BEFORE THE FLORIDA PUBLIC SERVICE COMMISION

DOCKET NO. 090009-EI
FLORIDA POWER & LIGHT COMPANY

IN RE: NUCLEAR POWER PLANT COST RECOVERY AMOUNT
TO BE RECOVERED DURING THE PERIOD
JANUARY – DECEMBER 2010

REBUTTAL TESTIMONY OF:

W. POWERS

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF WINNIE POWERS

DOCKET NO. 090009-EI

August 10, 2009

Q. Please state your name and business address.

A. My name is Winnie Powers. My business address is 9250 W. Flagler St, Miami, Florida 33174.

Q. Have you previously provided testimony in this docket?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony addresses three policy issues.

Q. In general terms, what policy issues do you address?

A. I direct my comments to three issues identified by Staff. The first is related to over or under collections in the Nuclear Cost Recovery Clause (NCRC). The second is the carrying charge that should be accrued on deferred balances approved for recovery in the Capacity Cost Recovery Clause (CCRC). The third is the recovery of the incremental/decremental difference on Allowance for Funds Used During Construction (AFUDC) when the related plant is placed into service.

Q. Should over or under collections in the CCRC be included in the calculation of recoverable costs in the NCRC? (Issue 1A)

A. No. The CCRC is the designated recovery clause for NCRC costs. Therefore, over and under collections in the CCRC should remain in the CCRC since they are the result of over/under collections of actual sales revenues that are greater than or less than costs to be recovered in the CCRC, as is the practice with current capacity charge over and under recoveries.

Rule 25-6.0423 (the Rule) defines the appropriate costs to be recovered in the NCRC. FPL files its projected costs and/or carrying costs eligible for recovery according to the Rule and Statute 366.93, F.S. for the NCRC using the Nuclear Filing Requirement Schedules (NFRs).

Through the NFRs, carrying costs are calculated at the fixed FPL rate of 7.42% (pre-tax 11.04%) provided for pursuant to Section 2(b)2 of Rule 25-6.0423. Projected costs and/or carrying costs determined through the NFRs for the NCRC are recovered in the following year in the CCRC.

Once NCRC costs have been approved for recovery in the CCRC, any differences between actual sales revenues collected through the CCRC and the projected costs approved for recovery in the NCRC results in an over or under recovery that remains in the CCRC. This over or under recovery in the CCRC will incur interest at the commercial paper rate.

Differences between the NCRC actual costs incurred and the actual/estimated or projected costs will be included in the calculation of recoverable costs in the NCRC and will accrue a carrying charge at the fixed FPL rate of 7.42% (pre-tax 11.04%) provided for pursuant to Section 2(b)2 of Rule 25-6.0423, through the NCRC until recovered in a future period.

Q. When a utility elects to defer recovery of some or all of the costs that the Commission approves for recovery through the Capacity Cost Recovery Clause, what carrying charge should accrue on the deferred balance? (Issue 1B)

A. Rule 25-6.0423 establishes the procedures for the Commission to conduct current (annual) prudence and reasonableness reviews to determine whether costs are appropriate for NCRC recovery. If a utility requests deferral of approved costs, and the Commission approves such deferral, then the Commission has effectively created a regulatory asset for future recovery through the CCRC. The regulatory asset should remain in the NCRC and continue to accrue carrying charges at the pre-tax AFUDC rate as of June 2007. The Commission has allowed a return on items that have been deferred, both regulatory assets and regulatory liabilities, which are not reflected in rates. For example, per Order No. 10306, Docket No. 810002-EU, the Commission created regulatory assets related to Martin dam costs and expanded fuel storage facilities at Turkey Point and authorized FPL to charge AFUDC to the deferred amounts. Similarly, per Order No. PSC-94-0393-FOF-EI, Docket No. 940042-EI, the Commission directed FPL to create a regulatory liability for gains associated with emission allowances. In this instance, FPL credits its Environmental Clause with amounts based on the pre-tax cost of capital applied to the regulatory liability. Deferred amounts (i.e., regulatory assets in the NCRC) do not contribute to over or under recoveries that are subject to interest at the commercial paper rate applied to the CCRC.

Q. Should FPL and PEF be permitted to record in rate base the incremental difference between AFUDC permitted by Section 366.93, F.S. and their respective most currently approved AFUDC, for recovery when the nuclear plant assets enter commercial operation?

A. Yes. As defined by the Nuclear Cost Recovery Rule 25-6.0423(2)(d), "costs" includes, but is not limited to, all capital investments including rate of return. Utilities should be allowed to recover the approved carrying costs by tracking the incremental/decremental difference between the carrying charge rate required by Section 366.93, F.S. and the most currently Commission-approved AFUDC. The incremental/decremental difference will be accumulated and recorded to CWIP and recovered/returned through base rates over the useful life of the related plant assets placed in service.

For example, in April 2008, the FPSC approved the change in the Company's AFUDC rate from 7.42% to 7.65% effective January 1, 2008. The resulting increment of .23%, when compared to the statutory fixed FPL rate for the NCRC of 7.42%, was recorded in CWIP. In May 2009, the FPSC approved the change in the Company's AFUDC rate from 7.65% to 7.41% effective January 1, 2009.

The resulting decrement of .01%, when compared to the statutory fixed FPL rate for the NCRC of 7.42%, is being credited to CWIP, reducing the amount of AFUDC increment previously recorded.

The net amount will continue to remain in CWIP and be adjusted each period until the related plant goes into service and is recovered through base rates. This method allows for recovery of the Company's Commission-approved carrying cost through the NCRC, while ensuring the customer only pays for these approved carrying costs, no more and no less.

Q. Does this conclude your testimony?

A. Yes.