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October 17, 2005

**-VIA HAND DELIVERY-**

Blanca S. Bayó  
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Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

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COMMISSION CLERK

**Re: Docket No. 050001-EI**

Dear Ms. Bayó:

I am enclosing for filing in the above docket the original and fifteen (15) copies of the prefiled rebuttal testimony and exhibits of Florida Power & Light Company witnesses K. M. Dubin and W. E. Gwinn.

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

If there are any questions regarding this transmittal, please contact me at 305-577-2939.

Sincerely,

*John T. Butler*  
for John T. Butler

Enclosures

cc: Counsel for parties of record (w/encl.)

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FPSC-COMMISSION CLERK

**CERTIFICATE OF SERVICE**  
**Docket No. 050001-EI**

**I HEREBY CERTIFY** that a true and correct copy of the pre-filed rebuttal testimony of Florida Power & Light Company witnesses K. M. Dubin and W. E. Gwinn has been furnished by hand delivery (\*) or U.S. Mail this 17th day of October 2005, to the following:

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By:   
for John T. Butler

**BEFORE THE FLORIDA  
PUBLIC SERVICE COMMISSION**

**DOCKET NO. 050001-EI  
FLORIDA POWER & LIGHT COMPANY**

**OCTOBER 17, 2005**

**IN RE: LEVELIZED FUEL COST RECOVERY**

**REBUTTAL TESTIMONY & EXHIBITS OF:**

**W. E. GWINN  
K. M. DUBIN**

DOCUMENT NUMBER DATE

10000 OCT 17 05

FPSC-COMMISSION CLERK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**FLORIDA POWER & LIGHT COMPANY**

**REBUTTAL TESTIMONY OF W.E. GWINN**

**DOCKET NO. 050001-EI**

**OCTOBER 17, 2005**

1 **Q. Please state your name and address.**

2 A. My name is Walter E. Gwinn. My business address is 700 Universe  
3 Boulevard, Juno Beach, Florida 33408.

4 **Q. Have you previously filed testimony concerning your position**  
5 **with FPL, education and professional qualifications, and**  
6 **adopted the direct testimony of J. R. Hartzog that was filed in**  
7 **this docket on September 9, 2005?**

8 A. Yes, I have.

9 **Q. Are you sponsoring an exhibit to your rebuttal testimony?**

10 A. Yes. It consists of Documents WEG-2 and WEG-3 which are  
11 attached to my testimony.

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

13 A. The purpose of my testimony is to rebut certain positions taken in  
14 this case by the AARP witness, Stephen A. Stewart. Specifically, my  
15 rebuttal testimony addresses the following:

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- The timeline for FPL's decision to undertake the tube sleeving project for St. Lucie Unit 2, which shows that FPL could not have reasonably anticipated the need for the project at the time that it prepared and filed its rate case petition and supporting documentation in Docket 050045-EI ("rate case").
  - FPL's request to the Nuclear Regulatory Commission ("NRC") for approval of a license amendment to allow FPL to plug up to 42% of the steam generator tubes in St. Lucie Unit 2, including the significance of tube plugging to nuclear safety, the complexity of the request for a license amendment, and the operational impact and uncertainties associated with the license amendment request.
  - Why the tube sleeving project constitutes a modification to the steam generators and not ordinary maintenance or repair.
  - Budgeting for the tube sleeving project, showing that no costs for the project were included in the Nuclear Division's base O&M or outage budgets in the 2006 forecast that was the basis for the rate case MFRs.

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**Steam Generator Sleeving Project Decision Timeline**

**Q. Mr. Stewart asserts that the costs associated with the sleeving project could have been anticipated or projected for base rate recovery. Do you agree?**

A. No, I do not. As shown on my Document WEG-2, the St. Lucie Unit 2 steam generator inspections occurred during the refueling outage that began in January 2005 and ended in February 2005. Eddy current tests were performed on the steam generator tubes during that outage.

Eddy current test results must be carefully evaluated and interpreted before they can shed any meaningful light on the condition of the tubes that have been inspected. FPL hired APTECH Engineering Service, Inc. (APTECH) to evaluate and interpret the eddy current testing results. APTECH has supplied steam generator integrity services to the nuclear industry (both domestic and international) for more than 25 years. APTECH began its work in February and completed its preliminary evaluation on March 22, 2005, the same day that FPL filed its rate case petition, MFRs and testimony.

1 APTECH concluded that the tube degradation was much more  
2 severe than expected. Because of the major implications that  
3 conclusion had for FPL's operational decisions for St. Lucie Unit 2,  
4 FPL hired a second contractor, Dominion Engineering Inc. (DEI), to  
5 conduct an independent evaluation and interpretation of the eddy  
6 current test results. DEI has worked extensively in many technical  
7 areas related to steam generators in pressurized water reactors  
8 (PWR) including steam generator tube integrity for more than 25  
9 years. DEI began its work after FPL received APTECH's findings  
10 and concluded its preliminary evaluation on April 18, 2005. DEI  
11 confirmed APTECH's conclusions that the tube degradation rate in  
12 Unit 2 had accelerated substantially and if the trend were to continue  
13 during the current operating cycle, the NRC-approved 30% tube  
14 plugging limit could be exceeded during the refueling outage in  
15 Spring 2006.

16  
17 At that point FPL was confident that major countermeasures were  
18 required, but it still had to evaluate what those countermeasures  
19 should be. As shown on Document WEG-2, FPL received a tube-  
20 sleeving proposal on April 28, evaluated its options and then  
21 reached a final decision to perform tube sleeving on May 25, 2005.



1           Budgeting for steam generator tube sleeving at St. Lucie Unit 2 was  
2           undertaken at that time.

3

4   **Q.    Document WEG-2 shows that FPL filed a License Amendment**  
5   **Request (LAR) with the NRC to allow tube sleeving in January**  
6   **2005. Why did FPL file this LAR if, at the time of the filing, FPL**  
7   **did not know whether it would need the license amendment?**

8   A.    Because it normally takes approximately one year for the NRC to  
9    approve a LAR, FPL filed the request as a contingency in the event  
10   that the tube plugging limit of 30% would be exceeded at any point  
11   before FPL was in a position to replace the steam generators. FPL  
12   employed the best industry expertise available to develop tube  
13   degradation projections. Best projections at the time of the request  
14   indicated that the plugging limit would not be exceeded; however  
15   FPL pursued a sleeving LAR as a contingency if tube degradation  
16   proved greater than originally estimated.

17

18                           **NRC Approval of Increased Tube Plugging Limit**

19

20   **Q.    Does the NRC impose a limit on the total number of tubes that**  
21   **may be plugged in the St. Lucie Unit 2 steam generators?**

1 A. Yes, it does. Currently, that limit is 30% of the total number of tubes  
2 in the generators. Were FPL to plug tubes in excess of that limit  
3 during a refueling outage, it would not be allowed to restart the unit  
4 until it received approval from the NRC via a license amendment to  
5 do so.

6 **Q. Why is the NRC concerned about the number of plugged tubes  
7 in the steam generators?**

8 A. In a PWR such as St. Lucie Unit 2, the steam generator tubes  
9 provide an important safety function: they are the principal means for  
10 removing excess heat from the primary coolant. When a tube is  
11 plugged, the coolant can no longer pass through it and hence the  
12 tube would not be available to help remove excess heat. If a large  
13 percentage of the tubes were plugged, the steam generators would  
14 not be able to remove excess heat effectively to maintain the safe  
15 shut-down capability of the unit at full power operation.

16

17 **Q. You stated earlier that the current projections of the tube-  
18 degradation rate for St. Lucie Unit 2 indicate that it might  
19 require FPL to exceed the 30% tube plugging limit during the  
20 Spring 2006 refueling outage. Is FPL taking steps to seek a**

1           **license amendment from the NRC to increase the tube plugging**  
2           **limit?**

3    A.    Yes, we are. As previously noted, the analyses of the 2005 steam  
4           generator inspection results were completed in April 2005. FPL  
5           determined that, even though we planned to pursue tube sleeving as  
6           required to avoid exceeding the existing 30% tube plugging limit, we  
7           would also seek NRC approval to increase the limit to 42% as a  
8           prudent contingency. FPL immediately began the safety re-analysis  
9           needed to support an LAR for the increased limit. That re-analysis is  
10          complex and unprecedented: no PWR has previously received  
11          approval for a plugging limit as high as 42%. Accordingly, it has  
12          taken FPL several months to complete the analytical work and  
13          prepare the LAR. FPL anticipates filing the LAR in the very near  
14          future, probably before the end of October 2005. FPL is also  
15          working with the NRC to shorten the normal one-year review period  
16          for LARs, so that the NRC can be in a position to approve the 42%  
17          tube plugging limit by the time St. Lucie Unit 2 is scheduled to return  
18          to service after the Spring 2006 refueling outage.

19    **Q.    Does the LAR for the increased tube plugging limit contemplate**  
20          **any operational restrictions on St. Lucie Unit 2?**

1 A. Yes, it does. In order to accommodate the reduced heat-removal  
2 capability of the steam generators with more tubes plugged, the LAR  
3 proposes that FPL would limit the thermal output of St. Lucie Unit 2  
4 to 89% of its currently authorized output level in the event that more  
5 than 30% of the tubes are plugged. This would result in a  
6 corresponding reduction in the electric output of the unit to 89% of its  
7 current rated output.

8 **Q. Is FPL assured of receiving NRC approval to increase the tube**  
9 **plugging limit?**

10 A. No, we are not. While FPL is confident that its safety re-analysis  
11 fully demonstrates the ability of St. Lucie Unit 2 to operate safely at a  
12 42% tube plugging limit, this will be the first time any PWR licensee  
13 has asked the NRC to authorize a limit that high. As might be  
14 expected, first-time LARs generally receive more scrutiny and their  
15 outcome is less certain than LARs for changes that are common  
16 within the industry. FPL cannot be certain that the NRC (1) will  
17 approve the LAR by the time that FPL would need it at the end of the  
18 Spring 2006 outage, (2) will accept the 42% plugging limit or the  
19 89% thermal output limit that are proposed in the LAR, or (3) will  
20 approve the LAR at all.

21

22

1 Modification of Steam Generator Tubes

2

3 **Q. Do you agree with Mr. Stewart's characterization of the steam**  
4 **generator tube sleeving project as a repair to the existing unit?**

5 A. No. FPL's normal repair procedure for degraded steam generator  
6 tubes is to plug them. It does not alter or modify the tubes in any  
7 way; it simply takes them out of service by inserting water-tight plugs  
8 so that reactor coolant can no longer flow through them. FPL has  
9 plugged thousands of steam generator tubes over the years and, in  
10 fact, its normal budgets for outage maintenance routinely include  
11 amounts for the cost of tube inspections and plugging.

12

13 In contrast, for the reasons I have previously discussed, FPL has  
14 decided to pursue sleeving of sufficient tubes in the St. Lucie Unit 2  
15 steam generators to avoid exceeding the current 30% tube plugging  
16 limit. Sleeving involves a physical modification of each tube,  
17 allowing it to continue serving its heat-transfer function rather than  
18 being simply removed from service through plugging. Moreover,  
19 unlike plugging that is performed routinely as an outage  
20 "maintenance and repair" activity, FPL has never performed tube  
21 sleeving at any of its nuclear units.

1 **Budgeting for Tube Sleeving Project**

2

3 **Q. Did FPL budget for the cost of the St. Lucie Unit 2 sleeving**  
4 **project in the 2006 forecast that was utilized in the rate case**  
5 **MFRs?**

6 **A.** No, FPL did not. As I explained previously, FPL was not aware of  
7 the potential need for the tube sleeving project until after its rate  
8 case filing in March 2005. Even well after the filing, FPL continued  
9 to study and review the situation to determine the best available  
10 options under the circumstances. Neither the base O&M nor outage  
11 budgets for the Nuclear Division that were utilized for the rate case  
12 MFRs includes any amount for tube sleeving at St. Lucie Unit 2 or  
13 any of FPL's other nuclear units.

14

15 Document WEG-3 compares the Nuclear Division's budgets for  
16 2006 that were prepared in the 2004 and 2005 funds request cycles.  
17 The 2006 budget that was prepared in the 2004 cycle is what is  
18 reflected in the rate case MFRs. The updated 2006 request that was  
19 prepared in the 2005 cycle is currently being finalized for  
20 management review and approval. This comparison shows that the  
21 Base O&M and Base Outage budget amounts were essentially

1 unchanged. In contrast, the 2005 cycle contains a specific \$30  
2 million "special project" budget item which includes \$25 million for  
3 sleeving and which has no counterpart in the 2004 cycle.

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

5 **A.** Yes it does.

6

## St. Lucie Unit 2 Steam Generator Sleaving Timeline

**St. Lucie Unit 2 Steam Generator (S/G) Tube Sleaving Decision Timeline**

File NRC License Amendment Request for S/G tube sleaving	1/6/05
Inspection outage begins	1/6/05
Inspection outage end	2/15/05
Aptech released to develop revised degradation projections	2/17/05
Preliminary degradation projections obtained from Aptech	3/22/05
<b>Rate Case filing Docket 050045-EI</b>	<b>3/22/05</b>
Preliminary degradation projections obtained from DEI	4/18/05
Vendor proposal for tube sleaving received	4/28/05
Risk Assessment Management Meeting to Review Options	5/19/05
<b>Final Decision from Management to perform S/G tube sleaving</b>	<b>5/25/05</b>
Vendor Contract Issued	7/1/05



### St. Lucie Budget Comparison – 2006 Estimate

	<b>Prepared in 2004 Funds Request</b>	<b>Prepared in 2005 Funds Request</b>	<b>Variance</b>
Base O&M	\$74.2 million	\$74.2 million	\$0
Base Outage	\$28.8 million	\$28.8 million	\$0
Sleeving Project	\$0	\$30 million (1)	\$30 million

- (1) \$30 million estimate consists of the following:  
\$25 million steam generator tube sleeving  
\$5 million additional steam generator tube inspection and plugging (contingency)

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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**  
**FLORIDA POWER & LIGHT COMPANY**  
**REBUTTAL TESTIMONY OF KOREL M. DUBIN**  
**DOCKET NO. 050001-EI**  
**October 17, 2005**

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

A. My name is Korel M. Dubin and my business address is 9250 West Flagler Street, Miami, Florida 33174.

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

A. I am employed by Florida Power & Light Company (FPL) as Manager of Regulatory Issues in the Regulatory Affairs Department.

**Q. Have you previously testified in this docket?**

A. Yes, I have.

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

A. The purpose of my testimony is to rebut the testimony of Stephen Stewart, who is appearing on behalf of AARP in opposition to FPL's request to recover the costs of the St. Lucie Unit No. 2 steam generator tube sleeving project through the Fuel Cost Recovery clause. Contrary to Mr. Stewart's testimony, FPL believes its proposal is appropriate and consistent with Commission practice

1 because, as shown in Mr. Gwinn's testimony, the sleeving project  
2 was not recognized or anticipated in the cost levels used to determine  
3 base rates, is not a routine O&M repair cost, and is instead a fuel-  
4 related modification that results in fuel savings for FPL's customers.

5

6 **Q. Mr. Stewart states that "the primary reason to deny recovery**  
7 **through the fuel clause is that the sleeving project is an**  
8 **operations and maintenance ("O&M") project, not a fuel-related**  
9 **expense, the cost of which either was sought for recovery in the**  
10 **base rates case in Docket No.050045-EI or should have been**  
11 **sought there." Do you agree with this statement?**

12 **A. No.** Mr. Stewart's statement consists of two distinct and incorrect  
13 assertions, which I will address separately.

14

15 First, Mr. Stewart asserts that the tube sleeving planned for St. Lucie  
16 Unit 2 is an ordinary O&M project, not a fuel-related expense. This is  
17 simply wrong. As Mr. Gwinn discusses in his rebuttal testimony, FPL  
18 indeed has a routine O&M approach to dealing with defective steam  
19 generator tubes: plugging. FPL regularly inspects and plugs tubes as  
20 part of refueling outages, and it includes costs for those activities in  
21 its outage budgets. Mr. Gwinn explains that plugging simply takes  
22 the tubes out of service, blocking them off so no reactor coolant can  
23 enter. It is a conventional maintenance-type activity. In contrast,  
24 sleeving is not something that FPL routinely performs or budgets. In

1 fact, Mr. Gwinn points out that the St. Lucie Unit 2 tube sleeving  
2 project is the first of its kind for any of FPL's nuclear units. Moreover,  
3 as Mr. Gwinn explains in his rebuttal testimony, sleeving modifies the  
4 tube so that it may remain in service and continue performing its  
5 useful function. By doing so, sleeving will allow St. Lucie Unit 2 to  
6 remain in service and operate at its full rated output. This allows FPL  
7 to avoid the cost of expensive fossil fuels that it would have to burn  
8 otherwise. Thus, the sleeving project is clearly a "fuel-related  
9 expense."

10

11 Mr. Stewart likewise is incorrect in asserting that FPL included or  
12 should have included the cost of the St. Lucie Unit 2 sleeving project  
13 in its rate case filing in Docket No. 050045-EI. As described in Mr.  
14 Gwinn's rebuttal testimony, the results of tube inspections at St. Lucie  
15 Unit 2 were being analyzed by outside experts up through mid-April  
16 2005, well after FPL's rate case filing on March 22, 2005. Once  
17 those analyses were complete, FPL then had to conduct an extensive  
18 evaluation of its options to address the increased tube-degradation  
19 rate indicated by the analyses. It was not until May 25, 2005, two  
20 months after FPL's rate case filing, that FPL's management gave its  
21 final approval to perform the steam generator tube sleeving.

22

23 Mr. Stewart is generally correct in his comments that steam generator  
24 tube degradation has been a long-term problem for the nuclear

1 industry, and that FPL has known for several years that St. Lucie Unit  
2 is experiencing a significant rate of tube degradation. That is why,  
3 as Mr. Gwinn stated in his September 9 direct testimony, FPL  
4 ordered replacement steam generators in 2003 to be installed at St.  
5 Lucie Unit 2 during the Fall 2007 refueling outage. Unfortunately, Mr.  
6 Stewart ignored or misunderstood what Mr. Gwinn went on to say  
7 next in that testimony: the inspection results from the January 2005  
8 refueling outage “revealed that the degradation rate was even more  
9 rapid than anticipated in 2003 and involved a degradation mechanism  
10 that had not previously been observed as significant.” This was new  
11 and different information, the significance of which was not apparent  
12 to FPL until well after the March 22, 2005 rate case filing. And it was  
13 that information that led FPL to pursue the sleeving project.

14  
15 Part of the Commission’s criteria for recovery through the Fuel  
16 Clause stated in Order No. 14546 is that the costs “were not  
17 recognized or anticipated in the cost levels used to determine current  
18 base rates.” The cost levels included in FPL’s MFR filing on March  
19 22, 2005, could not reasonably have included the cost of a project  
20 that was not known until two months later. Clearly the cost of the  
21 sleeving project was not “recognized” or “anticipated” in FPL’s base  
22 rates.

23

1 **Q. Mr. Stewart states that the sleeving project is not a**  
2 **'modification' to a generating unit that provides greater fuel**  
3 **economy than previously existed, but, rather, a 'repair' to an**  
4 **existing unit." Do you agree with this statement?**

5 **A. No. As discussed in Mr. Gwinn's rebuttal testimony, the sleeving**  
6 **project involves modifications to defective steam generator tubes,**  
7 **which allows them to perform a function (circulating reactor coolant)**  
8 **that they could not otherwise perform. The sleeving is indeed an "act**  
9 **of making [the tubes] different," which is Mr. Stewart's definition of a**  
10 **"modification." FPL has chosen to undertake this act in order to**  
11 **provide greater fuel economy to FPL's customers.**

12

13 **Q. Mr. Stewart quotes the following discussion in Order No. 14546:**

14 **"In addition to stipulating to the foregoing**  
15 **applications of policy, the parties also**  
16 **recommended to the Commission that the policy it**  
17 **adopts be flexible enough to allow for recovery**  
18 **through fuel adjustment clauses of expenses**  
19 **normally recovered through base rates when**  
20 **utilities are in a position to take advantage of a**  
21 **cost-effective transaction, the costs of which were**  
22 **not recognized or anticipated in the level of costs**  
23 **used to establish the utility's base rates. One**  
24 **example raised was the cost of an unanticipated**

1 short-term lease of a terminal to allow a utility to  
2 receive a shipment of low cost oil. The parties  
3 suggest that this flexibility is appropriate to  
4 encourage utilities to take advantage of short-term  
5 opportunities not reasonably anticipated or  
6 projected for base rate recovery. In these  
7 instances, we will require that the affected utility  
8 shall bring the matter before the Commission at  
9 the first available fuel adjustment hearing and  
10 request cost recovery through the fuel adjustment  
11 clause on a case by case basis. The Commission  
12 shall rule on the appropriate method of cost  
13 recovery based upon the merits of each individual  
14 case. ”

15 (Emphasis added by Mr. Stewart)

16 Mr. Stewart goes on to say that he does not believe that FPL’s  
17 sleeving project costs meet the criteria for cost recovery in this  
18 exception. Do you agree?

19 A. No. The sleeving project is, in fact, specifically intended to take  
20 advantage of a short-term opportunity to provide fuel savings to  
21 customers. The sleeving project will be implemented in the Spring  
22 2006 refueling outage. The St. Lucie Unit 2 steam generators are  
23 scheduled to be replaced in the Fall 2007 refueling outage, at which  
24 time the old steam generators will be retired from service and the fact

1 that tubes were sleeved in those generators will no longer be  
2 relevant. Thus, the sleeving project is specifically aimed at allowing  
3 St. Lucie Unit 2 to operate at full power for a short, limited period: the  
4 18 months from the spring of 2006 to the fall of 2007. As I have  
5 discussed previously, this project was not and could not have been  
6 reasonably anticipated or projected for base rate recovery. Thus the  
7 sleeving project clearly meets the criteria cited by Mr. Stewart.

8

9 **Q. Mr. Stewart disputes FPL's calculation of the fuel savings**  
10 **resulting from the sleeving project. Specifically he concedes**  
11 **that "the \$1.26 million per day suggested savings may be the**  
12 **correct figure for replacing all St. Lucie Unit No. 2's generation**  
13 **with fossil-fired generation," but goes on to assert that "stating**  
14 **that number in FPL's testimony tends to suggest substantially**  
15 **greater savings from this project than can possibly be realized.**  
16 **This is because the initial goal of the repair appears to be the**  
17 **continued operation of the unit at 100 percent power, as**  
18 **opposed to the 89 percent power level, which would be required**  
19 **if the unit exceeded the 30 percent plugging limit. Presumably,**  
20 **one should calculate the fossil-fired replacement cost savings**  
21 **resulting from operating at 100 percent power as opposed to 89**  
22 **percent and apply that savings over the period between the**  
23 **spring 2006 refueling outage and the steam generator**



1           **replacements in the fall 2007 outage.” Please comment on these**  
2           **assertions.**

3       A.     Mr. Stewart is missing the point. FPL’s sleeving project provides fuel  
4           savings to customers, which is one of the Commission’s criteria for  
5           recovery of a fuel-related project’s costs through the fuel clause. For  
6           the period between the Spring 2006 refueling outage and the steam  
7           generator replacements in the Fall 2007 outage, having St. Lucie Unit  
8           2 operating at 100% power will save customers \$586 million in  
9           replacement power costs compared to what customers would have to  
10          pay if the unit were offline. The replacement power cost in 2006 for a  
11          single day offline is approximately \$1.26 million, the figure that I cited  
12          in my September 9 direct testimony.

13  
14          Mr. Stewart is relying heavily on speculation when he suggests that  
15          FPL could confidently rely on plugging tubes beyond the currently  
16          authorized 30% limit as an alternative to sleeving. As Mr. Gwinn  
17          explains in his rebuttal testimony, there is no industry precedent for  
18          FPL’s request to operate St. Lucie Unit 2 at up to a 42% plugging  
19          limit. Consequently, there is considerable uncertainty as to the timing  
20          and specifics of the NRC’s approval of that request. FPL should not  
21          (and does not) assume that it definitely would be permitted to plug  
22          tubes beyond the current 30% limit and return St. Lucie Unit 2 to  
23          service at 89% power immediately following the Spring 2006 refueling  
24          outage. This lack of certainty about when and under what

1 circumstances FPL would be permitted to restart St. Lucie Unit 2  
2 next Spring if it did not implement the sleeving project is why my  
3 September 9 direct testimony presents the fuel savings from the  
4 sleeving project in terms of the daily fuel savings resulting from  
5 avoiding a delayed restart of the unit. FPL continues to believe that  
6 this is a reasonable and conservative way to evaluate the benefits of  
7 the sleeving project.

8  
9 FPL has also calculated the fossil fuel replacement cost savings that  
10 would result from operating St. Lucie Unit 2 at 100% power output  
11 (assuming sleeving) compared to 89% output (assuming FPL would  
12 be permitted to operate the unit with tubes plugged in excess of the  
13 current 30% limit). It has performed that calculation for the period  
14 between the Spring 2006 refueling outage and the steam generator  
15 replacements in the Fall 2007 outage. These savings are projected  
16 to be \$58.9 million. When compared to the \$25 million cost of the  
17 sleeving project, FPL's customers see a net benefit of \$33.9 million.  
18 Thus, the sleeving project is clearly cost-effective even if one makes  
19 the speculative assumption that FPL definitely will be in a position  
20 next Spring to restart St. Lucie Unit 2 with more than 30% of the  
21 steam generator tubes plugged.

22  
23 **Q. Mr. Stewart suggests that the cost benefit calculation provided**  
24 **in your September 9, 2005 direct testimony is somehow lacking**

1           **compared to the cost benefit analysis provided in the cases**  
2           **cited in your direct testimony. Is there a difference in the**  
3           **manner in which the \$1.26 million savings was calculated?**

4    A.    No. The savings figure of \$1.26 million per day was calculated in the  
5           same manner as the other cases cited in my direct testimony: the  
6           result of the difference between low cost nuclear fuel and the higher  
7           cost fossil fuel that it replaces. For the reasons just discussed, there  
8           is considerable uncertainty as to what alternatives would be available  
9           to FPL next Spring if it did not implement the sleeving project.  
10          Because of this uncertainty, my September 9 direct testimony  
11          provided the fuel cost savings on an average daily basis.

12

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

14   A.    Yes, it does.