

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**DOCKET NO. 140009-EI
FLORIDA POWER & LIGHT COMPANY**

MARCH 3, 2014

**IN RE: NUCLEAR POWER PLANT COST RECOVERY
FOR THE YEAR ENDING
DECEMBER 2013**

**TESTIMONY & EXHIBITS OF:
JENNIFER GRANT-KEENE**

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

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

4 **DOCKET NO. 140009-EI**

5 **March 3, 2014**

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

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

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

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

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

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

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

21 I graduated from Concordia University, Montreal, Canada with a Bachelor of Arts in
22 1978 and Rutgers University, New Jersey in 1984 with a Masters of Business
23 Administration degree, with a Concentration in Accounting. That same year, I was

1 employed by Peat Marwick Mitchell & Company, in Short Hills, New Jersey.
2 Between 1990 and 2000, I lectured in the Accounting Departments of North Carolina
3 Central University, Durham, North Carolina and Lynn University, Boca Raton,
4 Florida. Since 2001 and prior to joining FPL, I have held various Corporate
5 Accounting positions in the state of Florida. In 2009, I joined FPL as an Accounting
6 Manager responsible for Fossil and Nuclear Fuel Accounting, Storm Accounting and
7 Reporting and Analysis for the Property Accounting Group. In January 2014, I
8 assumed the role of New Nuclear Accounting Project Manager. I am a Certified
9 Public Accountant (CPA) licensed in the State of New Jersey and a member of the
10 American Institute of CPAs.

11 **Q. Are you sponsoring or co-sponsoring any Exhibits in this case?**

12 A. Yes, I am sponsoring the following Exhibits for the TP 6 & 7 and EPU projects:

- 13 • Exhibit JGK-1, Final True-Up of 2013 Revenue Requirements, details the
14 components of the 2013 TP 6 & 7 and EPU revenue requirements reflected in the
15 NFR True-Up (T) Schedules by project, by year and by category of costs being
16 recovered.
- 17 • Exhibit JGK-2, Turkey Point 6 & 7 2013 Site Selection and Pre-construction Costs
18 and Uprate 2013 Construction Costs, details the total company costs and
19 jurisdictional costs by project and by cost category.
- 20 • Exhibit JGK-3, 2013 Base Rate Revenue Requirements, details the 2013 Actual
21 revenue requirements for the Uprate Project plant modifications placed into service.

- 1 • Exhibit JGK-4, 2013 Incremental Labor Guidelines, flowcharts the process used to
2 determine incremental payroll costs chargeable to the TP 6 & 7 and EPU projects for
3 2013.
- 4 • Exhibit JGK-5, St. Lucie and Turkey Point Uprate Project 13 Month Average of
5 Incremental 2012 Plant Placed into Service, shows the incremental Actual 2012
6 plant placed into service including 2013 costs.
- 7 • Exhibit JGK-6, St. Lucie and Turkey Point Uprate Project Actual Net Book Value
8 of Retirements, Removal Cost and Salvage for Plant Placed into Service in 2012,
9 shows the calculation of the difference between FPL's 2012 Actual Net Book Value
10 of Retirements, Removal Cost and Salvage updated for 2013 post in service costs
11 and the amount recovered in base rates in 2013, as filed in Docket No 120244-EI.

12

13 Additionally, I sponsor and co-sponsor some of the NFR Schedules included in
14 exhibits sponsored by FPL Witnesses Scroggs and Jones as described below:

- 15 • Exhibit SDS-1, T-Schedules 2013 Turkey Point 6 & 7 Site Selection and Pre-
16 construction Costs, consists of the 2013 TP 6 & 7 Site Selection NFR Schedules T-1
17 and T-3A and the 2013 TP 6 & 7 Pre-construction NFR Schedules T-1 through T-
18 7B. SDS-1 contains a table of contents which lists the T-Schedules sponsored and
19 co-sponsored by FPL Witness Scroggs and by me, respectively.
- 20 • Exhibit TOJ-1, 2013 EPU T-Schedules and TOR-Schedules, consist of 2013 T-
21 Schedules and applicable True-Up to Original (TOR) Schedules, now that the
22 project is complete. The 2013 T-Schedules, consist of the 2013 Uprate Project T-
23 Schedules T-1 through T-7B. The TOR-Schedules consist of TOR-6, TOR-6A, and

1 TOR-7. The NFR Schedules contain a table of contents listing the schedules that
2 are sponsored and co-sponsored by FPL Witness Jones and by me, respectively.

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

4 A. The purpose of my testimony is to present the final true-up calculation of the 2013
5 revenue requirements. I provide an overview of the components of the revenue
6 requirements included in FPL's filing and demonstrate that the filing complies with
7 FPSC Rule No. 25-6.0423, Nuclear or Integrated Gasification Combined Cycle Power
8 Plant Cost Recovery (Nuclear Cost Recovery or NCR) Rule. I also explain how
9 carrying costs are provided for under the NCR Rule, describe the base rate revenue
10 requirements included for recovery in the NFR Schedules, and discuss the accounting
11 controls FPL relies upon to ensure only appropriate costs are charged to the TP 6 & 7
12 and EPU projects.

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

14 A. FPL is requesting the Florida Public Service Commission (FPSC or Commission)
15 approve as prudent its 2013 costs and the resulting overrecovery of revenue
16 requirements of \$3,366,682 which will reduce the CCRC charge to customers in 2015.
17 As shown in my Exhibit JGK-1, these revenue requirements are comprised of the
18 difference between \$137,415,613 Actual revenue requirements versus \$140,782,295
19 Actual/Estimated revenue requirements. My testimony includes the exhibits and NFR
20 Schedules needed to support the true-up of the 2013 Actual costs and revenue
21 requirements.

22

1 FPL is complying with the NCR Rule and has in place robust and comprehensive
2 corporate and overlapping business unit controls for incurring and validating costs and
3 recording transactions associated with FPL's TP 6 & 7 and EPU projects. I describe
4 these controls and outline the documentation, assessment and auditing process for
5 these overlapping control activities.

6 7 **NUCLEAR COST RECOVERY RULE**

8
9 **Q. Please describe the Commission's Nuclear Cost Recovery Rule and the NFR**
10 **Schedules.**

11 A. The Nuclear Cost Recovery Rule applies to FPL's TP 6 & 7 and EPU projects. In
12 compliance with the NCR Rule, FPL is recovering the costs and carrying costs for TP
13 6 & 7 on an annual basis as the work is being performed for the licensing and
14 permitting activities described by FPL Witness Scroggs. Only the carrying charges on
15 the construction balance, recoverable O&M, and the base rate revenue requirements
16 for the year plant is placed into service is recovered for the EPU Project.

17
18 FPL does not recover its capital investment until systems or components are placed
19 into service, and even then, such base rate recovery does not reimburse FPL
20 immediately. Rather, the substantial sums FPL expended during construction to
21 purchase equipment, pay vendors, etc., will be recovered over the lives of the
22 operating units.

23

1 The NFR Schedules provide an overview of nuclear power plant projects and a
2 roadmap to the detailed project costs. The NFR Schedules consist of T-Schedules,
3 Actual/Estimated (AE) Schedules, Projected (P) Schedules, and TOR-Schedules. The
4 T-Schedules provide the final true-up for the prior year.

5 **Q. Please describe the NFR Schedules you are filing in this docket.**

6 A. FPL is filing for the TP 6 & 7 and EPU projects the 2013 T-Schedules, consistent with
7 the requirements of the NCR Rule, to provide an overview of the financial and
8 construction aspects of its nuclear power plant projects, outline the categories of costs
9 represented, and provide the calculation of detailed project revenue requirements.
10 FPL completed the EPU Project in 2013; therefore FPL is also filing for the EPU
11 Project the following final TOR-Schedules: TOR-6, TOR-6A, and TOR-7. These
12 TOR-Schedules follow the format of the T-Schedules, but also detail the actual to date
13 project cost as follows:

- 14 • TOR-6 – Provides the Actual expenditures through 2013 by major tasks performed
15 for the EPU Project.
- 16 • TOR-6A – Provides a description of the major tasks performed by construction
17 category for the year filed.
- 18 • TOR-7 – Reflects initial project milestones in term of costs, budget levels, initiation
19 dates, and completion dates as well as all revised milestones and reasons for each
20 revision.

21

22

TP 6 & 7 2013 TRUE-UP

23

Site Selection

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

2 A. Yes. FPL is filing the NFR Schedules T-1 and T-3A described in FPL Witness
3 Scroggs's testimony for TP 6 & 7 Site Selection costs.

4 **Q. What are FPL's 2013 Actual TP 6 & 7 Site Selection costs compared to the**
5 **previous Actual/Estimated costs?**

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

10 **Q. What are FPL's 2013 TP 6 & 7 Site Selection Actual carrying charges compared**
11 **to the previous Actual/Estimated carrying charges and any resulting**
12 **over/underrecovery?**

13 A. The calculation of FPL's 2013 Actual TP 6 & 7 Site Selection carrying charges on the
14 deferred tax asset are \$170,485 as shown in Exhibit SDS-1, NFR Schedule T-3A.
15 FPL's previous Actual/Estimated carrying costs on the deferred tax asset were
16 \$170,485. The deferred tax asset is created by the recovery of Site Selection costs and
17 the payment of income taxes before a deduction for the costs is allowed for income tax
18 purposes. Since FPL no longer incurs Site Selection costs other than the return on the
19 deferred tax asset, there is no true-up of 2013 costs needed.

20 **Pre-construction**

21 **Q. Is FPL filing any NFR Schedules related to 2013 TP 6 & 7 Pre-construction**
22 **costs?**

1 A. Yes. FPL is filing NFR Schedules T-1 through T-7B as described in FPL Witness
2 Scroggs's testimony for the final true-up of TP 6 & 7 Pre-construction costs.

3 **Q. What revenue requirement amount is FPL requesting to reflect the final true-up**
4 **of its 2013 TP 6 & 7 Pre-construction costs?**

5 A. FPL is requesting to include in its 2015 Capacity Cost Recovery Clause (CCRC)
6 charge an overrecovery of \$463,650 in revenue requirements, which represents an
7 overrecovery of Pre-construction costs of \$539,308, and an underrecovery of carrying
8 charges of \$75,659 as shown on Exhibit JGK-1 and in the calculations in Exhibit
9 SDS-1, NFR Schedules T-2 and T-3A. The overrecovery of \$463,650 will reduce the
10 CCRC charge paid by customers when the CCRC is reset for 2015.

11 **Q. What are FPL's 2013 actual TP 6 & 7 Pre-construction costs compared to 2013**
12 **Actual/Estimated costs and any resulting over/underrecoveries?**

13 A. FPL's actual TP 6 & 7 Pre-construction costs for the period January through
14 December 2013 are \$28,728,488, (\$28,209,654 on a jurisdictional basis, net of
15 participants) as presented in FPL Witness Scroggs's testimony and provided on SDS-
16 1, NFR Schedule T-6. FPL's Actual/Estimated 2013 Pre-construction costs were
17 \$29,277,715 (\$28,748,963 on a jurisdictional basis, net of participants). The result is
18 an overrecovery of Pre-construction revenue requirements of \$539,308.

19 **Q. What are FPL's 2013 actual TP 6 & 7 Pre-construction carrying charges**
20 **compared to 2013 Actual/Estimated carrying charges and any resulting**
21 **over/underrecoveries?**

22 A. FPL's 2013 Actual TP 6 & 7 Pre-construction carrying charges are \$4,664,921. FPL's
23 previous Actual/Estimated carrying charges were \$4,589,263, resulting in an

1 underrecovery of revenue requirements of \$75,659. The calculations of the carrying
2 charges can be found in Exhibit SDS-1, NFR Schedules T-2 and T-3A.

3
4 **EPU PROJECT 2013 TRUE-UP**

5 **Q. Is FPL filing any NFR Schedules related to its 2013 EPU Project costs?**

6 A. Yes, FPL is filing NFR Schedules T-1 through T-7B as described in FPL Witness
7 Jones's testimony for the final true-up of 2013 EPU Project costs as shown in Exhibit
8 TOJ-1, as well as the TOR-Schedules summarized above.

9 **Q. What revenue requirement amount is FPL requesting to reflect the final true-up
10 of its 2013 EPU Project costs?**

11 A. FPL is requesting to include an overrecovery of \$2,903,032 in revenue requirements,
12 which represents an overrecovery of carrying costs of \$327,823, an underrecovery of
13 O&M and interest costs of \$987,864, and an overrecovery of base rate revenue
14 requirements and carrying costs of \$3,563,073, as shown on Exhibit JGK-1.

15 **Q. What are FPL's 2013 Actual EPU Project construction costs used as the basis for
16 the calculation of carrying charges?**

17 A. FPL's actual 2013 EPU Project Generation and Transmission construction costs, for
18 the calculation of carrying costs, are \$146,821,183, (total company) as shown on my
19 Exhibit JGK-2. These construction expenditures are also presented in FPL Witness
20 Jones's testimony and shown on Exhibit TOJ-1, NFR Schedule T-6. The portion of
21 this total for which the St. Lucie Unit 2 participants are responsible is deducted from
22 actual construction costs and the retail jurisdictional separation factor is applied to the

1 remainder. This results in jurisdictional, net of participants, EPU Project Generation
2 and Transmission construction costs of \$144,081,119.

3
4 For the calculation of actual carrying charges, further adjustments are made to present
5 the construction costs on a cash basis (i.e., excluding accruals and pension and welfare
6 benefit credits) and results in the construction costs of \$175,307,949 as shown on
7 Exhibit TOJ-1, NFR Schedule T-3 for the calculation of carrying charges. These
8 adjustments are necessary in order to comply with the Commission's practice
9 regarding Allowance for Funds Used During Construction (AFUDC) accruals.

10 **Q. What are FPL's EPU Project 2013 Actual carrying charges compared to the**
11 **previous Actual/Estimated carrying charges?**

12 A. The EPU Project actual carrying charges on construction expenditures and on the
13 deferred tax liability are \$19,867,885, as shown in my Exhibit JGK-1 and detailed in
14 NFR Schedules T-3 and T-3A in Exhibit TOJ-1. FPL's previous Actual/Estimated
15 2013 EPU Project carrying charges were \$20,195,708 as filed in Docket No. 130009-
16 EI. As a result of the final true-up of 2013 carrying charges in this filing, there is an
17 overrecovery of \$327,823 in 2014. Carrying charges on base rate revenue
18 requirements are discussed later in my testimony.

19 **Q. What are FPL's EPU Project 2013 Actual recoverable O&M costs compared to**
20 **its previous Actual/Estimated O&M costs?**

21 A. FPL's EPU Project 2013 actual recoverable O&M costs including interest are
22 \$10,872,736 (\$10,599,758 jurisdictional, net of participants), the calculation of which
23 can be found in Exhibit TOJ-1, NFR Schedule T-4. FPL's previous Actual/Estimated

1 2013 EPU Project recoverable O&M including interest was \$9,790,510
2 (\$9,611,895 jurisdictional, net of participants). As shown in NFR Schedule T-4,
3 over/underrecoveries of recoverable O&M accrue interest at the AA Financial 30-day
4 rate posted on the Federal Reserve website. As a result of the final true-up of 2013
5 EPU Project recoverable O&M including interest, there is an underrecovery of
6 \$987,864 jurisdictional, net of participants in 2014.

7 **Q. Please describe the calculation of base rate revenue requirements.**

8 A. As described in Order No. PSC-08-0749-FOF-EI in Docket No. 080009-EI, FPL
9 “shall be allowed to recover through the NCRC associated revenue requirements for a
10 phase or portion of a system placed into commercial service during a projected
11 recovery period. The revenue requirement shall be removed from the Nuclear Cost
12 Recovery Clause (NCRC) at the end of the period. Any difference in recoverable
13 costs due to timing (projected versus actual placement in service) shall be reconciled
14 through the true-up provision.”

15
16 In accordance with FPL accounting policies, effective in the month each transfer to
17 Plant In-Service was made, FPL transferred the related costs from Construction Work
18 in Progress (CWIP) to Plant In-Service. For plant placed into service less than
19 \$10 million, carrying charges were calculated for half a month and base rate revenue
20 requirements were calculated for half a month. For plant placed into service greater
21 than \$10 million, carrying charges and base rate revenue requirements were
22 calculated to the day the plant was placed into service. Subsequent to the month the
23 plant was placed into service, carrying charges ceased and the 2013 base rate revenue

1 requirements related to the plant placed into service was included for recovery
2 through the NCRC. Included in the base rate revenue requirement is any non-
3 incremental labor related to the EPU Project. FPL's 2013 actual transfers to Plant In-
4 Service, including non-incremental labor, are shown in Exhibit JGK-3, with details in
5 Exhibit TOJ-1, Appendix B.

6 **Q. What is the total of 2013 base rate revenue requirements and related plant**
7 **placed into service?**

8 A. EPU Project actual base rate revenue requirements for plant placed into service in
9 2013 is \$72,810,925 as shown in Exhibit JGK-1, JGK-3 and calculation details in
10 Exhibit TOJ-1, Appendix B. FPL's previous Actual/Estimated 2013 base rate revenue
11 requirements were \$75,864,917. As a result of the true-up of actual 2013 EPU Project
12 base rate revenue requirements there is an overrecovery of \$3,053,992 as shown on
13 my Exhibit JGK-1. The actual transfers to Plant In-Service related to these revenue
14 requirements were \$759,365,907 (\$744,236,151 jurisdictional, net of participants) as
15 shown in Exhibit TOJ-1, Appendix B. The carrying charges on the
16 over/underrecoveries of the base rate revenue requirements compared to prior
17 Actual/Estimated over/underrecoveries are shown in Exhibit TOJ-1, Appendix C.

18

19 The rate of return used to calculate the base rate revenue requirements is the rate of
20 return in the most current monthly earnings surveillance reports filed with the
21 Commission at the time the EPU Project modifications are placed into service. This is
22 in accordance with the requirements of the Nuclear Cost Recovery Rule No. 25-
23 6.0423 Section 8(d).

1 **Q. What are the major components of FPL's actual base rate revenue requirements**
2 **of \$72,810,925 in 2013 and overrecovery of \$3,053,992 for the EPU Project as**
3 **shown in Exhibit JGK-1?**

4 A. The 2013 base rate revenue requirements include revenue requirements on 2013 Plant
5 In-Service in the amount of \$57,311,467 and the 2013 Post in Service Costs related to
6 2012 Incremental Plant In-Service of \$14,171,510.

7 **Q. Please explain the revenue requirements associated with the 2013 Plant In-**
8 **Service.**

9 A. FPL's actual transfers to Plant In-Service in 2013 totaled \$701,354,489 (\$688,496,674
10 jurisdictional, net of participants) and results in \$57,311,467 in revenue requirements
11 as shown on TOJ-1, Appendix B and in JGK-3. The Actual/Estimated transfers to
12 Plant In-Service were \$724,180,413 (\$710,917,362 jurisdictional, net of participants)
13 and resulted in \$59,743,716 in revenue requirements as shown in Appendix B in
14 Docket No. 130009-EI. The true-up of 2013 plant placed into service in this filing
15 resulted in an overrecovery of \$2,432,249 on revenue requirements. Appendix B
16 provides the details of the plant placed into service.

17 **Q. Please explain the 2013 revenue requirements associated with the 2013 Post in**
18 **Service Costs Related to 2012 Incremental Plant In-Service.**

19 A. FPL included in its 2012 true-up filed in March 2013 in Docket No. 130009-EI,
20 Actual costs of \$1,999,281,325 for 2012 plant placed into service as shown in my
21 Exhibit JGK-5, Column E. In FPL's Actual/Estimated filing in Docket No. 130009-
22 EI, Actual/Estimated 2013 post in service costs of \$20,514,671 (\$18,334,654
23 jurisdictional, net of participants) related to 2012 Plant In-Service were included, and

1 resulted in total 2012 plant placed in service of \$2,019,795,996 as shown on Exhibit
2 WP-7 filed in Docket No. 130009-EI. FPL then compared the total Actual/Estimated
3 2012 Plant In-Service (including A/E 2013 Post in Service costs) of \$2,019,795,996 to
4 the 2012 Plant In-Service in FPL's 2012 Base Rate Increase of \$1,886,772,814, filed
5 October 2012 in Docket No. 120244-EI. The difference of \$133,023,182 represented
6 FPL's Actual/Estimated 2012 Incremental Plant In-Service (including A/E 2013 Post
7 in Service costs) and resulted in Actual/Estimated Base Rate Revenue Requirements
8 of \$13,825,845 as shown in Appendix B filed in Docket No. 130009-EI.

9
10 In this docket, as shown in my Exhibit JGK-5, FPL again utilized the 2012 Plant In-
11 Service of \$1,999,281,325 but included \$26,479,025 (\$24,797,592 jurisdictional, net
12 of participants) of Actual 2013 post in service costs related to 2012 Plant In-Service as
13 well as an adjustment to salvage of \$502,521 (\$493,487 jurisdictional, net of
14 participants), for a total of 2012 Plant In-Service including 2013 post in service costs
15 of \$2,026,262,870. When compared to 2012 Plant In-Service as filed in FPL's 2012
16 Base Rate Increase, Docket No. 120244-EI, the true-up of 2012 Incremental Plant In-
17 Service (including Actual 2013 post in service costs) is \$139,490,056 (\$132,263,799
18 jurisdictional, net of participants). The resulting true-up of Base Rate Revenue
19 Requirements based on a 13-month average rate base of \$100,424,526 is \$14,171,510
20 as shown in my Exhibit JGK-5 and Exhibit TOJ-1, Appendix B. This results in an
21 underrecovery of revenue requirements of \$345,665 as shown in Exhibit TOJ-1,
22 Appendix B.

1 **Q. What are the carrying charges on the over/underrecovery of base rate revenue**
2 **requirements?**

3 A. Actual carrying charges of \$1,091,984 are shown in my Exhibit JGK-1 and detailed
4 in Exhibit TOJ-1, Appendix C. FPL's previous Actual/Estimated carrying charges
5 were \$1,601,064 as filed in its May 2013 filing, Docket No. 130009-EI. As a result
6 of the final true-up of 2013 carrying charges in this filing, there is an overrecovery of
7 \$509,080.

8 **Q. How much has FPL included in its 2013 costs for Net Book Value of Retirements,**
9 **Removal and Salvage?**

10 A. In 2013 FPL recognized Net Book Value (NBV) of Retirements of \$26,281,522,
11 Removal Costs of \$7,991,242 and Salvage credits of \$3,059,556, totaling \$31,213,208
12 as shown in JGK-2.

13 **Q. What accounting and regulatory treatment is provided for costs that would have**
14 **been incurred regardless of the EPU Project?**

15 A. Costs that would have been incurred regardless of the EPU Project are not included in
16 FPL's NCRC calculations. Such expenditures that are not "separate and apart" EPU
17 Project expenditures are accounted for under the normal process for O&M and capital
18 expenditures. Capital expenditures accrued AFUDC while in CWIP until the system
19 or component was placed into service. Only costs incurred for activities necessary for
20 the EPU Project are charged to the EPU Project internal orders and included as
21 recoverable O&M or as construction costs used in the calculation of carrying charges
22 in the NFR Schedules. This method ensures that FPL only receives recovery of the
23 appropriate recoverable O&M or carrying charge return under the Nuclear Cost

1 Recovery Rule. As explained by Witness Jones, FPL employs a rigorous,
2 engineering-based process to segregate costs that are “separate and apart” from those
3 that would have been incurred absent the EPU Project, so that only the appropriate
4 costs are reflected in the NCRC request.

5 6 ACCOUNTING CONTROLS

7 **Q. Please describe the accounting controls FPL relied upon to ensure proper cost**
8 **recording and reporting for these projects in 2013.**

9 A. FPL relied on its comprehensive corporate and overlapping business unit controls for
10 recording and reporting transactions associated with any of its capital projects
11 including the TP 6 & 7 and EPU projects. These comprehensive and overlapping
12 controls included:

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

19 The project controls are discussed in the 2014 testimonies of FPL Witnesses Scroggs
20 and Jones.

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

22 A. Yes. The FPL corporate accounting policies and procedures were documented and
23 published on the Company’s internal website, Employee Web. In addition, accounting

1 management provided formal representation as to the continued compliance with those
2 policies and procedures each year. Sarbanes-Oxley processes were identified,
3 documented, tested and maintained, including specific processes for planning and
4 executing capital internal orders, as well as acquiring and developing fixed assets.
5 Certain key financial processes were tested during the Company's annual test cycle.
6 The Company's external auditor, Deloitte & Touché, LLP (Deloitte), conducts an
7 annual audit, which includes assessing the Company's internal controls over financial
8 reporting and testing of general computer controls.

9 **Q. Describe the responsibilities and accounting controls of the New Nuclear**
10 **Accounting Project Group in 2013.**

11 A. The primary responsibility of the New Nuclear Accounting Project Group was to
12 provide financial accounting guidance for the recovery of costs under the Nuclear Cost
13 Recovery Rule. Additional responsibilities included the preparation and maintenance
14 of the NFR Schedules and, on a monthly basis, ensuring the costs included in the NFR
15 Schedules are recorded in the financial records of the Company and reconciled to the
16 NFR Schedules. The TP 6 & 7 and EPU projects utilized unique internal orders to
17 capture costs directly related to these projects. After ensuring accurate costs were
18 recorded, adjustments were made to reflect participants' credits, the jurisdictionalized
19 costs, and other adjustments required in the NFR Schedules. Monthly journal entries
20 were prepared to reflect the effects of the recovery of these costs and monthly
21 reconciliations of the project general ledger accounts were performed. The resulting
22 NFR Schedules are included in FPL's Nuclear Cost Recovery filings and described in
23 testimony.

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The New Nuclear Accounting Project Group worked closely with the Nuclear Business Unit, Engineering, Construction & Corporate Services Division (ECCS), and the Transmission Business Unit to ensure proper accounting for costs related to the projects.

TP 6 & 7 SPECIFIC ACCOUNTING CONTROLS

- Q. Describe the role of ECCS related to TP 6 & 7 in 2013.**
- A. A Project Controls Group reported through the Vice President of ECCS and provided structural leadership, governance and oversight for the project. On a monthly basis, the group completed a thorough review of costs ensuring accuracy of the charges posted to the project. Additionally, Project Controls prepared monthly variance reports, identifying variances against budgeted information. Team members and project management reviewed monthly budget variances against the projected forecast. The Project Controls Group included a Manager of Cost and Performance with Accounting and Real Estate degrees who had been working in ECCS since 2011. His previous experience includes over seven years with Deloitte & Touché, LLP specializing in energy industry auditing. A Director of Construction with 30 years of experience at FPL and nine years with the Engineering and Construction Department oversaw the Project Controls Group. Staff with business, finance and accounting degrees and nuclear and construction experience supported the Project Controls leadership team.

1 **Q. Describe the ECCS accounting controls which ensured costs were appropriately**
2 **charged to TP 6 & 7.**

3 A. When a potential goods or services expenditure greater than \$10,000 was identified,
4 project personnel routed the relevant information detailing the need, justification,
5 estimated cost and documentation for the request to the Project Controls Group for
6 review. Upon verification of the documentation and availability of budgeted
7 resources, the Project Controls Group electronically advised the requestor of the
8 appropriate internal order and cost element for charging. The requestor then created a
9 “shopping cart” in the Integrated Supply Chain (ISC) module of SAP, attaching the
10 aforementioned documentation including the electronic notification from the Project
11 Controls Group. This information was sent electronically through the shopping cart
12 system to the ISC agent of the functional area who verified the appropriate
13 documentation was attached to the shopping cart. Upon verification, a Purchase Order
14 (PO) was initiated by the ISC agent and forwarded with the attachments to the
15 applicable Director for review to ensure the expenditure was appropriate and relevant
16 to the project. If the Director was in agreement with the expenditure, he electronically
17 approved the PO and a notification was sent to the issuing ISC agent. The ISC agent
18 then electronically issued to the vendor a PO available for charging, copying the
19 original requestor, the Project Controls Group and the approving Director. After the
20 goods were received or services rendered, an invoice was received either by the
21 functional area or by Project Controls, it was reviewed, and if determined to be
22 appropriate, approved based on FPL approval authorization amounts. Approved
23 invoices were then forwarded to the Invoice Processor and upon verification of the

1 approvals and account coding the invoice was entered into the SAP system for
2 processing and payment to the vendor.

3

4 Currently, Bechtel Power Corporation is the vendor with the greatest single proportion
5 of costs and is handling the Combined Operating License Application (COLA) and
6 supporting the site certification application. The invoices from this and other vendors,
7 which can be quite voluminous, were received in hard copy or electronically by the
8 Project Controls Group. The invoices were routed to the appropriate business unit
9 contacts to assess, review and approve where appropriate. After the invoice was
10 reviewed by the functional area, the Project Controls Analyst ensured all parties had
11 appropriately approved the invoice prior to payment. The invoices were also reviewed
12 for compliance with the PO and/or contract and differences with vendors were resolved
13 prior to payment. The remaining invoices related to charges incurred by support
14 groups such as Transmission and Environmental Services.

15 **Q. Describe the review and reporting performed by ECCS Project Controls related**
16 **to TP 6 & 7.**

17 A. The Project Controls organization was responsible for preparing, analyzing and clearly
18 and concisely explaining variances against planned budgets for current month, year-to-
19 date and year end. Project Controls conferred monthly with team members and project
20 management to review and understand existing and projected budget variances. Project
21 Controls provided the resulting expenditures to Accounting for inclusion in the NFR
22 Schedules.

23

1 **EPU PROJECT SPECIFIC ACCOUNTING CONTROLS**

2 **Nuclear Business Unit Accounting Controls**

3 **Q. Describe the oversight role of the Nuclear Business Operations (NBO) Group**
4 **related to the EPU Project in 2013.**

5 A. The NBO Group was independent of the EPU Project Team and provided oversight of
6 the costs charged to the EPU Project. The NBO Group was primarily responsible for
7 the internal order maintenance function, reviewing payroll to ensure only appropriate
8 payroll was charged to the EPU Project, determining appropriate accounting for costs,
9 consulting with the Property Accounting Group when necessary, providing accounting
10 guidance and training to the EPU Project team, assisting with internal and external
11 audit-related matters, reviewing project projections and producing monthly variance
12 reports.

13 **Q. Describe the accounting controls which ensured costs were appropriately**
14 **incurred and tracked for the EPU Project in 2013.**

15 A. The NBO Group accounted for the activities necessary to perform the EPU Project at
16 the four nuclear units, Turkey Point Units 3 and 4 and St. Lucie Units 1 and 2. Costs
17 associated with the work performed on components defined as property retirement
18 units were transferred from CWIP to Plant In-Service at the end of each outage or
19 when they became used and useful. In order to facilitate this process, a separate work
20 breakdown structure was set up for each unit along with capital internal orders to
21 capture costs related to each EPU outage. Additional internal orders were set up, as
22 necessary, to capture costs associated with plant placed into service at times other than
23 during the outages.

1 **Q. Describe the accounting controls which ensured costs were appropriately**
2 **charged to the EPU Project.**

3 A. Invoices were routed to the St. Lucie or Turkey Point site Project Controls analyst, as
4 appropriate. The analyst checked the invoices for accuracy and for agreement to the
5 PO terms and conditions. Once the invoice had been appropriately verified, the
6 analyst recorded invoice information on an Invoice Tracking Log. The Invoice
7 Approval/Route List was then routed for verification of receipt of goods/services and
8 all required approvals. Before payment could be made on any invoice greater than
9 \$1 million, the approval of the Vice President, Nuclear Power Uprate was required.
10 Before payment could be made on any invoice greater than \$5 million, the approval of
11 the Executive Vice President & Chief Nuclear Officer or his designee was required.
12 Once all necessary approvals had been obtained, the Project Controls Analyst
13 processed the invoice for payment in NAMS (Nuclear Asset Management System)
14 against the respective PO. Extended Power Uprate Project Instruction Number EPPI-
15 230, *Project Invoice*, detailed the flow of the invoice through the approval, receipt and
16 payment process at the sites and established responsibilities at each stage of the
17 process.

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

20 A. General ledger detail transactions were monitored by the EPU Project Controls team
21 and NBO to ensure that costs charged to the EPU Project were appropriate and were
22 accurately classified as capital or O&M. Site cost engineers performed reviews to
23 ensure invoices were accurately coded to the appropriate internal order. NBO

1 reviewed internal labor costs to ensure that only appropriate payroll was charged to the
2 EPU Project. In addition, all steps in this process were subject to internal and external
3 audits and reviews.

4
5 The Project Engineers and NBO worked together closely to make sure the costs were
6 appropriate and were accurately classified as capital or O&M. Construction Leads
7 performed reviews to ensure invoices were accurately coded to the appropriate internal
8 order.

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

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

15
16 The NBO Group drafted monthly variance reports that compared actual expenditures
17 incurred to the originally estimated budget and reported year end forecast estimates.
18 The draft reports were sent to the St. Lucie and Turkey Point EPU Project Controls
19 team responsible for providing variance explanations and forecast updates to NBO.
20 The reports were reviewed by the EPU Project Controls supervisors and management
21 prior to the submission to NBO. NBO reviewed the variance explanations and
22 forecast numbers for reasonableness and accuracy prior to compilation and inclusion
23 in the Nuclear Business Unit corporate monthly variance report submitted to the

1 Corporate Budget Group. NBO was also responsible for reviewing numbers reported
2 to the FPL Executive Steering Committee to ensure consistency with corporate
3 variance reports and for providing the Accounting Department with project amounts
4 for inclusion in the NFR Schedules.

5 **Transmission Business Unit Accounting Controls**

6 **Q. Describe the role of the Transmission Business Unit related to the EPU Project.**

7 A. The Transmission Business Unit incurred expenditures related to the EPU Project in
8 order to perform substation and transmission line engineering, procurement, and
9 construction on specific internal orders assigned to projects which resulted from
10 transmission interconnection and integration studies performed by FPL Transmission
11 Planning. The Transmission Business Unit Cost and Performance team ensured costs
12 were appropriately incurred and charged to the EPU Project. The Transmission
13 Business Unit reviewed payroll to ensure only appropriate payroll was charged to the
14 EPU Project, determined appropriate accounting for costs, consulted with the Property
15 Accounting Group when necessary, provided accounting guidance and training to the
16 EPU Project team, assisted with internal and external audit-related matters, reviewed
17 project projections, and produced monthly variance reports. Transmission related
18 work for the EPU Project was also accounted for by internal order based on the scope
19 of work and was placed into service when the respective work was used and useful.

20 **Q. Describe the Transmission Business Unit accounting controls which ensured costs
21 were appropriately incurred and tracked for the EPU Project.**

22 A. The Transmission Business Unit identified the transmission activities necessary to
23 support the increased electrical output of the EPU Project. In order to facilitate this

1 process and identify appropriate activities, two separate work breakdown structures
2 were set up with appropriate sub activities and multiple internal orders. Purchase
3 Orders were handled by ISC via the shopping cart process. A shopping cart PO
4 request was routed from the originator to all approvers required based on the dollar
5 amount of the PO. The PO Requisitioning Group determined the required approvals
6 based on the business unit's PO approval limits, and routed the request as required.
7 Once all required approvals were secured, the PO was created.

8 **Q. Describe the Transmission Business Unit accounting controls which ensured costs**
9 **were appropriately charged to the EPU Project.**

10 A. Invoices were routed to the Transmission Project Controls Administrator
11 (Administrator). The Administrator checked the invoices for accuracy and for
12 agreement to the PO terms and conditions. Once the invoice was appropriately
13 verified, the Administrator recorded invoice information on the Cost Control Tracking
14 sheet and routed the invoice for all required approvals. Invoices found to contain any
15 inaccuracies were returned to the requestor for revisions. Any invoice greater than
16 \$1 million required the approval of the Business Unit Vice President. Any invoice
17 greater than \$5 million required the approval of the FPL President before payment was
18 made. Once all necessary approvals were obtained, the Administrator processed the
19 invoice for payment in SAP against the respective PO.

20 **Q. Describe the additional reviews performed by the Transmission Business Unit**
21 **related to the EPU Project.**

22 A. The Cost & Performance Analyst updated the Turkey Point and St. Lucie EPU Project
23 Cost reports on a monthly basis for actual costs incurred. The Turkey Point and St.

1 Lucie EPU Project Cost reports were then reviewed by the assigned Project Managers
2 and administrators who worked closely together to ensure that all costs were
3 appropriately charged to the EPU Project and were accurately classified as either
4 Capital or O&M. Construction Leaders also performed reviews to ensure all invoices
5 were accurately assigned and coded to the appropriate internal order for the EPU
6 Project. Any discrepancies identified as a result of these reviews were resolved at this
7 time. The assigned Project Manager then updated the individual internal order
8 forecasts, if warranted.

9 **Q. Describe the reporting performed by the Transmission Business Unit related to**
10 **the EPU Project.**

11 A. The Transmission Cost & Performance Group drafted monthly variance reports that
12 compare actual expenditures incurred to the originally estimated budget and reported
13 year end forecast estimates. These Corporate monthly variance reports were reviewed
14 by the assigned Project Manager for reasonableness and accuracy and the final was
15 then submitted to the Corporate Budget Group.

17 **ADDITIONAL NEW NUCLEAR AND EPU PROJECT**

18 **ACCOUNTING OVERSIGHT**

19 **Q. Were there any additional controls relied upon for these projects and the related**
20 **reporting in 2013?**

21 A. Yes. The Company had previously issued specific guidelines for charging costs to the
22 project internal orders. These guidelines emphasized the need for particular care in
23 charging only incremental labor to the project internal orders included for Nuclear

1 Cost Recovery and ensured consistent application of the Company's capitalization
2 policy. These guidelines described the process for the exclusion of non-incremental
3 labor from current NCRC recovery while providing full capitalization of all
4 appropriate labor costs through the implementation of separate project capital internal
5 orders that will be included in future non-NCRC base rate recoveries. Exhibit JGK-4
6 provides a flowchart depicting this process for 2013.

7 **Q. Did the guidelines for charging costs to the project internal orders change from**
8 **2012 to 2013?**

9 A. No. However, as a result of FPL's most recent rate case in Docket No. 120015-EI, the
10 Company reset the basis upon which incremental employee labor is established in
11 determining which employees are clause-recoverable. Therefore, starting in 2013,
12 personnel previously determined non-incremental became incremental.

13 **Q. What is the purpose of the annual internal audits conducted by FPL on the TP 6**
14 **& 7 and EPU projects?**

15 A. The Company continues to undergo annual project related internal audits. The
16 objective of these audits is to test the propriety of expenses charged to the NCRC to
17 ensure they are recoverable project expenses and to ensure compliance with the NCR
18 Rule. Any potential process improvements identified during the audits are
19 communicated to management to further enhance internal controls. The audit of the
20 2013 costs related to the TP 6 & 7 Project is currently underway and is expected to be
21 completed in the second quarter of 2014. The audit of the 2013 costs related to the
22 EPU Project was issued in February 2014 and found that the EPU Project controls
23 were good. These audits provide assurance that the internal controls surrounding

1 transactions and processes are well established, maintained and communicated to
2 employees, and provide additional assurance that the financial and operating
3 information generated within the Company is accurate and reliable.

4 **Q. Please comment on the overall level of control and oversight of the NCRC**
5 **process.**

6 A. The ongoing cycles of cost collection, aggregation, analysis and review which lead to
7 the filing of NFR Schedules provide for a level of detailed review that is
8 unprecedented. For example, in the preparation of the NFR Schedules, transactional
9 expenditures are projected by activity and an immediate review of projection to actual,
10 in many cases at the transactional level, is conducted. The nature of the data
11 collection and aggregation process, along with the calculation of carrying charges and
12 construction period interest, provides an increased level of detailed review. The
13 requirements of the NCR Rule have, by design, significantly increased the review and
14 transparency of the costs.

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

16 A. Yes.

Florida Power & Light Company
Final True-Up of 2013 Revenue Requirements
(Jurisdictional, net of participants)
Exhibit JGK-1

Line No.	2013 Projections vs. 2013 Actuals			2013 Projections vs. 2013 Actual/Estimated			March 1, 2014 True-up filing (Docket No. 140009-EI)		
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
	2013 P's	2013 T's	(Over)/ Under Recovery	2013 P's	2013 AE's	(Over)/ Under Recovery	2013 AE's	2013 T's	(Over)/ Under Recovery
	2013 Projections Collected in 2013 Docket No. 120009-EI	2013 Actual Costs Docket No. 140009-EI		2013 Projections Collected in 2013 Docket No. 120009-EI	2013 Actual/Estimated Costs To be Collected in 2014 Docket No. 130009-EI		2013 Actual/Estimated Costs To be Collected in 2014 Docket No. 130009-EI	2013 Actual Costs Docket No. 140009-EI	
1									
2	TP 6 & 7								
3	Site Selection Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	Carrying Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	Carrying Costs on DTA/(DTL)	\$180,883	\$170,485	(\$10,398)	\$180,883	\$170,485	(\$10,398)	\$170,485	\$170,485
6	Total Carrying Costs	\$180,883	\$170,485	(\$10,398)	\$180,883	\$170,485	(\$10,398)	\$170,485	\$170,485
7	Total Site Selection	\$180,883	\$170,485	(\$10,398)	\$180,883	\$170,485	(\$10,398)	\$170,485	\$170,485
8									
9	Pre-construction Costs	\$28,686,236	\$28,209,654	(\$476,582)	\$28,686,236	\$28,748,963	\$62,726	\$28,748,963	\$28,209,654
10	Carrying Costs	(\$769,804)	(\$1,525,282)	(\$755,479)	(\$769,804)	(\$1,577,952)	(\$808,148)	(\$1,577,952)	(\$1,525,282)
11	Carrying Costs on DTA/(DTL)	\$6,896,839	\$6,190,204	(\$706,636)	\$6,896,839	\$6,167,214	(\$729,625)	\$6,167,214	\$6,190,204
12	Total Carrying Costs	\$6,127,036	\$4,664,921	(\$1,462,114)	\$6,127,036	\$4,589,263	(\$1,537,773)	\$4,589,263	\$4,664,921
13	Total Pre-construction	\$34,813,272	\$32,874,575	(\$1,938,697)	\$34,813,272	\$33,338,225	(\$1,475,047)	\$33,338,225	\$32,874,575
14	Total TP 6 & 7	\$34,994,155	\$33,045,061	(\$1,949,094)	\$34,994,155	\$33,508,711	(\$1,485,444)	\$33,508,711	\$33,045,061
15	Uprate Project								
16	Carrying Costs	\$15,449,079	\$19,889,321	\$4,440,243	\$15,449,079	\$20,216,861	\$4,767,782	\$20,216,861	\$19,889,321
17	Carrying Costs on DTA/(DTL)	(\$15,200)	(\$21,436)	(\$6,236)	(\$15,200)	(\$21,153)	(\$5,952)	(\$21,153)	(\$21,436)
18	Total Carrying Costs	\$15,433,878	\$19,867,885	\$4,434,007	\$15,433,878	\$20,195,708	\$4,761,830	\$20,195,708	\$19,867,885
19									
21	Total Recoverable O&M and Interest	\$5,077,869	\$10,599,758	\$5,521,889	\$5,077,869	9,611,895	\$4,534,025	9,611,895	10,599,758
22	Base Rate Revenue Requirements	\$64,738,202	\$72,810,925	\$8,072,722	\$64,738,202	\$75,864,917	\$11,126,715	\$75,864,917	\$72,810,925
23	Carrying Costs (Over)/Under Recovery	\$0	\$1,091,984	\$1,091,984	\$0	\$1,601,064	\$1,601,064	\$1,091,984	\$1,091,984
24	Total Base Revenue Requirements and Carrying Costs	\$64,738,202	\$73,902,908	\$9,164,706	\$64,738,202	\$77,465,981	\$12,727,779	\$77,465,981	\$73,902,908
25	Total Uprate Project	\$85,249,950	\$104,370,552	\$19,120,602	\$85,249,950	\$107,273,584	\$22,023,634	\$107,273,584	\$104,370,552
26									
27	Total TP 6 & 7 and Uprate Project	\$120,244,105	\$137,415,613	\$17,171,508	\$120,244,105	\$140,782,295	\$20,538,190	\$140,782,295	\$137,415,613
28									
29	Totals may not add due to rounding								

Docket No. 140009-EI
**Turkey Point 6 & 7 2013 Site
 Selection and Pre-construction Costs
 and Uprate 2013 Construction Costs
 Exhibit JGK-2, Page 1 of 2**

Florida Power & Light Company
 Turkey Point 6 & 7
 2013 Site Selection & Pre-Construction Costs
 Exhibit JGK-2

Line No.		2013
1	Turkey Point 6 & 7	
2	Site Selection:	
3	Project Staffing	\$0
4	Engineering	\$0
5	Environmental Services	\$0
6	Legal Services	\$0
7	Total Site Selection Costs (a)	<u>\$0</u>
8	Jurisdictional Factor (b)	<u>0.98194011</u>
9	Total Jurisdictional Site Selection Costs	<u><u>\$0</u></u>
10		
11	Pre-Construction:	
12	Generation:	
13	Licensing	\$25,637,988
14	Permitting	\$1,231,174
15	Engineering and Design	\$1,859,326
16	Long lead procurement advance payments	\$0
17	Power Block Engineering and Procurement	<u>\$0</u>
18	Total Generation Costs	<u>\$28,728,488</u>
19	Jurisdictional Factor (b)	<u>0.98194011</u>
20	Total Jurisdictional Generation Costs	<u><u>\$28,209,654</u></u>
21	Transmission:	
22	Line Engineering	\$0
23	Substation Engineering	\$0
24	Clearing	\$0
25	Other	\$0
26	Total Transmission Costs	<u>\$0</u>
27	Jurisdictional Factor (b)	<u>0.8947242</u>
28	Total Jurisdictional Transmission Costs	<u><u>\$0</u></u>
29		
30	Total Company Turkey Point 6 & 7 Costs (Line 7 + Line 18 + Line 26)	<u><u>\$28,728,488</u></u>
31		
32	Total Jurisdictional Turkey Point 6 & 7 Costs (Line 9 + Line 20 + Line 28)	<u><u>\$28,209,654</u></u>
33		
34	Totals may not add due to rounding.	
35		
36	Notes:	
37	(a) Site Selection costs have been fully recovered.	
38	(b) Jurisdictional separation factor as reflected in the 2013 FPSC Earnings Surveillance Report.	

Docket No. 140009-EI
Turkey Point 6 & 7 2013 Site
Selection and Pre-construction Costs
and Uprate 2013 Construction Costs
Exhibit JGK-2, Page 2 of 2

Florida Power & Light Company
Uprate
2013 Construction Costs
Exhibit JGK-2

Line No.		2013 Construction Costs
1	Uprate	
2	Generation per Schedule T-6 n (c):	
3	License Application	\$0
4	Engineering & Design	\$5,818,703
5	Permitting	\$0
6	Project Management	\$10,454,482
7	Cleaning, Grading and Excavation	\$0
8	On-Site Construction Facilities	\$0
9	Power Block Engineering, Procurement, etc.	\$130,289,858
10	Non-Power Block Engineering, Procurement, etc.	\$350,668
11	Total Generation costs	<u>\$146,913,711</u>
12	Participants Credits St. Lucie (PSL) Unit 2	
13	OUC (b)	(\$40,233)
14	FMPA (b)	(\$58,102)
15	Total Participants Credits PSL Unit 2	<u>(\$98,335)</u>
16	Total FPL Generation Costs	\$146,815,376
17	Jurisdictional Factor (a)	0.98194011
18	Total FPL Jurisdictional Generation Costs	<u>\$144,163,906</u>
19		
20	Total Generation Construction Capital Costs Including Post In-service Costs per TOJ-15, Line 7	\$206,142,054
21	Participants Credits St. Lucie (PSL) Unit 2	(\$2,460,532)
22	Total EPU Construction Capital Costs Net of Participants	<u>\$203,681,522</u>
23	Jurisdictional Factor (a)	0.98194011
24	Total Jurisdictional EPU Construction Capital Costs Net of Participants	<u>\$200,003,056</u>
25		
26	Transmission GSU per Schedule T-6 (c):	
27	Plant Engineering	\$0
28	Line Engineering	\$0
29	Substation Engineering	\$0
30	Line Construction	\$0
31	Substation Construction	\$0
32	Total Transmission GSU Costs	<u>\$0</u>
33	Participants Credits St. Lucie (PSL) Unit 2	
34	OUC (b)	\$0
35	FMPA (b)	\$0
36	Total Participants Credits PSL Unit 2	<u>\$0</u>
37	Total FPL Transmission GSU Costs	\$0
38	Jurisdictional Factor (a)	0.98194011
39	Total Jurisdictional Transmission Costs	<u>\$0</u>
40		
41	Total GSU Capital Costs Including Post In-service Costs per TOJ-15, included in Line 8	(\$171,866)
42	Participants Credits St. Lucie (PSL) Unit 2	(\$466,085)
43	Total EPU Transmission GSU Capital Costs Net of Participants	<u>(\$637,951)</u>
44	Jurisdictional Factor (a)	0.98194011
45	Total Jurisdictional EPU Transmission GSU Capital Costs Net of Participants	<u>(\$626,430)</u>
46		
47		
48	Transmission Other per Schedule T-6 (c):	
49	Plant Engineering	\$0
50	Line Engineering	(\$23,454)
51	Substation Engineering	\$0
52	Line Construction	(\$69,074)
53	Substation Construction	\$0
54	Total Transmission Other Costs	<u>(\$92,528)</u>
55	Participants Credits St. Lucie (PSL) Unit 2	
56	OUC (b)	\$0
57	FMPA (b)	\$0
58	Total Participants Credits PSL Unit 2	<u>\$0</u>
59	Total FPL Transmission Other Costs	(\$92,528)
60	Jurisdictional Factor (a)	0.8947242
61	Total Jurisdictional Transmission Costs	<u>(\$82,787)</u>
62		
63	Total Transmission Capital Costs Including Post In-service Costs per TOJ-15, included in Line 8	(\$77,505)
64	Jurisdictional Factor (a)	0.8947242
65	Total Jurisdictional EPU Transmission Capital Costs	<u>(\$69,345)</u>
66		
67		
68	Total Company Uprate Construction Costs Per TOJ-1 T-6 (Line 11 + 32 + 54)	\$146,821,183
69	- Jurisdictionalized (Line 18 + 39 + 61)	<u>\$144,081,119</u>
70		
71		
72	Total Company Uprate Construction Costs Per TOJ-15, line 9 Including Post In Service Costs (Line 20 + 41 + 63) (f)	\$205,892,683
73	- Jurisdictionalized, Net of Participants (Line 24 + 45 + 65)	<u>\$199,307,280</u>
74		
75	Total EPU Recoverable O&M, TOJ 15, Line 10	\$10,873,922
76	Participants Credits St. Lucie (PSL) Unit 2	(\$77,958)
77	Total EPU Recoverable O&M, Net of Participants	<u>\$10,795,964</u>
78	Jurisdictional Factor (a)	0.98194011
79	- Jurisdictionalized, Net of Participants (d)	<u>\$10,600,990</u>
80		
81	Total O&M and Capital Construction Costs per TOJ 15, Line 11	\$216,766,605
82	- Jurisdictionalized, Net of Participants (Line 73 + 79)	<u>\$209,908,270</u>
83		
84	Net Book Value of the Retirements, Removal and Salvage (f)	\$31,213,208
85	Add: Salvage as included in Total O&M and Capital Construction Costs, Line 81 (f)	<u>\$4,211,772</u>
86	Net Book Value of the Retirements, Removal and Salvage	\$35,424,980
87	Net Book Value of the Retirements, Removal and Salvage - Jurisdictionalized, Net of Participants (e)	<u>\$34,787,806</u>
88		
89		
90	Total Company 2013 Construction Costs, Net of Participants (Line 21 + 42 + 76 + 81 + 86)	<u>\$249,187,009</u>
91	- Jurisdictionalized, Net of Participants (Line 82 + 87)	<u>\$244,696,076</u>
92		
93	Totals may not add due to rounding.	
94		
95	Notes:	
96	(a) Jurisdictional separation factor as reflected in the 2013 FPSC Earnings Surveillance Report.	
97	(b) Participant ownership rates of 8.0951% for Orlando Utilities Commission (OUC) & 8.806% for Florida Municipal Power Agency (FMPA).	
98	(c) TOJ-1 T-6 excludes post in service costs.	
99	(d) Recoverable O&M excludes interest.	
100	(e) NBV of Retirements, Removal and Salvage as of December 31, 2013 is net of participants as approved by EPU base rate increase orders and includes net book value of retirements, removal and salvage costs identified subsequent to FPL's 2013 base rate filing in Docket 130245-EI. FPL has true-up the 2012 EPU project net book value of the retirements and removal costs to the capital recovery schedule.	
101	(f) For presentation purposes salvage has been netted against Total Uprate Construction Costs per TOJ-15 and has been added back to the Net Book Value of Retirements, Removal and Salvage. For Base Rate Recovery purposes, the Net Book Value of Retirements, Removal and Salvage is recovered over a 5 year period.	

Upgrade Project
2013 Base Rate Revenue Requirements
Exhibit JGK-3

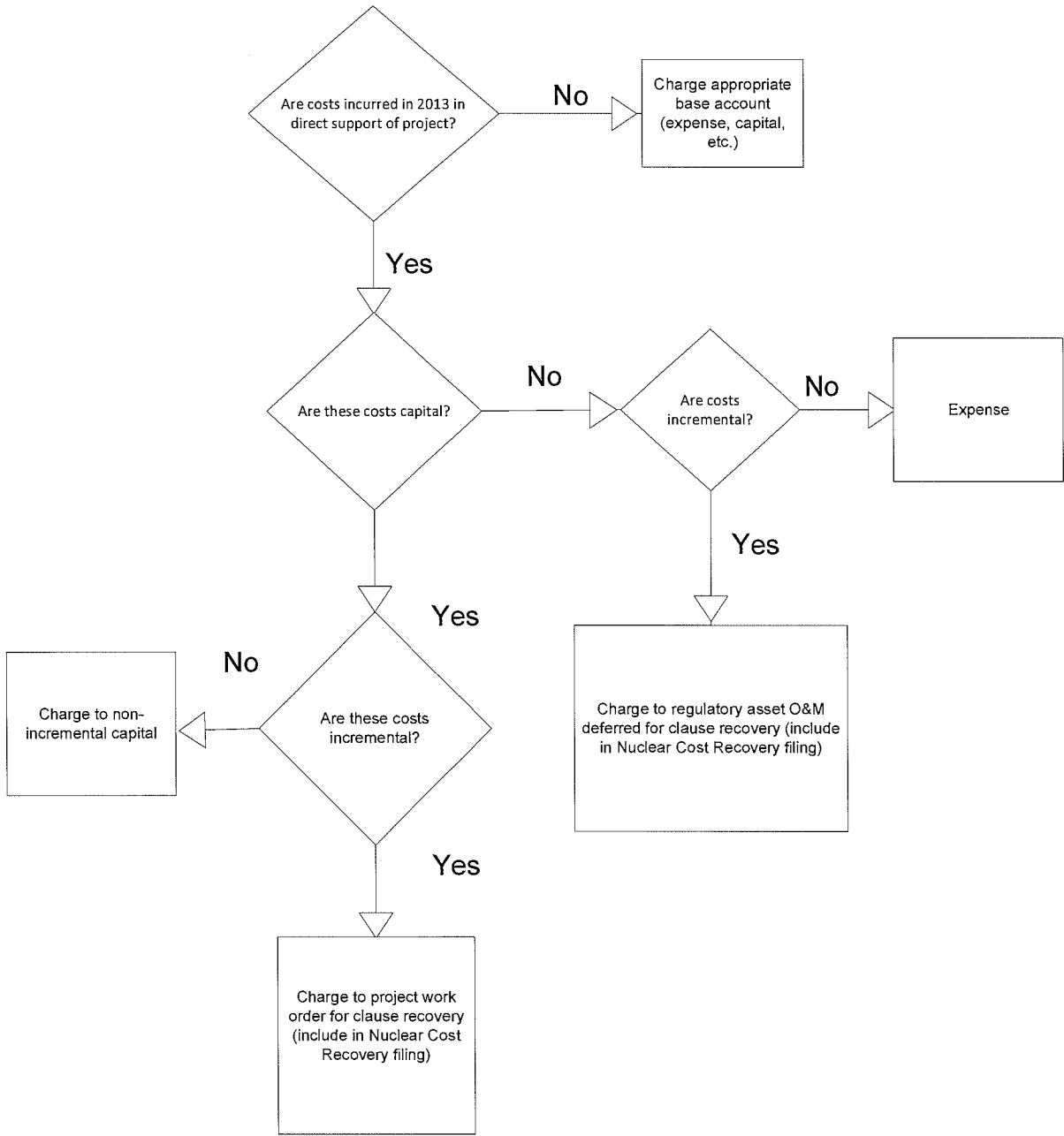
2013					2013 Base Rate Revenue Requirements												2013
Detail	In Service Date	Total Company Incremental Plant In Service	Total Company Incremental & Non-Incremental Plant In Service	Plant In Service - Includes Non-Incremental Costs (Jurisdictional, Net of Participants)	January	February	March	April	May	June	July	August	September	October	November	December	Total
Transmission - Turkey Point Digital Fault Recorder Monitoring	201301	\$55,034	\$55,034	\$49,240	\$395	\$769	\$768	\$782	\$779	\$775	\$773	\$770	\$766	\$763	\$760	\$757	\$9,896
Transmission - Turkey Point Lightning Protection	201301	\$31,071	\$31,071	\$27,800	\$138	\$276	\$276	\$275	\$275	\$274	\$274	\$273	\$273	\$272	\$272	\$272	\$3,152
Transmission - Turkey Point String Bus Spacers	201301	\$319,056	\$319,056	\$285,468	\$1,420	\$2,837	\$2,832	\$2,828	\$2,823	\$2,818	\$2,813	\$2,808	\$2,804	\$2,799	\$2,794	\$2,789	\$32,364
January Total		\$405,162	\$405,162	\$362,508	\$1,953	\$3,902	\$3,894	\$3,885	\$3,877	\$3,868	\$3,860	\$3,851	\$3,843	\$3,835	\$3,826	\$3,818	\$44,412
Nuclear - St. Lucia Simulator Mod Phase 3	201303	\$305,857	\$305,857	\$277,965			\$1,327	\$2,653	\$2,650	\$2,647	\$2,643	\$2,640	\$2,636	\$2,633	\$2,630	\$2,626	\$25,086
March Total		\$305,857	\$305,857	\$277,968			\$1,327	\$2,653	\$2,650	\$2,647	\$2,643	\$2,640	\$2,636	\$2,633	\$2,630	\$2,626	\$25,086
Nuclear - Turkey Point Extended Power Upgrade Unit 4 Cycle 27	201304	\$689,918,112	\$690,530,881	\$678,062,903				\$2,916,157	\$6,726,036	\$6,718,891	\$6,705,348	\$6,698,002	\$6,687,857	\$6,677,313	\$6,668,968	\$6,658,623	\$56,460,793
Nuclear - Turkey Point Unit 4 Cycle 27 Turbine Valve	201304	\$7,996,274	\$7,996,274	\$7,451,862				\$39,388	\$78,713	\$78,587	\$78,460	\$78,334	\$78,208	\$78,081	\$77,955	\$77,829	\$665,555
April Total		\$697,915,386	\$698,530,235	\$685,514,865				\$2,997,545	\$6,807,748	\$6,797,278	\$6,786,807	\$6,776,336	\$6,765,865	\$6,755,394	\$6,744,923	\$6,734,452	\$57,128,348
Nuclear - St. Lucia Unit 1 Spent Fuel Handling Machine	201305	\$1,001,366	\$1,001,366	\$983,301						\$4,747	\$9,488	\$9,475	\$9,462	\$9,449	\$9,436	\$9,423	\$61,480
Nuclear - St. Lucia Unit 2 Spent Fuel Handling Machine	201306	\$815,194	\$815,194	\$681,238					\$3,289	\$6,574	\$6,564	\$6,555	\$6,546	\$6,537	\$6,528	\$6,520	\$42,594
Nuclear - St. Lucia Fabric Building B Restoration (Common)	201306	\$82,585	\$82,585	\$75,054					\$3,956	\$7,912	\$7,911	\$7,910	\$7,909	\$7,908	\$7,907	\$7,907	\$4,614
Nuclear - St. Lucia Fabric Building F Restoration (Common)	201306	\$115,570	\$115,570	\$105,031					\$488	\$996	\$995	\$994	\$992	\$991	\$990	\$989	\$6,456
June Total		\$2,014,736	\$2,014,736	\$1,844,824					\$8,891	\$17,770	\$17,746	\$17,721	\$17,697	\$17,672	\$17,648	\$17,624	\$115,144
Nuclear - Turkey Point Spare Turbine Valve Refurbishment from Unit 4-27	201312	\$98,500	\$98,500	\$98,721													\$477
December Total		\$98,500	\$98,500	\$98,721													\$477
Subtotal 2013 Plant In Service		\$700,739,640	\$701,354,489	\$688,496,674	\$1,953	\$3,902	\$3,221	\$2,684,063	\$6,814,275	\$6,812,883	\$6,811,079	\$6,809,572	\$6,808,065	\$6,779,556	\$6,769,051	\$6,759,021	\$57,311,467
2013 Post In Service Costs Associated with 2013 Plant Placed into Service		\$34,847,282	\$34,847,857	\$34,197,276	\$0	\$21	\$40	\$54	\$48,971	\$137,287	\$176,820	\$213,444	\$257,869	\$298,862	\$320,952	\$332,199	1,786,429
Total Including Post In Service Costs		\$735,586,922	\$736,202,146	\$722,693,950	\$1,953	\$3,924	\$3,261	\$2,684,137	\$6,863,246	\$6,949,971	\$6,987,899	\$7,014,016	\$7,046,034	\$7,078,220	\$7,090,013	\$7,091,221	\$59,097,896
2013 Post In Service Costs Related to 2012 Incremental Plant In Service (i)		\$26,479,025	\$26,479,025	\$24,797,592	\$1,180,959	\$1,180,959	\$1,180,959	\$1,180,959	\$1,180,959	\$1,180,959	\$1,180,959	\$1,180,959	\$1,180,959	\$1,180,959	\$1,180,959	\$1,180,959	14,171,510
Total Including Post In Service Costs		\$762,065,947	\$762,681,171	\$747,491,542	\$1,182,912	\$1,184,083	\$1,186,220	\$4,145,066	\$8,044,205	\$8,130,930	\$8,168,859	\$8,184,976	\$8,226,993	\$8,259,179	\$8,270,972	\$8,273,180	\$73,269,405
Contractor Charge Adjustment for FPL's 2012 Base Rate Increase Request (Being collected in base rates in 2013)		\$0	\$0	\$0	(\$14,680)	(\$14,680)	(\$14,680)	(\$14,680)	(\$14,680)	(\$14,680)	(\$14,680)	(\$14,680)	(\$14,680)	(\$14,680)	(\$14,680)	(\$14,680)	(176,160)
Contractor Charge Adjustment for FPL's 2010 Base Rate Increase Request (Being collected in base rates in 2013)		\$0	\$0	\$0	(\$108)	(\$108)	(\$108)	(\$108)	(\$108)	(\$108)	(\$108)	(\$108)	(\$108)	(\$108)	(\$108)	(\$108)	(1,294)
Contractor Charge Adjustment		(\$5,262,050)	(\$5,262,050)	(\$5,187,023)				(\$22,237)	(\$51,277)	(\$51,188)	(\$51,119)	(\$51,041)	(\$50,962)	(\$50,883)	(\$50,804)	(\$50,725)	(400,246)
Salvage Proceeds Adjustment - Post In Service		\$242,798	\$242,768	\$236,401				\$6	\$43	\$86	\$165	\$310	\$494	\$736	\$1,094	\$1,626	9,893
Salvage Proceeds Adjustment - Plant In Service		\$1,704,005	\$1,704,005	\$1,673,231				7,201	16,605	16,579	16,554	16,528	16,503	16,477	16,452	16,426	139,326
Subtotal		(\$3,315,264)	(\$3,315,264)	(\$3,295,361)	(\$14,788)	(\$14,768)	(\$14,788)	(\$29,824)	(\$48,453)	(\$49,363)	(\$49,268)	(\$49,173)	(\$49,078)	(\$48,983)	(\$48,888)	(\$48,793)	(\$458,481)
Total Base Rate Revenue Requirements Including Post In Service Costs and Adjustments		\$758,780,684	\$759,365,907	\$744,236,181	\$ 1,188,125	\$ 1,170,085	\$ 1,171,432	\$ 4,115,272	\$ 7,994,752	\$ 8,061,566	\$ 8,119,591	\$ 8,148,464	\$ 8,181,650	\$ 8,212,339	\$ 8,224,180	\$ 8,225,447	\$ 72,610,925

* Totals may not add due to rounding

Notes:

- (a) Base rate revenue requirements to be recovered through the NCRC are those related to plant placed into commercial service during 2013.
- (b) Revenue requirement calculations for plant placed into service of less than \$10M, are based on the assumption that they were placed into service on the 15th of the month. Revenue requirement calculations for plant placed into service of \$10M or greater, are calculated to the day. For intangible plant, which is amortized over the life of the asset, carrying charges are calculated for half a month and amortization expense for half a month regardless of the dollar amount of the plant being placed into service.
- (c) Participants' share for St. Lucia Unit 2 (P&I, 2) is Orlando Utilities Commission (OUC) of 6.0695% and Florida Municipal Power Agency (FMPPA) of 8.806%.
- (d) Adjustments represent unfunded pension and welfare benefit credit and non-cash accruals, net of participants. These adjustments are necessary to present the expenditures on a cash basis in order to calculate carrying charges on T-3 in compliance with the Commission's practice regarding AFUDC.
- (e) For purposes of calculating carrying charges in NFR schedule T-3 and Appendix A, actual participant credits are deducted. (As is the practice for calculating AFUDC). In calculating the base rate revenue requirements, the full participation credit is deducted from incremental and non-incremental work orders/internal orders.
- (f) Non-incremental costs are due to the fact that labor was included in base rates. While FPL is not requesting recovery of carrying charges on the amount through the NCRC, these capital costs are included in our base rate revenue requirement calculation.
- (g) Consistent with AFUDC calculations, carrying charges are calculated through the date prior to plant being placed into service. Depreciation is calculated from the day plant is placed into service through the end of the month.
- (h) Post In Service Cost Adjustments represent expenditures incurred after the work order has been placed into service, net of participants. This adjustment is necessary to present the expenditures in the month incurred in order to calculate base rate revenue requirements to be recovered through the NCRC. While FPL is not requesting recovery of carrying charges on this amount through the NCRC, these expenditures are included in our base rate revenue requirement calculation.
- (i) The actual 2013 Post In Service Costs related to 2012 Plant Placed into Service of \$26,479,025 (\$24,797,592 jurisdictional, net of participants) and true-up of related revenue requirements is the subject of this year's filing. Please see the testimony of FPL witness Grant-Keene. See also Exhibit JGK-5.

* See additional notes on TOJ-1, Appendix B



St. Lucie and Turkey Point Uprate Project Actual Net Book Value of Retirements, Removal Cost and Salvage for Plant Placed into Service in 2012 Exhibit JGK-6, Page 1 of 1

Line No.	Internal Order Number	In-Service Date - Internal Order Description (c)	2012 Actuals Plant Placed in Service Through December 31, 2013				2012 Incremental Net Book Value of Retirements, Removal Costs & Salvage for Plant Placed in Service as of December 31, 2013				Total NBV Net of Removal Costs & Salvage Column (H) - (L)	
			(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)		
1	D000430007	January 2012 - Nuclear - Turkey Point Distribution Heavy Heat Path	\$688	\$1,800	\$0	\$1,802	\$0	\$1,802	\$488	\$0	\$0	\$887
3	T000001664	March 2012 - Transmission - St. Lucie Midway Line Bay Upgrade	\$164,866	\$37,736	(\$86,977)	\$37,211	(\$10,159)	\$14,373	\$70,664	(\$25,817)	(\$0)	(\$4,728)
5	T0000001077	March 2012 - Transmission - St. Lucie Generator Bay Upgrade	\$55,990	\$127,047	(\$97,860)	\$124,643	(\$0)	\$78,358	(\$70,726)	\$2,404	\$0	(\$6,321)
7	P0000000761	April 2012 - Nuclear - St. Lucie Unit 1 Charge (P, S, C)	\$2,758,971	(\$5,691,195)	(\$3,007,860)	\$1,932,410	(\$794,239)	\$1,188,171	\$824,467	(\$1,188,171)	(\$0)	(\$1,470,351)
9	P0000000689	April 2012 - GSU - St. Lucie Unit 1 Generator Step-Up Transformer Center Upgrade	\$1,596,407	\$29,491	\$0	\$1,523,106	\$0	\$1,523,106	\$78,239	\$0	\$0	\$78,239
10	T0000002141	June 2012 - Transmission - Turkey Point Sub Expansion Switchyard	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	T0000001622	July 2012 - Transmission - Turkey Point Drive Breaker Failure Panels	\$12,595	\$3,712	\$0	\$16,214	\$0	\$16,214	\$381	\$0	\$0	\$381
13	P0000002046	July 2012 - Nuclear - St. Lucie Unit 1 License Amendment Request	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	T0000001821	July 2012 - Transmission - Turkey Point Pagan Breaker Failure Panels	\$213	\$5,332	\$0	\$5,465	\$0	\$5,332	(\$403)	\$0	\$0	(\$141)
19	D000450025	August 2012 - Transmission - Turkey Point Distribution Street Lighting	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20	P0000013165	August 2012 - GSU - Turkey Point Turbine Valve Rehabilitation (PTN 4_26)	\$2,081,419	\$48,699	(\$16,619)	\$2,113,209	(\$345,332)	\$1,767,877	\$1,706,096	\$46,609	\$233,604	\$2,038,500
23	P0000000765	September 2012 - Nuclear - Turkey Point Unit 2 Outage (PTN 2-29)	\$6,941,469	\$455,398	(\$3,102,111)	\$4,294,756	(\$1,308,739)	\$4,450,261	\$2,721,822	(\$1,113,969)	\$107,172	\$2,315,004
26	P0000002463	September 2012 - Nuclear Turkey Point Unit 3 and 4 License Amendment Request	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
28	P0000013253	September 2012 - Nuclear Turkey Point Turbine Valve Rehabilitation (PTN 3_20)	\$6,806,438	\$0	\$0	\$6,966,438	\$0	\$6,966,438	\$0	\$0	\$0	\$6,966,438
31	P0000016044	September 2012 - Nuclear - Turkey Point Simulator	\$286,629	\$345	\$0	\$286,974	\$176,265	\$316,511	(\$17,660)	\$119	\$0	(\$17,537)
32	P0000000763	November 2012 - Nuclear - St. Lucie Unit 2 Outage (P, S, C, 2-20)	\$7,401,988	(\$1,927,318)	(\$83,276)	\$5,411,291	\$1,000,692	\$3,894,641	\$3,894,076	(\$3,427,369)	\$655,363	\$1,412,010
34	P0000006696	November 2012 - Nuclear - St. Lucie Unit 2 License Amendment Request	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
35	P0000006696	November 2012 - GSU - St. Lucie Unit 2 License Amendment Request	\$1,020,388	\$27,413	(\$169,691)	\$844,139	\$64,443	\$743,432	\$241,398	(\$37,000)	(\$19,661)	\$104,707
37	P0000001690	November 2012 - GSU - St. Lucie Unit Replacement 2A GSU Transformer	\$84,653	\$97,206	\$0	\$181,859	\$86,344	\$107,867	\$8,270	\$76,438	\$0	\$84,708
39	T0000002424	November 2012 - Transmission - St. Lucie Steam GSU Coilers & Pumps	(\$790)	\$9,365	(\$13,022)	(\$4,447)	\$2,442	\$7,635	(\$3,023)	(\$0)	(\$0)	(\$14,324)
41	T0000002092	November 2012 - Transmission - Turkey Point Switchyard	\$184,178	\$0	\$0	\$184,178	\$0	\$184,178	\$0	\$0	\$0	\$184,178
42	P0000117451	November 2012 - Nuclear - St. Lucie Capital Spare	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
44	P0000011410	November 2012 - Turkey Point Gate Valve Machining	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
46	P0000011414	November 2012 - Turkey Point Globe Valve Machining	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
47	P0000011414	November 2012 - Turkey Point Turbine Valve Rehabilitation (PTN 3_26)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
48	P00000113198	December 2012 - Transmission - Turkey Point Spring Bus Sponsors (S)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
50	T0000001991	January 2013 - Transmission - Turkey Point Spring Bus Sponsors (S)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
53	P00000113256	March 2013 - Nuclear - St. Lucie Steamler Phase II (S)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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Total may not add to due rounding

Notes:
 (a) Assessments Net Book Value of Retirements, Removal Cost and Salvage (as adjusted) for 2013 costs through December 31, 2013 and the amounts as filed in Docket No. 120244-EI, P13's 2012 Base Rate Increase.
 (b) These work orders were proposed to be placed into service in 2012, in the Base Rate Increase filed in Docket No. 120244-EI, however were not placed into service until 2013.
 (c) Actual in service dates are referenced.
 (d) The going forward effect of multiple P13's 2013 Base Rate Increase in service was included in P13's 2013 Base Rate Increase in Docket No. 130046-EI, effective January 2, 2014.