

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF JOHN J. REED

DOCKET NO. 080009-EI

August 21, 2008

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

2 A. My name is John J. Reed. My business address is 293 Boston Post Road West,
3 Marlborough, Massachusetts 01752.

4 **Q. Are you the same John J. Reed who previously filed direct testimony in this**
5 **docket?**

6 A. Yes. I filed direct testimony on behalf of Florida Power and Light ("FPL" or the
7 "Company") on May 1, 2008.

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

9 A. The purpose of my testimony is to respond to certain proposals made in the direct
10 testimony of William R. Jacobs, Jr. PhD appearing on behalf of the Office of Public
11 Counsel, including his suggestion to limit recovery in this proceeding to certain
12 incremental costs and his review of the Company's use of sole and single source
13 procurement practices. Specifically, I address Dr. Jacobs' suggestion that the
14 Commission should disallow recovery of any costs that relate to components that are
15 expected to be replaced during the extended power uprate projects at Turkey Point Units
16 3 & 4 (PTN 3 & 4) and St. Lucie 1 & 2 (PSL 1 & 2, collectively the "EPU Projects") if
17 those components are nearing the end of their useful life at the time of replacement. In

1 addition, I will address Dr. Jacobs' concerns regarding FPL's use of sole or single source
2 procurement practices in order to complete the EPU Projects and to construct two
3 additional units at the Company's Turkey Point site (i.e., PTN 6 & 7).

4 **Q. Please describe how the remainder of your testimony is organized.**

5 A. The remainder of my testimony is organized into four sections. The first section briefly
6 summarizes the thorough evaluation that Concentric conducted of FPL's project
7 management processes for the EPU Projects and PTN 6 & 7, including procedures for
8 those projects. In section II, I discuss Dr. Jacobs' proposal to limit cost recovery in this
9 proceeding to only "incremental costs" and discusses the nuclear cost recovery
10 mechanisms in other states. In Section III, I discuss industry practices with regard to
11 sole or single source procurement policies and Dr. Jacobs' concerns regarding FPL's use
12 of sole and single sourced contracts. Finally, I provide my conclusions in Section IV.

13
14 **Section I – Overview of Concentric Project Management Review**

15 **Q. Please describe the process by which you reviewed FPL's project development**
16 **capabilities.**

17 A. In order to assess FPL's project development, risk management and cost estimation
18 capabilities, my staff and I reviewed numerous documents provided to us by FPL.
19 These documents included FPL's general corporate procedures, the Company's nuclear
20 procedures and instructions, various status reports prepared by the Company to monitor
21 the progress of the Projects, contracts executed by the Company for materials and
22 services related to the Projects, and the Company's cost estimates for the Projects for the
23 calendar years 2008 and 2009. In addition, our team interviewed several members of

1 FPL's project teams at FPL's corporate offices in Juno Beach, Florida. These interviews
2 focused on the individual's knowledge of the Company's policies and procedures and
3 ways in which they had implemented the Company's policies and procedures in their
4 day-to-day activities.

5 **Q. During your review were there any documents to which you did not have access?**

6 A. No. The Company was entirely responsive to our data requests and their employees
7 ensured that we had access to any information which we requested.

8
9 **Section II – Dr. Jacobs' Cost Segmentation Proposal**

10 **Q. Please describe Dr. Jacobs' proposal related to "incremental costs".**

11 A. Based upon my review of Dr. Jacobs' testimony in this proceeding, he is proposing to
12 segment and disallow certain EPU Project costs. Dr. Jacobs would require the Company
13 to evaluate each component that must be replaced during the EPU Projects to determine
14 if that component has reached the end of its useful life. For those components which
15 have reached the end of their useful life, Dr. Jacobs would require the Company to
16 determine the costs of replacing these components with a new component of a similar
17 capacity (i.e., the "replacement costs"). These costs would then be compared with the
18 costs to replace the components with those capable of handling the facility's increased
19 capacity, thus establishing the "incremental costs". Dr. Jacobs would then exclude from
20 recovery in this proceeding any replacement costs. Dr. Jacobs proposes that FPL be
21 required to collect the replacement costs in a future base rate case.

1 **Q. Does the Nuclear Cost Recovery Rule provide any support for Dr. Jacobs’**
2 **proposal?**

3 A. I can find no evidence that suggests the Nuclear Cost Recovery Rule requires the
4 Company to perform an analysis similar to what Dr. Jacobs is suggesting in his Direct
5 Testimony. In fact, Section 1 of the rule states that the rule “The purpose of this rule is
6 to establish alternative cost recovery mechanisms for the recovery of costs incurred in
7 the siting, design, licensing, and construction of nuclear or integrated gasification
8 combined cycle power plants in order to promote electric utility investment in nuclear or
9 integrated gasification combined cycle power plants and allow for the recovery in rates
10 of *all* such prudently incurred costs”.¹ Thus, it would appear that the rule envisions
11 recovery on the full cost of EPU components and does not require the sort of
12 “incremental” analysis proposed by Dr. Jacobs.

13 **Q. Have other states implemented measures for the recovery of nuclear construction**
14 **costs similar to the rule implemented in Florida?**

15 A. Yes. A number of other states have implemented similar mechanisms in some form.
16 These states include North Carolina, South Carolina, Louisiana, and Virginia, among
17 others.²

¹ See Florida Nuclear or Integrated Gasification Combined Cycle Power Plant Cost Recovery, Emphasis added.

² See North Carolina Session Law 2007-398.

See South Carolina Base Load Review Act (S.C. Code Section 58-33-210).

See Virginia Senate Bill 1416 and House Bill 3068.

See Order in Docket No. 29712.

1 **Q. Do any of these states make a distinction between replacement and incremental**
2 **costs in their statutes or rules authorizing cost recovery?**

3 A. No. As in Florida, their rules provide for the recovery of all costs incurred in order to
4 construct the facility.

5 **Q. Would Dr. Jacobs' proposal that FPL recover a return under the Nuclear Cost**
6 **Recovery Rule on only the "incremental" portion of the replaced components**
7 **reduce the ultimate cost of the EPU Projects to FPL's customers?**

8 A. No. Dr. Jacobs' position is that all prudently incurred costs, both "replacement" and
9 "incremental" costs, should be recovered through rates. To the extent that FPL did not
10 receive a current cash return on the "replacement" cost of an EPU Project component
11 under the Nuclear Cost Recovery Rule, FPL would instead accrue AFUDC on that cost.
12 The AFUDC would ultimately be added to the cost of the Project when it is shifted into
13 Plant In Service. Thereafter, customers would pay a higher return to FPL through base
14 rates because the return would apply to the AFUDC as well as the actual cost of the
15 component. In essence, Dr. Jacobs is simply using regulatory lag as a vehicle for *delaying*
16 the recovery of prudently incurred "replacement", without actually *reducing* those costs.
17 In fact, the accumulation of AFUDC will result in customers paying more total dollars
18 over time.

19 **Q. Does Dr. Jacobs' proposal reduce the certainty of recovering the Company's**
20 **reasonable and prudently incurred costs?**

21 A. Yes. Dr. Jacobs' proposal already creates uncertainty regarding the Company's ability to
22 recover its reasonable and prudently incurred costs. The implementation of an extended
23 power uprate at an existing facility requires the expenditure of hundreds of millions

1 dollars. Understandably, investors in these projects are concerned with their ability to
2 earn a return on their investment in a timely manner when those costs are deemed to be
3 reasonable and prudently incurred. The Florida Nuclear Cost Recovery Rule was
4 specifically implemented to address this concern and to give investors additional
5 certainty regarding the Company's ability to recover these costs. Dr. Jacobs' proposal
6 would explicitly reverse much of this certainty by delaying the Commission's review, and
7 the Company's return on, a large portion of FPL's prudently incurred cost until the
8 Company's next base rate case.

9
10 **Section III. Dr. Jacobs' Sole and Single Source Procurement Concerns**

11 **Q. Please describe Dr. Jacobs' concerns with respect to the Company's single and**
12 **sole source procurement activities.**

13 A. Dr. Jacobs appears concerned with the level of quantitative analysis performed by FPL
14 in preparing a sole or single source justification memorandum in accordance with the
15 Company's policies and procedures. Dr. Jacobs believes these memos have not included
16 a sufficient level of analysis to be considered reasonable, and as such has recommended
17 disallowing the Company from recovering the Company's equity return on its
18 investment to-date. In the alternative, Dr. Jacobs has recommended withholding 10
19 percent of the Company's carrying charges until such time as the Company demonstrates
20 that the costs are reasonable.³ Dr. Jacobs does not provide any basis for his
21 recommended disallowance amounts, nor has he indicated what level of analysis he

³ Interestingly, Dr. Jacobs has made no claim that the costs incurred or projected to be incurred under these contracts are unreasonable or imprudent. Thus it would appear that Dr. Jacobs is only concerned with the use and language of the sole and single source justification memoranda and not the costs or projected costs.

1 believes would indicate the costs FPL has incurred in accordance with the Nuclear Cost
2 Recovery Rule are reasonable. Lastly, Dr. Jacobs indicates that the Commission could
3 “consider this first round of hearings as uncharted territory, and for that reason decide to
4 allow FPL to collect the entire amount of carrying charges.” If this occurs, Dr. Jacobs
5 states that the Commission should “place FPL on notice that on a going forward basis
6 the Commission intends to require a rigorous and detailed justification for any departure
7 from competitive bidding.”

8 **Q. Which sole or single source justifications has Dr. Jacobs cited in describing his**
9 **concerns?**

10 A. Dr. Jacobs cites a number of sole and single source justifications including memoranda
11 for the following contracts:

- 12 • Westinghouse Electric Company (“Westinghouse”) for engineering, licensing and
13 design activities associated with the EPU Projects
- 14 • Shaw Stone & Webster, Inc (“S&W”) for engineering evaluations, licensing
15 reports and major equipment specifications
- 16 • Areva NP (“Areva”) for fuel related engineering, licensing and design activities
17 related to the EPU Projects
- 18 • McNab Hydrogeologist Consulting (“McNabb”) for certain permitting activities
19 related to PTN 6 & 7
- 20 • Black & Veatch (“B&V”) for a desalination plant feasibility study related to PTN
21 6 & 7

1 **Q. Have you reviewed each of these sole or single source justification memoranda?**

2 A. Yes. The Company provided Concentric with copies of these documents in April 2008
3 as part of Concentric's project management evaluation that I described earlier in my
4 testimony. We reviewed these documents at that time and concluded that FPL had
5 complied with its policies regarding single and sole source procurement activities.

6 **Q. Please explain the basis for your conclusions that the Company had complied**
7 **with its policies regarding sole and single source procurement activities in the**
8 **case of the Westinghouse contract.**

9 A. First, it is important to understand the relevant corporate procedures that govern sole
10 and single source procurements. In the case of the EPU Projects, Nuclear Procedure-
11 1100 governs the use of sole or single source procurement activities. Similarly, General
12 Operating Procedure 705.3 governs single and sole source procurements for PTN 6 & 7.
13 Both of these procedures require that the person requesting the procurement submit a
14 sole or single source justification memorandum that describes the basis for the
15 procurement. However, General Operating Procedure 705.3 does not prohibit
16 adherence to a schedule as the basis for the justification. Both of the procedures also
17 require the submitter to provide a valid business reason for the procurement.

18 In the instance of the justification memorandum for Westinghouse, the document clearly
19 states that "Westinghouse possess all of the required design information and has
20 performed all of the current licensing basis analyses for the major NSSS components,
21 nuclear fuel (excluding St. Lucie Unit 1), and systems (e.g., Emergency Core Cooling
22 Systems), which are required to perform this work." The document goes on to state
23 "No other vendor has the required design documentation for St. Lucie or Turkey Point."

1 While it might be possible to negotiate a contract for another vendor to use
2 Westinghouse's design information, it has been my experience in nuclear transactions
3 that Westinghouse strictly limits the distribution of its data to third parties. In some
4 cases in which I have been involved, Westinghouse has required guarantees from the
5 third parties that limit the use of its data. Thus the Company's use of a sole source
6 justification in this case appears entirely reasonable.⁴ A similar situation exists with
7 regard to the Areva sole source justification.

8 **Q. Is there similar language with regard to the S&W contract?**

9 **A.** Yes, the single source justification for S&W states the following:

10 "[S&W] has completed power uprate projects for 46 operating
11 nuclear units. Included in their uprate experience is both
12 Westinghouse (Turkey Point) and Combustion Engineering (St.
13 Lucie) PWR designs. In fact, [S&W] performed the BOP engineering
14 services for the successful 4.5% power uprate for Turkey Point Units
15 3 & 4 in the mid-1990s. [S&W] has ready access to the design
16 documents developed for that Turkey Point uprate such that cost and
17 efficiency savings should be realized for the proposed Turkey Point
18 EPU."

19 While the language Dr. Jacobs cites regarding schedule adherence appears earlier in the
20 justification memorandum, it is clear from this statement that S&W was selected based
21 on its prior experience, access to key information and the likelihood of costs savings, not
22 simply schedule adherence. It has been my experience in other projects that this access

⁴ It should be noted that Dr. Jacobs' citation of a justification based solely on schedule appears in only the second to last sentence of this memorandum (i.e., after the other justifications described above).

1 to information and ability to leverage extensive prior project experience can be critical to
2 achieving any cost savings as well as receiving a high quality work product.

3 **Q. Please describe the basis for your conclusions regarding the single source**
4 **justifications for McNabb and the sole source justification for B&V.**

5 A. The McNabb single source justification memorandum states that the single source
6 justification is based on three points, which include: McNabb's relevant experience; that
7 McNabb is capable of providing permitting and on-site support which is expected to
8 reduce the cost of the necessary permitting; and McNabb has previously provided high
9 quality expert testimony supporting the permitting process. The background section of
10 the memorandum also states that there is a requirement for continuity in developing the
11 work product and that the project schedule was relatively aggressive. After reviewing
12 this document it is clear that while the project's schedule was considered in the
13 justification of this contract, many other valid business reasons exist to justify retaining
14 McNabb. A similar description is included in the justification to retain B&V. The
15 Company also cited prior experience with contracting with vendors for conceptual
16 engineering studies for its conclusion that the cost of B&V's services was reasonable. In
17 both cases I found that the Company relied on valid business reasons including
18 prospective cost savings and the vendor's abilities when deciding to utilize a sole or
19 single source justification.

1 **Q. Are there any other sole or single source justification memoranda with which Dr.**
2 **Jacobs takes issue?**

3 A. Yes, Dr. Jacobs also takes issue with a benchmarking analysis that was used to support a
4 sole source justification with Siemens Power Generation, Inc (“Siemens”) for the
5 reservation of manufacturing slot for low-pressure steam turbine rotors.

6 **Q. Please describe Dr. Jacobs’ concerns related to the Siemens benchmarking**
7 **analysis.**

8 A. Dr. Jacobs appears to be concerned that the data underlying the analysis was originally
9 compiled for another utility in 2002 escalated to current year dollars and adjusted for the
10 scope of services necessary for the EPU projects.

11 **Q. In your experience have you seen similar estimates prepared by other utilities?**

12 A. Yes, it is quite common in the nuclear industry for a utility to utilize a feasibility study or
13 scoping information from another utility in order to benchmark the company’s estimate.
14 I have encountered this methodology in another recent engagement, whereby a widely
15 recognized construction firm based their 2006 cost estimate on work that was performed
16 in the late 1980s and stated that this prior project was the only suitable basis for scoping
17 the current project due to the lack of recent nuclear construction in the United States.

18 **Q. Within the Company’s sole source justification memorandum has FPL provided**
19 **any other justifications for retaining Siemens?**

20 A. Yes, the Company also points out in the sole source justification memorandum that no
21 other vendor has the required design documentation for St. Lucie and Turkey Point.

1 **Q. Do FPL's corporate policies and procedures require the type of additional**
2 **analysis advocated by Dr. Jacobs?**

3 A. No. While it is not entirely clear what level of analysis Dr. Jacobs believes is sufficient to
4 justify the reasonableness of the cost, it is obvious that the Company's policies and
5 procedures do not require this type of analysis in every instance of a sole or single source
6 procurement strategy. As discussed earlier in my testimony and in more detail by
7 Company Witnesses Steven D. Scroggs and William P. Labbe, Jr., these policies and
8 procedures provide for a number of other foundations for pursuing such a strategy.
9 However, there are certainly instances where such a detailed analysis is either
10 unnecessary or impractical due the limited amount of information that may be available.

11 **Q. Are there unique characteristics of the nuclear industry that limit the Company's**
12 **ability to perform the type of analysis advocated by Dr. Jacobs?**

13 A. Yes, as recognized by the Commission Staff in its *Review of Florida Power and Light's Project*
14 *Management Internal Controls for Nuclear Plant Uprate and Construction Projects*, since the 1960s
15 and 1970s a number of vendors have chosen to exit the nuclear power industry⁵. Thus
16 the number of potential suppliers has been reduced substantially. In many cases, this has
17 left only one or two vendors who are either capable of performing such work or which
18 have the requisite level of experience to perform the work to the required quality
19 standards and on a cost competitive basis.⁶ In addition, much of the nuclear
20 construction work that has been completed is not thoroughly documented which

⁵ See, for example, *Review of Florida Power and Light's Project management Internal Controls for Nuclear Plant Uprate and Construction Projects* dated August 2008, pg. 17.

⁶ As stated on page 27 of my direct testimony, the number of suppliers certified to perform safety related work has fallen five fold since 1980.

1 prevents a convenient basis for comparison, particularly given the recent run-up in
2 commodity prices.

3 **Q. Have you reviewed the sole or single source procurement practices of other**
4 **companies with nuclear assets?**

5 A. Yes, as described in my direct testimony, I have been involved in prudence reviews and
6 audits of various companies involved in the construction and ownership of nuclear
7 facilities. In addition, I have reviewed certain single and sole source procurement
8 practices of nuclear facilities as part of Concentric's experience as financial advisor in
9 most of the recent sales of nuclear power plants.

10 **Q. How do FPL's policies and procedures compare with the other policies and**
11 **procedures you have reviewed?**

12 A. FPL's policies and procedures are very comparable to the practices of other companies
13 with which I have been involved. For instance, as with most companies with which I
14 have worked, FPL's procurement policy states a preference for competitive bidding
15 opportunities where possible. Further, these companies recognize the current state of
16 the nuclear industry requires a number of exemptions to this preference due to the very
17 limited number of suppliers involved and the substantial amount of engineering analysis
18 that is required to support the construction of a new nuclear plant or the modification of
19 an existing facility. As such, similar to FPL's policies, these practices require that the
20 individual seeking approval of the purchase order or contract must first submit a sole or
21 single source justification memorandum, whichever is applicable. These justifications
22 require the sponsor to provide a basis for entering into the contract. This basis may be
23 established through a comparison of the expected cost to the historical cost for similar

1 work, that only one vendor exists that is capable of performing the work, that a
2 particular vendor has previously proven its work to be cost effective and of an extremely
3 high quality or that the vendor is in a unique position to perform the work because it has
4 previously completed an analysis required to complete the work. In no instance, in my
5 experience, have these policies required in all cases the type of in-depth quantitative
6 analysis advocated by Dr. Jacobs.

7 **Q. Have other companies allowed sole or single source justifications on the basis of**
8 **meeting a proposed schedule.**

9 A. Similar to the policies and procedures of FPL, other companies have generally not
10 allowed a project's schedule to be the sole basis for justifying a single or sole sourced
11 contract. That being said, other companies' policies and procedures seem to recognize
12 that a sole or single source contract may be necessitated by a project's schedule when a
13 substantial amount of analysis is required and retaining an alternative vendor would add
14 substantially to a project's schedule due to the need for the alternative vendor to recreate
15 the analysis that has already been conducted by the selected vendor. In addition, other
16 companies have recognized that a rapidly evolving market such as the nuclear power
17 industry may require swift movement in order to secure queue positions for the
18 manufacture of certain large components with long production lead times.⁷

⁷ At least one company with which I have worked did not even have a sole or single source policy. Instead that company relied upon a few guidelines that contained a statement which suggested that a justification letter on the basis of valid business reason should be completed.

1 **Q. Are there examples of single or sole source procurement policies outside of the**
2 **utility industry that do not require the type of analysis advocated by Dr. Jacobs?**

3 A. Yes. There are a number of examples of sole or single source procurement policies from
4 outside the utility industry that do not require Dr. Jacobs' proposed level of analysis. For
5 example, both the European Bank for Reconstruction and Development and the North
6 American Development Bank (both entities that are obviously concerned with efficient
7 use of public funds) have established guidance for their borrowers that governs the
8 borrowers' procurement strategies. However, neither of these entities requires the level
9 of analysis advocated by Dr. Jacobs. Indeed, both entities' procedures provide for single
10 source procurement, but neither includes a procedure that includes a requirement to
11 conduct a quantitative analysis in order to justify the acquisition.⁸

12 Similarly, the Federal Aviation Administration's procurement policies permit the use of
13 sole source contracts by stating the following:

14 "The single-source method of procurement is appropriate when
15 technical requirements, business practices, or programmatic needs
16 have determined that a specific location, site, or unique need is
17 required to meet the FAA's mission, or when it has been determined
18 that only one source is reasonably available that can meet the
19 requirement."

20 In order to justify the use of the single source procurement the FAA indicates that the
21 user should, but is not necessarily required to conduct a market survey or appraisal using
22 at least three sources of analysis. The policy goes on to state that the user must

⁸ See European Bank for Reconstruction and Development Procurement Policies and Procedures, August 2000.
See North American Development Bank Procurement Policies and Procedures.

1 document the rational basis for the determination.⁹ These activities are similar to the
2 justifications completed by FPL, including a quantitative justification where it is
3 applicable.

4 **Q. Do you believe the Commission should require that the Company perform an**
5 **analysis similar to that being advocated by Dr. Jacobs before entering into a sole**
6 **or single sourced contract?**

7 A. No, I do not. Often such analysis is either not possible or simply not necessary. Such
8 instances may occur when the Company chooses to use a vendor that has performed
9 similar work for other companies. These vendors are thus able to avoid the setup costs
10 or initial engineering that is required to perform the service. While another vendor may
11 be capable of performing the same work, due to the amount of work that has previously
12 been completed for other clients, it is simply not likely that another vendor could
13 provide a competitive cost with comparable quality. In addition, given the unique
14 requirements of the nuclear industry, instances exist whereby changing vendors for one
15 component could cause the Company to change vendors for other associated
16 equipment. Because of the cost of changing multiple pieces of equipment or fuel, the
17 cost of using another vendor may simply not be cost competitive without unrealistic
18 discounts. In other instances, only the original equipment manufacturer is capable of
19 providing a replacement component or performing the engineering analysis necessary to
20 complete the projects.

21 The Commission Staff also seems to recognize that it is not always necessary to perform
22 the types of quantitative analysis advocated by Dr. Jacobs. In its review of the

⁹ FAA Acquisition Management Policy, Revised August, 2008.

1 Company's internal controls, the Commission Staff noted that FPL's nuclear policy does
2 not exclude the use of approved sole and single source providers when valid business
3 reasons support making such a purchase.¹⁰

4 **Q. Has the Commission Staff commented on the Company's sole or single source**
5 **procurement activities?**

6 A. Yes, in the Commission Staff's audit of the Company's internal controls the Commission
7 Staff stated the following when responding to the question "Has FPL's selection of the
8 current set of contractors and vendors been reasonable?"

9 "FPL appears to have followed its contractor selection procedures.
10 Given the unique challenges and circumstances of the nuclear
11 industry, FPL's use of sole source selections for the uprate project to
12 date is in keeping with *reasonable business practices*."¹¹

13 **Q. Has Dr. Jacobs provided any evidence that indicates the Company's cost or terms**
14 **related to the Company's sole or single source procurements are unreasonable?**

15 A. Dr. Jacobs has not provided any evidence whatsoever indicating that the costs or terms
16 of these agreements are unreasonable. In fact, Dr. Jacobs has made no assertion that the
17 costs or terms of these agreements are unreasonable. Similarly, Dr. Jacobs has made no
18 claim that the Company's policies and procedures are unreasonable. Dr. Jacobs is
19 instead solely focused on whether the Company has performed an in-depth quantitative
20 analysis that is not necessarily required by the Company's policies and procedures.

21

¹⁰ Review of Florida Power and Light's Project Management Internal Controls for Nuclear Plant Uprate and Construction Projects, pg. 18.

¹¹ *Ibid* at 20. Emphasis added.

1 **Section IV - Conclusions**

2 **Q. What are your conclusions regarding the recommendations of Dr. Jacobs in this**
3 **proceeding.**

4 A. While Dr. Jacobs raises several issues for the Commission's consideration, his
5 recommendations are without merit in this instance. Dr. Jacobs' recommendation for
6 segmenting certain costs related to the EPU Projects is simply unworkable from a policy
7 perspective and is not supported by either the language of the Nuclear Cost Recovery
8 Rule or the policies of other states that have implemented similar cost recovery
9 measures. Similarly, Dr. Jacobs' recommendation to disallow certain costs related to the
10 Company's use of sole and single sourced contracts is not supported by the Company's
11 policies and procedures and also contradicts the audit report produced by the
12 Commission Staff. Finally, the requirement to perform the level of quantitative analysis
13 advocated by Dr. Jacobs is simply not supported by general industry practices or the
14 current state of the nuclear industry. Thus the Commission should reject Dr. Jacobs'
15 recommendations in this proceeding.

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

17 A. Yes it does.