

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 070602-EI
FLORIDA POWER & LIGHT COMPANY**

**IN RE: FLORIDA POWER & LIGHT COMPANY'S
PETITION TO DETERMINE NEED FOR
EXPANSION OF ELECTRICAL POWER PLANTS**

DIRECT TESTIMONY OF:

KIM OUSDAHL

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5 **SEPTEMBER 17, 2007**

6

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

8 A. My name is Kim Ousdahl. My business address is 700 Universe Boulevard,
9 Juno Beach, Florida 33408.

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

11 A. I am employed by Florida Power & Light Company (FPL or the Company) as
12 Director of Accounting.

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

14 A. I am responsible for financial accounting and internal reporting for FPL,
15 including property accounting and management of the regulatory accounting
16 function. In this role, I have responsibility for managing the accounting and
17 the financial and regulatory reporting of the nuclear uprate project costs.

18 **Q. Please describe your educational background and professional
19 experience.**

20 A. I graduated from Kansas State University in 1979 with a Bachelor of Science
21 Degree in Business Administration, majoring in Accounting. That same year,
22 I was employed by Houston Lighting & Power Company in Houston, Texas.
23 During my tenure there, I held various accounting and regulatory management

1 positions. Most recently, prior to joining FPL in June 2004, I was the Vice
2 President and Controller of Reliant Energy. I am a certified public accountant
3 (CPA) licensed in the State of Texas and a member of the American Institute
4 of CPAs, the Texas Society of CPAs and the Florida Institute of CPAs.

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

6 A. FPL is seeking a determination of need for the proposed uprates at its Turkey
7 Point Nuclear Power Plants (PTN) and St. Lucie Nuclear Power Plants (PSL),
8 sometimes referred to in my testimony as “PTN and PSL Uprates” or
9 collectively “the Projects” and individually as a “Project.”

10

11 The purpose of my testimony is to support FPL’s request that, in connection
12 with granting the need determination, the Commission confirm that it: (a) will
13 provide for annual reviews and determination of the prudence of the Project’s
14 costs, and recovery of costs, as provided for in the Commission’s Nuclear
15 Power Plant Cost Recovery Rule, Rule 25-6.0423 (the Rule); and (b) will
16 affirm that after the Projects are placed in commercial service, FPL shall be
17 allowed to increase its base rate charges by the projected annual revenue
18 requirements associated with the Projects in the manner provided for in
19 Section 366.93, Florida Statutes (the Statute) and the Rule.

20 **Q. Why is FPL requesting that the Commission confirm that it will conduct**
21 **the annual prudence reviews, oversee interim cost recovery, and approve**
22 **appropriate base rate adjustments for the nuclear uprates?**

1 A. The Commission's confirmation of the application of the Statute and the Rule
2 plays an essential role in FPL's decision to pursue development of more than
3 400 MW of cost-effective, non-greenhouse gas emitting nuclear generation in
4 a time frame where it may not otherwise occur.

5
6 The Commission's timely ongoing review and determination of the prudence
7 of FPL's nuclear uprate expenditures, as well as the interim cost recovery and
8 base rate adjustment provisions contained in the Statute and the Rule, provide
9 an appropriate regulatory framework within which FPL is encouraged to
10 undertake this significant and beneficial investment at the earliest feasible
11 point in time.

12
13 Absent the enhanced regulatory certainty and more predictable cost recovery
14 provided for nuclear plant investment by the Florida Legislature and the
15 Commission, FPL would not be encouraged to undertake this capital-intensive
16 nuclear investment on an expedited basis.

17 **Q. In connection with the annual review process for the Projects, will FPL**
18 **file the Nuclear Filing Requirements (NFRs) that are intended to be filed**
19 **in support of new nuclear investment?**

20 A. Yes. FPL has been participating with the Staff of the Commission, the Office
21 of Public Counsel and others concerning development of Nuclear Filing
22 Requirements. FPL will file schedules for the nuclear uprates complying with
23 the Nuclear Filing Requirements to be adopted by the Commission, and will

1 provide all of the information required by the Rule for the Commission to
2 consider and render an annual determination of prudence.

3 **Q. When would FPL make its first filing with the Commission pursuant to**
4 **the Rule with respect to the nuclear uprates?**

5 A. Assuming the FPSC grants an affirmative determination of need for the
6 Project by the first quarter of 2008, FPL will make its initial filing of
7 projected 2009 and prior construction costs in May 2008. Carrying costs as
8 approved by the Commission will be reflected in the Capacity Clause factors
9 commencing January 1, 2009. The next filings will be made in May 2009
10 which will include an actual/estimated true-up for 2009 and projections for
11 2010 costs. The final true-up for 2009 costs will be made in March 2010. All
12 filings, except the initial filing, will present a variance analysis between prior
13 cost estimates and current actual and estimated costs.

14 **Q. Into what categories will the Project costs fall for purposes of cost**
15 **recovery consistent with the Rule?**

16 A. There will be licensing, design and long-lead time procurement expenditures
17 associated with the Projects, of the type described in section 25-6.0423(2)(f).
18 However, because of the potential ambiguity in determining the activities that
19 would constitute or be equivalent to "site clearing" for the Projects, FPL
20 proposes to classify all Project costs as construction costs for purposes of cost
21 recovery. Pursuant to Rule 25-6.0423, this will result in only carrying charges
22 being recovered through the Capacity Cost Recovery Clause (CCRC) prior to
23 the Projects being placed into service.

1 **Q. Will the May 2008 filing include Site Selection costs?**

2 A. No. The May 2008 filing will not include site selection costs because the
3 Project investments would be made to increase electric generation from
4 existing nuclear generating units that are already sited.

5 **Q. How will the cost of the Project be included in base rates as each Project**
6 **is placed into service?**

7 A. In accordance with the Rule, FPL will file a petition for Commission approval
8 of a base rate increase pursuant to Section 366.93(4) equal to the projected
9 annualized revenue requirements for the Project for the first 12 months of
10 operations, in accordance with the Rule subsection (7). FPL will calculate the
11 increase in base rates resulting from the jurisdictional annual base revenue
12 requirements for the Projects in conjunction with the CCRC projection filing
13 for the year each Project is projected to achieve commercial operation.

14 **Q. Please provide an example of how the Commission's nuclear plant cost**
15 **recovery rule would apply in practice up to the time that a nuclear uprate**
16 **project is completed.**

17 A. The actual amounts of carrying costs will depend on the actual amount of
18 capital costs incurred in each year. For example, after approval of these costs
19 by the Commission in 2008, the carrying costs on that amount would be
20 included in setting the CCRC Factor for 2009. The carrying costs collected
21 during 2009 through the CCRC would be trued up and collected or refunded
22 in future periods through the CCRC. This process would be continued
23 through the completion of construction of each Project. FPL would then file

1 its petition for base rate recovery of the projected annual revenue
2 requirements of each Project at the time it is placed into service.

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

4 A. Yes.