, once we have

1 checked everything off, we will enter Exhibits 35, 36,  
2 and 37 at the end of the proceeding.

3 **MR. BUTLER:** Thank you.

4 **CHAIRMAN CARTER:** Okay. Everybody cool on  
5 where we are headed? Okay. Mr. Young.

6 **MR. YOUNG:** And, Mr. Chairman, I overlooked  
7 one. Ms. Lee indicated I overlooked one, and that is  
8 FPL's response --

9 **CHAIRMAN CARTER:** What number is it?

10 **MR. YOUNG:** And it's --

11 **CHAIRMAN CARTER:** You have got me hooked on  
12 your system now.

13 **MR. YOUNG:** Yes, sir.

14 **CHAIRMAN CARTER:** We just finished Number 16  
15 on here.

16 **MR. YOUNG:** It is Item Number 37 on Staff's  
17 Composite Exhibit Number 35, the pink sheet. It is Item  
18 Number 37, and it is FPL's Response to Staff's Third Set  
19 of Interrogatories from -- and these are the  
20 interrogatories from Docket Number 090130-EI, and it is  
21 Interrogatory Number 31.

22 **CHAIRMAN CARTER:** Okay. Let's get this party  
23 started.

24 **MR. YOUNG:** Yes, sir. And as indicated, sir,  
25 it is agreed upon by all the parties that no one has an

1 objection to these exhibits being moved in at the  
2 appropriate time when staff moves Composite Exhibit  
3 Number 35 into the record.

4 **CHAIRMAN CARTER:** Okay. We will cross that  
5 bridge when we get to the horse, or ride that horse when  
6 we get -- you know, we will get there.

7 CROSS EXAMINATION

8 **BY MR. YOUNG:**

9 Q. With that, Mr. Stall, good afternoon.

10 A. Good afternoon.

11 Q. Mr. Stall, I would like to direct your  
12 attention to your deposition, the transcript from your  
13 deposition. Do you have that in front of you, sir?

14 A. I have that in front of me. Thank you.

15 Q. And this is -- and just for the record,  
16 Mr. Stall, this is a deposition taken August 12th, 2009,  
17 correct?

18 A. That is correct.

19 Q. And it relates to your direct testimony you  
20 filed in this case, correct?

21 A. That is correct.

22 Q. During the course of that deposition, you were  
23 asked a series of questions as relates to employees, the  
24 employees of the nuclear division, correct?

25 A. Yes.

1           **Q.** And just to clarify, you are president of the  
2 nuclear division, correct?

3           **A.** Yes.

4           **Q.** Okay. Just for ease of reference, how many  
5 employees do you have in this unit?

6           **A.** I would have to refer to my notes. I believe  
7 it is -- bear with me here a moment.

8           **Q.** Just for ease of reference, subject to check,  
9 would it be 1,956?

10          **A.** That is about correct, yes.

11          **Q.** Okay. Do you know the percentage of increase  
12 in annual -- in average annual total compensation for  
13 the employees for 2007 to 2009 for the units?

14          **A.** Not off the top of my head.

15          **Q.** Did you provide a late-filed exhibit to this  
16 deposition?

17               **CHAIRMAN CARTER:** Are you saying could he or  
18 did he?

19               **MR. YOUNG:** Did he.

20               **CHAIRMAN CARTER:** Oh, I'm sorry.

21               **THE WITNESS:** I believe we did. I just don't  
22 remember the number, though, for the average  
23 compensation increase off the top of my head. If I had  
24 that late-filed exhibit -- is it here in this package  
25 that I have been provided?

1                   **CHAIRMAN CARTER:** Counsel.

2                   **MR. ROSS:** Can you refer him to Late-Filed  
3 Exhibit 1 to his deposition.

4                   **MR. YOUNG:** Yes, sir. I was just waiting for  
5 him to speak on it.

6 **BY MR. YOUNG:**

7                   **Q.** Can you please refer to -- look at the back,  
8 the last two pages. I will cover these depositions  
9 relatively quickly, these late-filed exhibits.

10                   **A.** Okay. I have it now.

11                   **Q.** Look at Late-Filed Exhibit Number 1.

12                   **A.** I have that.

13                   **Q.** Do you see that?

14                   **A.** Yes.

15                   **CHAIRMAN CARTER:** Before you ask him any  
16 questions, Ms. Bradley, do you have this information?

17                   Are you checking to see if you have it, Ms.  
18 Bradley? He was referring to the late-filed exhibit to  
19 the deposition. I was just inquiring to make sure that  
20 you had this information.

21                   **MS. BRADLEY:** We are going through all of it  
22 as far as I know.

23                   **CHAIRMAN CARTER:** I think it's the last -- is  
24 it the last two pages, Mr. Young --

25                   **MR. YOUNG:** Yes, sir.

1                   **CHAIRMAN CARTER:** -- to the excerpt from the  
2 deposition?

3                   **MS. BRADLEY:** I think we had agreed to all of  
4 these before.

5                   **CHAIRMAN CARTER:** Okay. I just want to make  
6 sure. Remember, we talked initially. I'm going to be  
7 looking out for you, okay?

8                   **MS. BRADLEY:** Thank you. I appreciate that.

9                   **CHAIRMAN CARTER:** Okay. Mr. Young.

10 **BY MR. YOUNG:**

11                   **Q.** All right. Do you remember my question,  
12 Mr. Stall, or do you need me to repeat it?

13                   **A.** No. Would you please repeat the question?

14                   **Q.** The percentage of increase in annual total  
15 compensation for the employees for 2007 and 2008?

16                   **A.** Seven percent in 2007 and 0.2 percent for  
17 2008.

18                   **Q.** Okay. Now, in your testimony, in your direct  
19 testimony you talked about -- you were asked to  
20 explain -- explain why the salaries of FPL nuclear  
21 employees are higher. Do you remember talking --  
22 discussing that in your direct testimony?

23                   **A.** I do.

24                   **Q.** And the increases are more rapidly than  
25 salaries of other FPL business units, correct?

1           **A.**    That is correct.

2           **Q.**    Okay.  Can you please elaborate on the reason  
3 for the higher salaries for the business -- for your  
4 business unit?

5           **A.**    Well, I think there was a lot of discussion  
6 around the general topic of compensation over the last  
7 several days.  And, really, I think when it comes to one  
8 of the areas in our company where competition for talent  
9 is perhaps keenest, if not the keenest, or very close to  
10 it would be in the nuclear division.

11                   There is a severe and growing shortage of  
12 qualified nuclear talent available in the industry  
13 today.  And as a result of that, that is putting a lot  
14 of pressure on operating utilities across this country  
15 to sort of increase compensation in order to attract and  
16 retain the talent that they need to run the plants.  And  
17 I think for us, you know, that is exacerbated by the  
18 fact that we have got about 30 percent of our workforce  
19 that is eligible to retire, over 600 employees in the  
20 next three to five years.  We can't be certain exactly  
21 when they are going to go, but we know they are going to  
22 go.

23                   And with the number of utilities that have  
24 filed these COLA, as we call them, applications,  
25 combined operating license applications with the Nuclear

1 Regulatory Commission to begin to perhaps build new  
2 plants, that has created an additional source of need  
3 for talent. So all of those things have come together  
4 sort of in a confluence to create an environment where  
5 salaries have run up dramatically in the nuclear area  
6 for certain specialized skills that are needed in these  
7 plants.

8 **MR. YOUNG:** Mr. Chairman, at this time I would  
9 like -- although staff -- Mr. Chairman, although staff  
10 will not be seeking to admit Item Number 77 of Staff's  
11 Composite Exhibit Number 35, which is the deposition  
12 transcript of Mr. Art Stall from staff's composite list  
13 into the record at the end of the proceeding, staff  
14 would like to go ahead and address any objections to the  
15 entry of this item at this time and have a ruling on the  
16 admissibility of this document.

17 **CHAIRMAN CARTER:** Hang on a second, Mr. Young.  
18 Commissioner Skop.

19 **COMMISSIONER SKOP:** Thank you, Mr. Chairman.  
20 I was looking over the documentation that was provided,  
21 specifically the FPL Response to OPC's Second Set of  
22 Interrogatories Question Number 147, Attachment Number  
23 1, Page 1 of 5. And it identifies gross total  
24 compensation by position for various nuclear job  
25 functions. And I am wondering in light of the response,



1 to the extent that now it has been disclosed, whether  
2 that would preclude that information from confidential  
3 classification. And if Mr. Butler might briefly speak  
4 to that, also.

5 **MR. BUTLER:** I am going to need to confer for  
6 a moment to be able to address it. Thank you.

7 **CHAIRMAN CARTER:** Let's kind of take a minute.  
8 We are off the record.

9 (Off the record.)

10 **CHAIRMAN CARTER:** We are back on the record.  
11 Who is on first? Mr. Butler.

12 **MR. BUTLER:** I am happy to provide a brief  
13 explanation that I think will clear this up.

14 **CHAIRMAN CARTER:** You're recognized.

15 **MR. BUTLER:** What Attachment 1 to  
16 Interrogatory 147 response shows is the total payroll by  
17 particular job descriptions. And there are in, I think,  
18 most if not all instances multiple people holding those  
19 job positions. It doesn't identify by individual and it  
20 doesn't identify how many people are holding the  
21 position, so you really can't draw any specific  
22 information about individual compensation or even  
23 averages for that position from this document.

24 **COMMISSIONER SKOP:** Mr. Chair.

25 **CHAIRMAN CARTER:** Commissioner Skop.

1                   **COMMISSIONER SKOP:** Thank you, Mr. Chair.  
2 Thank you, Mr. Butler. Again, it is late in the day, so  
3 I didn't see that readily, but it is better to be  
4 cautious in terms of the confidentiality that you guys  
5 have asserted. So, thank you.

6                   **MR. BUTLER:** I totally agree. And thank you  
7 for bringing it up.

8                   **CHAIRMAN CARTER:** Mr. Young.

9                   **MR. YOUNG:** Should I reiterate my motion, Mr.  
10 Chairman?

11                   **CHAIRMAN CARTER:** Are you at the end of your  
12 cross-examination?

13                   **MR. YOUNG:** No, sir, but I just wanted to  
14 dispense with the -- because I can go line-by-line,  
15 actually to --

16                   **CHAIRMAN CARTER:** All right. All right. Is  
17 that what you agreed to with the parties?

18                   **MR. YOUNG:** Not the deposition. That's why we  
19 mentioned the deposition as -- that is why I gave my  
20 premises in terms of possibly seeing if there is any  
21 objection to the deposition.

22                   **CHAIRMAN CARTER:** Why don't we deal with the  
23 other stuff that you guys agree on and then we will come  
24 back to the deposition.

25                   **MR. YOUNG:** Not a problem, sir.

1                   **CHAIRMAN CARTER:** Go forward.

2                   **MR. YOUNG:** All right.

3                   **BY MR. YOUNG:**

4                   **Q.** Mr. Stall, briefly before I asked for that  
5 request, we were talking about FPL employees in your  
6 unit, correct?

7                   **A.** Yes.

8                   **Q.** Okay. And you talked about the retention and  
9 the need for higher compensation for these employees,  
10 correct?

11                   **A.** Yes.

12                   **Q.** Okay. Has FPL implemented a retention program  
13 with increased compensation and benefits for the nuclear  
14 division employees to prevent other companies from  
15 hiring said employees?

16                   **A.** Yes, we have.

17                   **Q.** Are you aware of -- are you aware of any  
18 employees in the nuclear business unit having left FPL  
19 in 2006 through 2009 as a result of poaching from the  
20 other companies?

21                   **A.** I am.

22                   **Q.** How many employees have been poached?

23                   **A.** Oh, I could not tell you with specificity the  
24 exact number. I'm sure that we could get that, but I  
25 can tell you that we have had poaching at all levels in

1 the organization, from officers of the company down  
2 through plant managers, through our operations managers,  
3 our maintenance managers, our engineering managers at  
4 the individual sites. And the list goes on right on  
5 down into the control room to licensed control room  
6 operators. It has been a big problem that I have had to  
7 deal with over the last several years, and it is even --  
8 even with these retention programs, it is still a  
9 continuing problem. And it is going to be, I think,  
10 even worse over the next several years.

11 Q. Is that possibly something I could get in a  
12 late-filed exhibit, the number of employees that have  
13 been poached from FPL by peer organizations?

14 **CHAIRMAN CARTER:** Ms. Bradley, the magic words  
15 again. He is asking for a late-filed exhibit on the  
16 number of employees that have been poached from the  
17 nuclear division by other employers.

18 **THE WITNESS:** I would just caution you to be  
19 careful about looking at the raw numbers, because as  
20 much as the raw numbers are important, it's the level of  
21 people and the skill set that they have in the  
22 organization that is equally important. So just looking  
23 at the raw numbers will not paint the full picture of  
24 the issue that we are dealing with. Because these  
25 senior -- these senior --

1                   **COMMISSIONER ARGENZIANO:** Mr. Chair.

2                   **CHAIRMAN CARTER:** Commissioner Argenziano.

3                   **COMMISSIONER ARGENZIANO:** Yes. At the right  
4 time I would like to ask a question pertaining to this  
5 subject. Is this the right time?

6                   **CHAIRMAN CARTER:** Let's finish this. Let's  
7 finish this little colloquy we've got and I will come  
8 right back to you, Commissioner.

9                   **COMMISSIONER ARGENZIANO:** Okay, great.

10                  **CHAIRMAN CARTER:** First, I wanted to go to  
11 Ms. Bradley, because there was an issue about a  
12 late-filed, and I wanted to make sure that you were  
13 abreast of the issue that was raised by Mr. Young's  
14 question.

15                  **MS. BRADLEY:** I understand he is requesting a  
16 late-filed exhibit containing this information.

17                  **CHAIRMAN CARTER:** Yes, ma'am.

18                  **MS. BRADLEY:** We would object to it without an  
19 opportunity to look to see what they are putting  
20 together. And if it does come in, or if it is something  
21 we can agree to, we would at least like an opportunity  
22 to cross-examine the witness after we have looked at it.

23                  **CHAIRMAN CARTER:** Okay. Let me hold off, and  
24 while you guys think about it, let me go to Commissioner  
25 Argenziano, and I will come back to you.

1 Commissioner Argenziano.

2 **COMMISSIONER ARGENZIANO:** Yes, Mr. Chair.

3 **CHAIRMAN CARTER:** You're recognized.

4 **COMMISSIONER ARGENZIANO:** Okay. The question  
5 I have is I did a little -- and it is in the record, a  
6 little bit of asking around on how much of a problem  
7 this is with companies. And, first, let me ask you, you  
8 indicated that your employees do get poached, and that  
9 sounds like what happens in any business pretty much,  
10 and even those businesses where -- in highly technical  
11 fields that seems to be more prevalent, and I understand  
12 that. But I think you also said that the numbers don't  
13 really give you the right picture. Is that what you  
14 were alluding to, that if we looked at the numbers you  
15 really couldn't see how many people or employees have  
16 been poached?

17 **THE WITNESS:** I think what I was trying to  
18 say, Commissioner, is that just as important as the raw  
19 numbers, if not more important, is to look at the  
20 individual positions that have been poached and the  
21 skill set that they bring to operating these nuclear  
22 plants. The problem here is -- and you are correct with  
23 your assessment that it is not unlike poaching that goes  
24 on in other industries. But what has exacerbated this  
25 issue in the nuclear industry in particular, as I'm sure

1 you are well aware, is that there was a period of  
2 time -- if you go back, you know, even 10 or 15 years  
3 ago, there was a large question of whether or not these  
4 nuclear plants today in this country were going to even  
5 operate to the end of their existing license.

6 So what we had was a situation where a lot of  
7 the university programs that would train nuclear  
8 engineers, for example, began to shut down. The young  
9 students in college did not want anything to do with  
10 nuclear. So we have got a unique demographic in this  
11 industry where we have got a large portion of the work  
12 force getting ready to retire in the next three to five  
13 years, and there is not a whole lot of depth behind  
14 that. And when you start looking around for the kind of  
15 skill set that you need to be a senior manager in a  
16 nuclear power plant, you are looking for an individual  
17 that has had years of experience in the control room,  
18 been a licensed reactor operator, or a senior reactor  
19 operator, hopefully, an engineering degree. And even on  
20 top of that for some of the top management positions  
21 some business training, as well, and finance training.  
22 And there just aren't a lot of those folks out there.

23 **COMMISSIONER ARGENZIANO:** How many of those  
24 highly technical -- because I have been in your control  
25 rooms and others that I see less technical people doing

1 a very important job, also. But how many would you say  
2 with the highly technical skills are at that pay range  
3 that has been suggested at 165 or above that you know of  
4 that would make up that highly skilled area that you  
5 identify as being the most poachable, I guess?

6 **THE WITNESS:** Well, I would say that  
7 individuals with the type of operating experience that I  
8 have talked about, you know, those are -- you want to  
9 have not just the incumbents in these positions, but  
10 what is also important is that you have a succession  
11 plan, and that you have candidates that are ready now,  
12 and will be ready in what we term two to five years, or  
13 three to five years. So it is important. And we get  
14 audited to this by some of our stakeholder  
15 organizations, namely the Institute of Nuclear Power  
16 Operations, to make sure that we have what is called a  
17 robust pipeline in place. So you --

18 **COMMISSIONER ARGENZIANO:** Do you have any idea  
19 of how many positions?

20 **THE WITNESS:** You need literally dozens, if  
21 not 15 to 30 of those type of people at each plant that  
22 have those sorts of skill sets. And those are -- those  
23 are the people that you need to have for the positions  
24 of senior management responsibility available, and then  
25 you have the whole cadre of people that you need that



1 have these unique skill sets to do the day-to-day work,  
2 to operate in the control rooms like you saw. Maybe  
3 they are not destined to be plant manager or a  
4 department manager --

5 **COMMISSIONER ARGENZIANO:** Yes, but they are  
6 not at the higher salary level, at the 165,000 or above?

7 **THE WITNESS:** Some of those would be, yes.

8 **COMMISSIONER ARGENZIANO:** Well, the ones that  
9 I went and talked to really didn't indicate that, and  
10 indicated that they go to a certain type of class for,  
11 you know, the reading in the control room, and then, of  
12 course, they work beneath the more technically trained  
13 or educated positions that you have. But, you have  
14 answered my question.

15 The next part of the question is are you --  
16 can you tell us, or are you prepared to tell us, or to  
17 tell me how many positions you have poached, your  
18 company has poached from other companies? That was  
19 indicated to me by at least two individuals from  
20 different companies.

21 **THE WITNESS:** Well, again, I can't tell you  
22 off the top of my head how many positions we have  
23 poached, but certainly we have been poached, and we are  
24 also poachers.

25 **COMMISSIONER ARGENZIANO:** It just happens --

1 it just happens. It is going to happen. And, of  
2 course, in this field being highly technical as it is  
3 and as well as others that aren't maybe energy related  
4 but still technical, it is going to happen, and it is  
5 happening now. So it is just a problem that is within  
6 the industry.

7 **THE WITNESS:** It's a huge problem and really  
8 we don't like to be in the poaching game, and neither  
9 does the industry. What we are focusing on right now,  
10 as you are probably aware, is putting in place these --  
11 I call them partnerships with the local community  
12 colleges. For example, Miami-Dade for Turkey Point and  
13 Indian River State College for St. Lucie, where we are  
14 focusing really on bringing people out of the high  
15 schools, bringing them through this program at the  
16 community college, and then bringing them into our  
17 plants and sort of growing our own talent. And the  
18 benefit that that is going to bring to us is that we are  
19 going to have people three to five years from now in our  
20 plants that want to have an affinity for South Florida,  
21 for example. They want to be there.

22 **COMMISSIONER ARGENZIANO:** Sure. And I have  
23 met some of those people, and I think it is a great  
24 idea. I guess the point I was making is that the  
25 poaching is happening now even though salaries aren't

1 really being exposed out there. And I think that was  
2 well made. But -- and I understand the highly technical  
3 aspects of the jobs that they do, but I just didn't know  
4 if you had numbers on how many you poach versus how much  
5 have been poached by you. Not you personally.

6 **THE WITNESS:** I'm quite certain that, you  
7 know, in our archives somewhere we have -- we have  
8 records, because we generally do exit interviews with  
9 people. But it is not just the ones that have been  
10 poached; it is the fact that we have managers and key  
11 people in our nuclear plants that are being sort of hit  
12 upon, you know, all the time by these recruiting people.  
13 And so we have to be -- we have to always be making  
14 certain that we are doing the right things to protect  
15 and keep the people that we need around that are  
16 critical to us.

17 So, you know, the fact that the number that  
18 have been poached may not be as large mathematically as  
19 somebody might suggest would be a problem, it does not  
20 really get -- it is just a tip of the iceberg, if you  
21 will, because there is a lot of activity going on by a  
22 lot of folks right up to my level to get personally  
23 involved with making sure that when we hear about  
24 somebody being poached through the grapevine, or that is  
25 being approached that we need to retain, we have to

1 actively work to retain them. And that is why we have  
2 these programs that we have been talking about here in  
3 place.

4 **COMMISSIONER ARGENZIANO:** Sure. And I would  
5 imagine that in some cases no matter what the salary  
6 inducement is, there are other reasons why somebody may  
7 be poached, or want to be poached, or go somewhere else,  
8 and that must be hard to have to deal with.

9 **THE WITNESS:** Sometimes they just want to move  
10 to a different geographic location, which is why we are  
11 putting so much emphasis these days on people who grew  
12 up in South Florida. The other thing that I neglected  
13 to mention, and for that I apologize, is traditionally  
14 for our industry one of the main sources of talent, if  
15 you will, into the industry has been through the United  
16 States Navy, people leaving the Navy. And the Navy has  
17 been substantially scaling their program back, as well,  
18 so that traditional path, if you will, into nuclear  
19 operations at a utility is pretty much drying up, if not  
20 already dried up. There is few and far between there,  
21 as well.

22 **COMMISSIONER ARGENZIANO:** Understood. Thank  
23 you very much.

24 **THE WITNESS:** You're welcome.

25 **CHAIRMAN CARTER:** Thank you, Commissioner.

1 Commissioner Skop.

2 **COMMISSIONER SKOP:** Thank you, Mr. Chairman.

3 Good afternoon, Mr. Stall.

4 **THE WITNESS:** Good afternoon, Commissioner.

5 **COMMISSIONER SKOP:** I just wanted to follow up  
6 on a couple of those questions. I think you just  
7 touched on the last one. But I guess with respect to  
8 the pipeline program through the community college  
9 level, it takes about 18 months to qualify as a reactor  
10 operator, is that correct?

11 **THE WITNESS:** That is the 18 months to two  
12 years for the specific class where we tap you on the  
13 shoulder and say it is your turn to go to the classroom  
14 and be prepared to take the NRC license exam. But  
15 before you ever get to that classroom you have to become  
16 qualified on all of what we call the watch stations in  
17 the plant, which are all of the various buildings and  
18 systems and equipment, and that literally takes years to  
19 do. So by the time that an individual would come in and  
20 be hired with little to no experience in our program to  
21 becoming a licensed operator in the control room can be  
22 as long as eight to nine years.

23 **COMMISSIONER SKOP:** Thank you. And with  
24 respect to the poaching that is going on, that is  
25 basically a supply and demand function where the demand

1 is higher than the existing supply of qualified  
2 employees, is that correct?

3 **THE WITNESS:** That is correct.

4 **COMMISSIONER SKOP:** Okay. And you mentioned  
5 the Navy nuclear program. Does FPL continue to actively  
6 recruit from people leaving the Navy?

7 **THE WITNESS:** We do. We are active there.

8 **COMMISSIONER SKOP:** And then just one final  
9 question. I know that you are doing this at the  
10 community college level, but other utilities have  
11 partnered with various engineering departments at other  
12 universities with respect to nuclear engineers, which,  
13 again, has somewhat evaporated, as you mention, but it  
14 is now coming back into some prominence. Does FPL do  
15 that in any way with the large four-year universities or  
16 just community colleges?

17 **THE WITNESS:** We have a very close  
18 relationship with the University of Florida Nuclear  
19 Engineering Department. I happen to be on their  
20 engineering advisory council, so I spend time there  
21 helping them to develop the right curriculum so that  
22 their students are ready to come and be productive in  
23 our plants.

24 The other thing that we are doing that is  
25 larger than just here in Florida is -- and I have been

1 in involved with this through the Nuclear Energy  
2 Institute, which is the industry consortium -- if you  
3 are were to sort of step back and look at the landscape  
4 of how we train in this industry people today, there is  
5 a hodgepodge, if you will, of training programs at the  
6 community college level where the curriculums are not  
7 even harmonized across the country. So, somebody who  
8 comes out of a community college program in North  
9 Carolina may not be able to come into our plant and be  
10 productive as quick as somebody out of Indian River  
11 State College.

12 So we are working now with all of the  
13 community colleges that have partnered up with these  
14 nuclear plants to harmonize the curriculums so that  
15 graduates from all of these programs around the country  
16 sort of -- I call it the good housekeeping stamp of  
17 approval on their forehead that they have been through  
18 an accredited program, they are good to go when they  
19 come in our plant and they can be productive.

20 The point that I'm trying to make there is  
21 that we are doing everything we can at FPL, and we are  
22 working with the industry to shorten that training cycle  
23 to make people more productive quicker in the plants  
24 than they otherwise would have been if we weren't taking  
25 these actions. There is an awful lot going on here.

1                   **COMMISSIONER SKOP:** Thank you.

2                   **THE WITNESS:** You're welcome.

3                   **CHAIRMAN CARTER:** Thank you. What I wanted to  
4 do is go back to the issue. Mr. Moyle, did you want to  
5 be heard on this? We were talking about the late-filed  
6 exhibit. Did you want to be heard on that?

7                   **MR. MOYLE:** Yes, sir, I do. And then I have  
8 one other matter that I would like to ask your  
9 indulgence of at the appropriate time.

10                   **CHAIRMAN CARTER:** Okay.

11                   **MR. MOYLE:** But if I understand the proposed  
12 late-filed, it is to provide information about the  
13 number and magnitude of FPL employees within the nuclear  
14 division whom have been poached, is that essentially  
15 correct?

16                   **CHAIRMAN CARTER:** I think that's correct. Mr.  
17 Young, is that correct?

18                   **MR. YOUNG:** Yes, from 2007 to 2008, 2008 to  
19 2009, and 2009 to date.

20                   **MR. MOYLE:** I think FPL -- I'm sorry, FIPUG  
21 would object to that on a number of grounds. We are at  
22 an evidentiary hearing today, there are matters placed  
23 in dispute, the parties have had a long time to get  
24 their cases in order and to present evidence. FIPUG  
25 likes the record the way it is today, which is FPL



1 making a broad assertion that they need additional  
2 monies to retain nuclear talent without specific data to  
3 support that. I mean, there is some anecdotal evidence.

4 Now, what is being asked is to say, well,  
5 maybe we are not complete in that regard with respect to  
6 our burden of proof. It is their petition, they have  
7 the burden of persuasion or burden of proof on it. And,  
8 you know, I am not comfortable allowing that to be  
9 generated, particularly when there is no opportunity to  
10 inquire as to how that number was derived. For example,  
11 you know, what is considered poached? You know,  
12 Commissioner Skop I believe previously was involved in  
13 nuclear operations at Florida Power and Light. You  
14 know, he is not in the nuclear operation --

15 **CHAIRMAN CARTER:** He was in the nonregulated  
16 division, though. Right, Commissioner?

17 **MR. MOYLE:** But the point is, is that you are  
18 not really sure on a document that comes up and says,  
19 look, 40 percent of the people have been poached. You  
20 know, you don't have an opportunity to inquire, well,  
21 how did you get this information? You know, do you  
22 check? Did somebody move back to Seabrook, New  
23 Hampshire, because their -- you know, their parents are  
24 elderly. Some random kind of check just as you would do  
25 in a litigated case to check the evidence.

1           So the proposal, as I understand it, is to  
2 have a document which is a key piece of evidence to  
3 support a proposition that would allow them to recover  
4 salary amounts for nuclear folks that are above others.  
5 So I don't think it is proper, and we would object to  
6 it.

7           **CHAIRMAN CARTER:** Mr. Young on the objection.

8           **MR. YOUNG:** Mr. Chairman, if I can help. Will  
9 FPL be willing to provide this information before  
10 rebuttal, before Mr. Stall comes back up on rebuttal,  
11 and thus giving leave for the intervenors to examine him  
12 on this topic in terms of how he derived at the numbers  
13 and everything in that nature?

14           **MR. ROSS:** The answer is yes, we will endeavor  
15 to produce the late-filed exhibit as requested by the  
16 staff, and Mr. Stall will come back up for rebuttal  
17 testimony. And at that time, the parties can inquire of  
18 Mr. Stall as to the preparation of the late-filed  
19 exhibit. We would have no objection to that.

20           **CHAIRMAN CARTER:** Here is what I will do,  
21 Mr. Moyle, is I'll withhold -- I mean, we will preserve  
22 the objection. We will use this as a place holder, and  
23 at the appropriate time, once you get a chance to look  
24 at it -- and Ms. Bradley, particularly, I want you to  
25 look at it. Then if there are objections at that point

1 in time, we will have to look at whether or not this  
2 would be entered in.

3 I think you are right in terms of the record  
4 being what it is, and it is what it is. And we do want  
5 to make sure that there is no situation where one party  
6 is disadvantaged to the other, or anything like that.  
7 So what we will do, staff, we will give you a place  
8 holder for this, but the document as it comes in has to  
9 be -- and, again, to preserve the objection of the  
10 parties, but the document will come in -- not into  
11 evidence, but into the record to be examined. So this  
12 will be Number 404 --

13 **MR. YOUNG:** Yes, sir.

14 **CHAIRMAN CARTER:** -- as a place holder.

15 (Exhibit 404 marked for identification.)

16 Mr. Moyle, are you comfortable with that?

17 **MR. MOYLE:** Yes. I think the ruling is  
18 essentially you are not making a ruling at this point in  
19 time. The document is going to be produced and provided  
20 to the parties, and it sounded like we would have an  
21 opportunity to address him on the stand.

22 You know, with all due respect, I mean, it is  
23 a live witness. Usually we would have a chance to take  
24 a deposition and try to narrow our questions, but I am  
25 okay, you know, where we are right now.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

(Transcript continues in sequence with  
Volume 8.)

\* \* \* \* \*

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

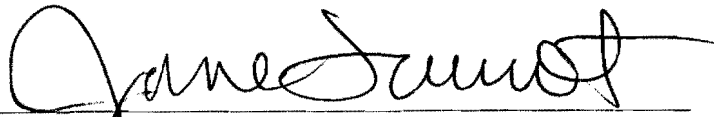
STATE OF FLORIDA        )  
                                  :  
                                  :     CERTIFICATE OF REPORTER  
COUNTY OF LEON        )

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 31st day of August, 2009.

  
\_\_\_\_\_  
JANE FAUROT, RPR  
Official FPSC Hearings Reporter  
(850) 413-6732