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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

COMMISSION  
CLERK

DOCKET NO. 110009-EI  
FLORIDA POWER & LIGHT COMPANY

MARCH 1, 2011

EXTENDED POWER UPRATES - 2009

TESTIMONY & EXHIBITS OF:

WINNIE POWERS

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FPSC-COMMISSION CLERK

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                   **FLORIDA POWER & LIGHT COMPANY**

3                   **DIRECT TESTIMONY OF WINNIE POWERS**

4                   **DOCKET NO. 110009-EI**

5                   **MARCH 1, 2011**

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

7   A.    My name is Winnie Powers. 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  
11           the 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  
14           include Turkey Point 6 & 7 and the Extended Power Uprate (EPU or Uprate)  
15           Projects at Turkey Point and St. Lucie. I ensure that the costs expended and  
16           projected for these projects are accurately reflected in the Nuclear Cost  
17           Recovery filing requirements (NFR) schedules. In addition, I am responsible  
18           for ensuring that the Company's assets associated with these projects are  
19           appropriately recorded and reflected in FPL's financial statements.

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

22 A.    I graduated from the University of Florida in 1976 with a Bachelor of Science  
23           Degree in Business Administration, majoring in Accounting. After college, I

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1 was employed as an accountant by RCA Corporation in New York. In 1983, I  
2 was hired by Southeastern Public Service Company in Miami and attained the  
3 position of manager of corporate accounting. In 1985, I joined FPL and have  
4 held a variety of positions in the regulatory and accounting areas during my  
5 26 years with the Company. I obtained my Masters of Accounting from  
6 Florida International University in 1994. I am a Certified Public Accountant  
7 (CPA) licensed in the State of Florida, and I am a member of the American  
8 Institute of CPAs.

9 **Q. Are you sponsoring any Exhibits in this case?**

10 **A.** Yes, I am sponsoring or co-sponsoring the following Exhibits:

- 11 • Exhibit WP-1, 2009 Revenue Requirements, details the components of the  
12 2009 revenue requirements reflected in the 2009 Uprate Project True-Up  
13 (T schedules) by category of costs being recovered, (carrying costs on  
14 construction costs and on the deferred tax asset/liability, recoverable  
15 operation and maintenance (O&M) costs, and base rate revenue  
16 requirements for the year plant is placed into service).
- 17 • Exhibit WP-2, 2009 Costs for Prudence Determination, details the 2009  
18 total company Uprate Project costs and jurisdictional costs for which FPL  
19 is seeking a prudence determination by cost categories. These total  
20 company costs and prudence of them, variances from the actual/estimated  
21 costs and the explanation of the variances are further described in the  
22 testimony of FPL Witness Jones.

- 1           ● Exhibit WP-3, 2009 Base Rate Revenue Requirements, details the true-up  
2           of the revenue requirements for the Uprate Project plant modifications  
3           placed into service during 2009, specifically the true-up of the in-service  
4           date and true-up of the actual plant placed into service. FPL Witness  
5           Jones describes the plant being placed into service, as well as the necessity  
6           and timing of completing this plant.
- 7           ● Exhibit WP-4, 2009 Incremental Labor Guidelines, flowcharts the process  
8           used by the Nuclear Business Operations (NBO) accounting team to  
9           determine incremental payroll costs chargeable to the projects for 2009.
- 10          ● Exhibit TOJ-1, T schedules, 2009 EPU Construction Costs, sponsored by  
11          FPL Witness Jones, consists of the 2009 Uprate Schedules T-1 through T-  
12          7A. Page 2 of TOJ-1 contains a table of contents which lists the T  
13          Schedules sponsored and co-sponsored by FPL Witness Jones and by me,  
14          respectively.

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

16   **A.    The purpose of my testimony is to present the calculation of the revenue**  
17   **requirements in the:**

- 18           (1) NFR T schedules for Uprate costs and carrying costs for 2009; and  
19           (2) True-up of the 2009 base rate revenue requirements related to the  
20           modifications placed into plant in-service during 2009 as shown on Exhibit  
21           WP-3, page 2 of 2. FPL filed its annualized base rate increase on December  
22           4, 2009 for the St. Lucie Unit 2 Turbine Gantry Crane modifications placed  
23           into plant in-service in December 2009. FPL filed its annualized base rate

1 increase for additional Uprate modifications placed into service during 2010  
2 and included a true-up of the St. Lucie Unit 2 Turbine Gantry Crane costs on  
3 October 7, 2010.

4  
5 I also describe how these schedules comply with the Florida Public Service  
6 Commission's (FPSC or Commission) Rule No. 25-6.0423, Nuclear or  
7 Integrated Gasification Combined Cycle Power Plant Cost Recovery (Nuclear  
8 Cost Recovery Rule or NCRC). I explain how carrying costs are provided for  
9 under the Nuclear Cost Recovery Rule, describe the base rate revenue  
10 requirements included for recovery in the schedules, and discuss the  
11 Accounting controls FPL relies upon to ensure costs are appropriately charged  
12 to the projects.

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

14 **A.** My testimony refers to Exhibits and T schedules detailing 2009 revenue  
15 requirements for the Uprate Project that FPL is requesting to recover through  
16 the NCRC. My testimony also describes the comprehensive corporate and  
17 overlapping business unit controls for incurring costs and recording  
18 transactions associated with FPL's capital projects, including the Uprate  
19 Project. My testimony describes these controls and outlines the  
20 documentation, assessment, and auditing processes for these overlapping  
21 control activities.

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23

## NUCLEAR COST RECOVERY RULE

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**Q. Please describe the Commission's Nuclear Cost Recovery Rule and the NFR schedules.**

**A. On March 20, 2007, in Order No. PSC-07-0240-FOF-EI, the FPSC adopted the Nuclear Cost Recovery Rule to implement Section 366.93, Florida Statutes (the Statute), which was enacted by the Florida Legislature in 2006.**

The Nuclear Cost Recovery Rule has been interpreted by this Commission to include FPL's Uprate Project. In compliance with the Nuclear Cost Recovery Rule, FPL is recovering carrying costs, recoverable O&M, and base rate revenue requirements (for the year plant is placed into service) for the Uprate Project at its St. Lucie and Turkey Point nuclear power plants through FPL's Capacity Cost Recovery Clause (CCRC). Base rate recovery of the annualized revenue requirements subsequent to the year the plant is placed into service is to be requested in a separate petition outside of the Nuclear Cost Recovery Clause as contemplated by the Rule.

The Nuclear Cost Recovery Rule implements this mechanism for cost recovery and provides for the annual recovery of eligible costs through the CCRC. FPL continues to work with Commission Staff, the Office of Public Counsel, Progress Energy Florida (PEF) and interested parties to refine a

1 comprehensive set of NFR schedules, which set forth construction and cost  
2 information on nuclear power plant projects.

3  
4 The NFR schedules provide an overview of nuclear power plant projects and a  
5 roadmap to the detailed project costs. The NFR schedules consist of True-up  
6 (T), Actual/Estimated (AE), Projected (P) and True-up to Original (TOR)  
7 Schedules. The T Schedules filed each March provide the True-Up for the  
8 prior year.

9 **2009 True-up**

10 **Q. What 2009 schedules are you filing in this testimony?**

11 A. I am filing the 2009 T Schedules for the Uprate Project in this testimony.

12 **Q. Please discuss the 2009 T Schedules.**

13 A. The 2009 Uprate T schedules included with this testimony present the final  
14 true-up of revenue requirements by comparing 2009 actual costs to 2009  
15 actual/estimated costs approved by this Commission in Docket No. 090009-  
16 EI, Order No. 09-0783-FOF-EI. The result is an overrecovery of \$3,971,698  
17 for Uprates which I describe in this testimony. I note for informational  
18 purposes that when combined with the 2009 Turkey Point 6 & 7 overrecovery  
19 of \$10,648,277, described in separate testimony in this Docket, the 2009 total  
20 overrecovery is \$14,619,975 as shown on my Exhibit WP-1. The details of  
21 these 2009 True-up of costs can be found in my Exhibit WP-1, page 1. FPL  
22 requests the Commission approve the revenue requirements and resulting  
23 overrecovery of \$3,971,698 for the Uprates.

1 **Q. Please describe the NFR schedules related to the recovery of 2009 Uprate**  
2 **costs and carrying costs and included in this testimony in Exhibit TOJ-1.**

3 A. FPL has included the 2009 T schedules in this testimony as Exhibit TOJ-1 for  
4 nuclear and transmission Uprate costs. As shown on schedule T-6, FPL's  
5 actual Uprate expenditures for the period January 2009 through December  
6 2009 are \$237,677,629 (\$227,680,202 jurisdictional, net of participants). As  
7 shown on schedule T-3 and T-3A, FPL incurred related carrying charges of  
8 \$16,459,883. Schedule T-4 shows that FPL incurred \$498,077 (\$480,934  
9 jurisdictional, net of participants) of recoverable O&M expenses.  
10 Additionally, the actual base rate revenue requirements for 2009 related to the  
11 modifications on the St. Lucie Unit 2 Turbine Gantry Crane placed into  
12 service on December 22, 2009 are \$12,802 as shown in Exhibit WP-3, page 2  
13 of 2. The total actual 2009 Uprate revenue requirements of \$16,953,619  
14 (carrying costs, recoverable O&M, and base rate revenue requirements),  
15 compared to the actual/estimated revenue requirements of \$20,925,317 (filed  
16 on May 1, 2009 in Docket No. 090009-EI and approved in Order No. PSC-09-  
17 0783-FOF-EI) results in an overrecovery of \$3,971,698. This amount reduces  
18 the CCRC charge being paid by customers in 2011. The details of these  
19 revenue requirements and the resulting true-ups can be seen in Exhibit WP-1,  
20 page 1 of 1.

21

22 Also included in my Exhibit WP-2 are the nuclear and transmission total  
23 company costs for the Uprate Project for 2009 which are the basis for the



1 revenue requirement calculations included in our T schedules. The prudence  
2 and necessity of the 2009 actual total company costs are discussed in FPL  
3 Witness Jones's testimony.

4 **Q. Please explain the 2009 base rate revenue requirements approved by this**  
5 **Commission in Docket No. 090009-EI that FPL recovered in 2010.**

6 A. FPL recovered \$83,460 of 2009 base rate revenue requirements through the  
7 CCRC in 2010 for the modifications related to its St. Lucie Unit 2 Turbine  
8 Gantry Crane in the 2009 AE schedules. When this is compared to the  
9 \$12,802 of revenue requirements in 2009 T schedules the result is an  
10 overrecovery of \$70,658. This amount relates to the revenue requirements for  
11 the first year this plant was placed into service and is based on the estimated  
12 jurisdictional costs (net of participants) and the estimated in-service date of  
13 October 15, 2009 at the time of FPL's May 1, 2009 filing. This amount was  
14 reflected in the 2009 AE Schedules filed in Docket No. 090009-EI and  
15 approved as reasonable and eligible for recovery in Order No. PSC-09-0783-  
16 FOF-EI.

17  
18 According to Order No. PSC-08-0749-FOF-EI in Docket No. 080009-EI, FPL  
19 "shall be allowed to recover through the NCRC associated revenue  
20 requirements for a phase or portion of a system placed into commercial  
21 service during a projected recovery period. The revenue requirement shall be  
22 removed from the NCRC at the end of the period. Any difference in  
23 recoverable costs due to timing (projected versus actual placement in service)

1 shall be reconciled through the true-up provision". The St. Lucie Unit 2  
2 Turbine Gantry Crane modifications were actually placed into commercial  
3 service on December 22, 2009.

4

5 In accordance with Nuclear Cost Recovery Rule No. 25-6.0423 (7) (a), on  
6 December 4, 2009, FPL filed a request to recover in base rates subsequent to  
7 2009, the annualized base rate revenue requirements related to the  
8 modifications to the St. Lucie Unit 2 Turbine Gantry Crane separate from its  
9 cost recovery clause petition. These revenue requirements have subsequently  
10 had a final, approved true-up in FPL's base rate revenue requirement request  
11 filed October 7, 2010 and approved in Order No. PSC-11-0078-PAA-EI,  
12 Docket No. 100419-EI.

13 **Q. What are the differences between 2009's base rate revenue requirements**  
14 **for the modifications to the St. Lucie Unit 2 Turbine Gantry Crane**  
15 **included in the AE schedules and approved for recovery in Docket No.**  
16 **090009-EI, and those filed in the 2009 T schedules filed in this Docket?**

17 A. The differences are due to: actual as opposed to projected in-service dates,  
18 actual as opposed to projected in-service amounts, actual as opposed to  
19 projected jurisdictional separation factors, an updated property tax rate, and  
20 the actual rate of return as filed in FPL's then most recent surveillance report  
21 (i.e., in the September 2009 report).

22 **Q. Please describe these differences.**

1 A. As filed in the 2009 AE Schedules on May 1, 2009 in Docket No. 090009-EI,  
2 FPL anticipated an in-service date of October 15, 2009; however, the actual  
3 in-service date for the St. Lucie Unit 2 Turbine Gantry Crane was December  
4 22, 2009. For the 2009 AE filing, FPL estimated an in-service amount of  
5 \$2,443,835 total company, net of participants, (\$2,433,330 jurisdictional, net  
6 of participants), as shown in Hearing Exhibit No. 2-8 in Docket No. 090009-  
7 EI. The actual amount included in our 2009 T schedules reflects an in-  
8 service amount of \$2,856,822 total company, (\$2,433,443 total company net  
9 of participants and \$2,424,899 jurisdictional, net of participants), as shown in  
10 Exhibit TOJ-1 Appendix A and Exhibit WP-3, page 1 of 2. FPL's base rate  
11 revenue requirements of \$83,651 requested in Docket No. 090009-EI were  
12 adjusted by the Commission in Order No. PSC-09-0783-FOF-EI to remove  
13 incremental Allowance for Funds Used During Construction (AFUDC). The  
14 Commission adjusted 2009 revenue requirements of \$83,460 compared to  
15 actual 2009 revenue requirements of \$12,802, shown on Exhibit WP-3, page 2  
16 of 2, results in an overrecovery of \$70,658.

17  
18 FPL used a projected jurisdictional separation factor from the rate case  
19 (Docket No. 080677-EI) for the May 2009 filing. For the current final 2009  
20 True-up filing, FPL adjusted the projected jurisdictional separation factor to  
21 the jurisdictional separation factor as reflected in FPL's 2009 monthly  
22 Surveillance Reports to the FPSC.

23

1 The property tax rate used in the May 2009 AE filing was the 2009 projected  
2 property tax rate. The current filing of the T schedules uses the actual 2009  
3 property tax rate at the time of the Base Rate filing on December 4, 2009.

4

5 Lastly, at the time of the May 2009 AE filing, FPL used its then most current  
6 rate of return which was based on the February 2009 Surveillance Report.

7 The rate of return in our T schedules is the most current rate of return at the  
8 time of the FPL Base Rate Filing on December 4, 2009 which was based on  
9 the September 2009 Surveillance Report. This is in accordance with the  
10 requirements of the Nuclear Cost Recovery Rule No. 25-6.0423 Section 7 (d).

11 **Q. What accounting and regulatory treatment is provided for costs that**  
12 **would have been incurred regardless of the Uprate Project?**

13 **A.** Costs that would have been incurred regardless of the Uprate Project are not  
14 included in FPL's NCRC calculations. Such expenditures that are not  
15 "separate and apart" from the nuclear Uprate Project will be accounted for  
16 under the normal process for O&M and capital expenditures. Capital  
17 expenditures will accrue AFUDC while in Construction Work in Progress  
18 (CWIP) until the system or component is placed into service. Only costs  
19 incurred for activities necessary for the Uprate Project are charged to the  
20 Uprate work orders and included as recoverable O&M or as construction costs  
21 included in the calculation of carrying charges in the NFR schedules. This  
22 method ensures that FPL only receives recovery of the appropriate  
23 recoverable O&M or carrying charge return currently under the Nuclear Cost

1 Recovery Rule and expenses or accrues the appropriate O&M or AFUDC  
2 return on costs that are not “separate and apart” that will be recovered through  
3 rate base when the project is placed into service. FPL employs a rigorous,  
4 engineering-based process to segregate costs that are “separate and apart”  
5 from those that would have normally been incurred, so that only the  
6 appropriate costs are reflected in the NCRC request. This process is discussed  
7 in more detail in FPL Witness Jones’s March 1, 2011 testimony.

8

9 **ACCOUNTING CONTROLS**

10

11 **Q. Please describe the accounting controls FPL relies upon to ensure proper**  
12 **cost recording and reporting for these projects.**

13 A. FPL relies on its comprehensive corporate and overlapping business unit  
14 controls for recording and reporting transactions associated with any of its  
15 capital projects including the Uprate Project. These comprehensive and  
16 overlapping controls include:

- 17
- 18 • FPL’s Accounting Policies and Procedures;
  - 19 • Financial systems and related controls including FPL’s general ledger and  
20 construction asset tracking system (CATS);
  - 21 • FPL’s annual budgeting and planning process;
  - 22 • Reporting and monitoring of plan costs to actual costs incurred; and
  - Business Unit specific controls and processes.

1 The project controls are further discussed in the March 1, 2011 testimony of  
2 FPL Witness Jones.

3 **Q. Are these controls documented, assessed and audited and/or tested on an**  
4 **ongoing basis?**

5 A. Yes. The FPL corporate accounting policies and procedures are documented  
6 and published on the Company's internal website, Employee Web. In  
7 addition, accounting management provides formal representation as to the  
8 continued compliance with those policies and procedures each year. The  
9 Company's external auditors, Deloitte & Touche, LLP, as a part of its annual  
10 audit, which includes assessing the Company's internal controls over financial  
11 reporting and testing of general computer controls, expresses an opinion as to  
12 the effectiveness of those controls. Sarbanes-Oxley processes are identified,  
13 documented, tested and maintained, including specific processes for planning  
14 and executing capital work orders, as well as acquiring and developing fixed  
15 assets. Certain key financial processes are tested during the Company's  
16 annual test cycle.

17 **Q. Describe the responsibilities and accounting controls of the New Nuclear**  
18 **Accounting Project Group.**

19 A. The primary responsibility of the New Nuclear Accounting Project Group is  
20 to provide financial accounting guidance for the recovery of costs under the  
21 Nuclear Cost Recovery Rule. Additional responsibilities include the  
22 preparation and maintenance of the NFR schedules, (e.g. T, AE, P, and TOR  
23 Schedules) and on a monthly basis, ensuring the costs included in the NFR

1 schedules are recorded to the financial records of the Company and reconciled  
2 to the NFRs. The Nuclear Cost Recovery projects utilize unique work orders  
3 to capture costs directly related to these projects. After ensuring accurate costs  
4 are recorded, adjustments are made to reflect participants' credits,  
5 jurisdictionalize the costs, and include other adjustments required in the NFR  
6 schedules. Monthly journal entries are prepared to reflect the effects of the  
7 recovery of these costs and monthly reconciliations of the NFR accounts are  
8 performed. The resulting schedules are included in our Nuclear Cost  
9 Recovery filings and described in testimony.

10

11 The New Nuclear Accounting Project Group works closely with the Nuclear  
12 Business Unit, Engineering, Construction & Corporate Services Division  
13 (ECCS), and the Transmission Business Unit to address issues surrounding  
14 the costs related to the projects. This involves researching, providing  
15 direction and resolving project accounting issues that arise as the new nuclear  
16 projects develop.

17

18

## **UPRATE SPECIFIC ACCOUNTING CONTROLS**

19

### **Nuclear Business Unit Accounting Controls**

20 **Q. Describe the oversight role of the NBO Group related to the Uprate**  
21 **Project.**

22 **A.** The NBO is independent of the EPU Project Team and provides oversight of  
23 the costs charged to the Uprate Project. The NBO Group is primarily

1 responsible for the work order maintenance function, reviewing payroll to  
2 ensure only appropriate payroll is charged to the Uprates, determining  
3 appropriate accounting for costs, raising potential issues to the Property  
4 Accounting Group when necessary, providing accounting guidance and  
5 training to the Uprate team, assisting with internal and external audit-related  
6 matters, reviewing project projections, and producing monthly variance  
7 reports.

8 **Q. Describe the NBO Group accounting controls in effect in 2009 which**  
9 **ensured costs were appropriately incurred and tracked for the Uprate**  
10 **Project.**

11 A. The NBO Group accounted for the activities necessary to perform the Uprates  
12 at the four nuclear units, Turkey Point Units 3 and 4 and St. Lucie Units 1 and  
13 2. Costs associated with the work performed on components defined as a  
14 property retirement unit were transferred from CWIP to plant in service at the  
15 end of each outage or when they became used and useful (i.e. such as the  
16 modifications to the St. Lucie Unit 2 Turbine Gantry Crane). In order to  
17 facilitate this process, a separate budget activity was set up for each unit and  
18 capital work orders were set up within each budget activity to capture costs  
19 related to each Uprate outage. Additional work orders were set up, as  
20 necessary, to capture costs associated with plant placed into service at a  
21 different time than the outages (e.g. turbine gantry cranes, generator step-up  
22 transformers, etc). Transmission related work for the Uprate project is also



1           accounted for by work order based on the scope of work and the date the plant  
2           will be placed into service when the respective work is used and useful.

3   **Q.   Describe the NBO Group accounting controls in effect in 2009 which**  
4           **ensured costs were appropriately charged to the Uprate Project.**

5   A.   In 2009, invoices were routed to the St. Lucie or Turkey Point site project  
6           controls analyst, as appropriate.   The analyst checked the invoices for  
7           accuracy and for agreement to the Purchase Order (PO) terms and conditions.  
8           Once the invoice had been appropriately verified, the analyst recorded invoice  
9           information on an Invoice Tracking Log.   The Invoice Approval/Route List  
10          was then routed for verification of receipt of goods/services and all required  
11          approvals.   In 2009, any invoice greater than \$1 million required the approval  
12          of the EPU Project Implementation Owner – South.   Any invoice greater than  
13          \$5 million required the approval of the Vice President, Nuclear Power  
14          Uprates, before payment could be made.   Once all necessary approvals had  
15          been obtained, the project controls analyst processed the invoice for payment  
16          in the Procurement Control and Inventory Management System (PASSPORT)  
17          against the respective purchase order.   Extended Power Uprate Project  
18          Instruction Number EPPI-230, *Project Invoice*, details the flow of the invoice  
19          through the approval, receipt and payment process at the sites and establishes  
20          responsibilities at each stage of the process.

21   **Q.   Describe the review performed by the EPU Project Controls Team and**  
22           **the NBO Group related to the Uprate Project.**

1 A. Throughout the month, general ledger detail transactions are monitored by the  
2 EPU Project Controls Team and NBO to ensure that costs charged to the  
3 Uprates are appropriate and are accurately classified as capital or O&M. Site  
4 cost engineers perform reviews to ensure invoices are accurately coded to the  
5 appropriate activity/scope work order. NBO reviews internal labor costs to  
6 ensure that only appropriate payroll is charged to the Uprates. In addition, all  
7 steps in this process are subject to internal and external audits and reviews.

8

9 The Project engineers and NBO together work closely to make sure the costs  
10 are appropriate and are accurately classified as capital or O&M. Construction  
11 Leads perform reviews to ensure invoices are accurately coded to the  
12 appropriate activity/scope work order.

13 **Q. Describe the reporting performed by the EPU Project Controls Team and**  
14 **the NBO Group related to the Uprate Project.**

15 A. The Uprate Project Controls Director, along with the Controls group at each  
16 site, record schedule changes, project delays, and project costs. The Uprate  
17 Project Controls Director, along with the Controls group, support risk  
18 management and contract administration.

19

20 The NBO Group drafts monthly variance reports that compare actual  
21 expenditures incurred to the originally estimated budget and reports year end  
22 forecast estimates. The draft reports are sent to the St. Lucie and Turkey Point  
23 Uprate Project Controls Teams responsible for providing variance

1 explanations and forecast updates to NBO. The reports are reviewed by the  
2 Uprate Project control supervisors and management prior to the submission to  
3 NBO. NBO reviews the variance explanations and forecast numbers for  
4 reasonableness and accuracy prior to compilation and inclusion in the Nuclear  
5 Business Unit corporate variance report. NBO is also responsible for  
6 reviewing numbers reported to the FPL Executive Steering Committee to  
7 ensure consistency with corporate variance reports and for providing the  
8 Accounting Department with project numbers for inclusion in the NFR  
9 schedules.

#### 10 **Transmission Business Unit Accounting Controls**

11

12 **Q. Describe the role of the Transmission Business Unit related to the Uprate**  
13 **Project.**

14 A. The Transmission Business Unit is incurring expenditures related to the  
15 Uprate Project in order to perform substation and transmission line  
16 engineering, procurement, and construction on specific work orders assigned  
17 to projects, which resulted from transmission interconnection and integration  
18 studies performed by FPL Transmission Planning. These studies were based  
19 on incorporating the additional amount of megawatts to be generated by the  
20 uprated nuclear units at St. Lucie 1 & 2 and Turkey Point 3 & 4 into the FPL  
21 transmission system. The Transmission Business Unit cost and performance  
22 team ensures costs are appropriately incurred and charged to the Uprate  
23 Projects. The Transmission Business Unit reviews payroll to ensure only

1 appropriate payroll is charged to the Uprate Project, determining appropriate  
2 accounting for costs, raising potential issues to the Property Accounting  
3 Group when necessary, providing accounting guidance and training to the  
4 Uprate Project team, assisting with internal and external audit-related matters,  
5 reviewing project projections, and producing monthly variance reports.

6 **Q. Describe the Transmission Business Unit accounting controls which**  
7 **ensure costs are appropriately incurred and tracked for the Uprate**  
8 **Project.**

9 A. The Transmission Business Unit identifies the transmission activities  
10 necessary to support the increased electrical output of the Uprates at the four  
11 nuclear units, St. Lucie Units 1 & 2 and Turkey Point Units 3 & 4. Costs  
12 associated with the work performed for each outage are transferred from  
13 CWIP to plant in service by Property Accounting as necessary. In order to  
14 facilitate this process and identify activities, two separate budget activities  
15 were set up with appropriate sub activities and multiple work orders.  
16 Purchase Orders are handled by Integrated Supply Chain (ISC) via the e-Pro  
17 Process (e-Pro). In e-Pro, a PO request is routed from the originator to all  
18 approvers required based on the dollar amount of the PO. The PO  
19 Requisitioning group determines the required approvals based on the business  
20 unit's PO approval limits, and routes the request as required. Once all  
21 required approvals are secured, the PO will be created based on the  
22 information in the e-Pro request.

1 **Q. Describe the Transmission Business Unit accounting controls which**  
2 **ensure costs are appropriately charged to the Uprate Project.**

3 A. Invoices are routed to the Transmission Project Control Administrator  
4 (Administrator). The Administrator checks the invoices for accuracy and for  
5 agreement to the PO terms and conditions. Once the invoice has been  
6 appropriately verified, the Administrator records invoice information on the  
7 Cost Control Tracking sheet and routes the invoice for all required approvals.  
8 Invoices found to contain any inaccuracies are returned to the requestor for  
9 revisions. Any invoice greater than \$1 million requires the approval of the  
10 Business Unit Vice President. Any invoice greater than \$5 million requires  
11 the approval of FPL President & Chief Executive Officer before payment is  
12 made. Once all necessary approvals have been obtained, the Administrator  
13 processes the invoice for payment in SAP against the respective purchase  
14 order.

15 **Q. Describe the review performed by the Transmission Business Unit related**  
16 **to the Uprate Project.**

17 A. The Cost & Performance Analyst updates the Turkey Point and St Lucie  
18 Uprate Cost reports on a monthly basis for actual costs incurred. The Turkey  
19 Point and St Lucie Uprate Cost reports are then reviewed by the assigned  
20 Project Managers and Administrators who work closely together to ensure that  
21 all costs are appropriately charged to the Uprate Project and are accurately  
22 classified as either Capital or O&M. Construction Leaders also perform  
23 reviews to ensure all invoices are accurately assigned and coded to the

1 appropriate Work Order for the Uprate Project as well. Any discrepancies  
2 identified as a result of these reviews are resolved at this time. The assigned  
3 Project Manager then updates the individual Work Order forecasts, if  
4 warranted. In addition to the above review processes, all FPL contracts are  
5 also subject to both Internal and External audits.

6 **Q. Describe the reporting performed by the Transmission Business Unit**  
7 **related to the Uprate Project.**

8 A. The Transmission Cost & Performance group drafts monthly variance reports  
9 that compare actual expenditures incurred to the originally estimated budget  
10 and reports year end forecast estimates. These are reviewed by the assigned  
11 Project Manager for reasonableness and accuracy and the final is then  
12 submitted to the Corporate Budget Group.

13

14 **ADDITIONAL ACCOUNTING OVERSIGHT**

15

16 **Q. Are there any additional controls implemented and relied upon for this**  
17 **Project and the related reporting?**

18 A. Yes. The Company has issued specific guidelines for charging costs to the  
19 project work orders. These guidelines emphasize the need for particular care  
20 in charging only incremental labor to the project work orders included for  
21 nuclear cost recovery and ensure consistent application of the Company's  
22 capitalization policy. In 2009 these guidelines described the process for the  
23 exclusion of non-incremental labor from current NCRC recovery while

1 providing full capitalization of all appropriate labor costs through the  
2 implementation of separate project capital work orders that will be included in  
3 future non-NCRC base rate recoveries. Exhibit WP-4 provides a flowchart  
4 depicting this process for 2009.

5 **Q. What is the purpose of the continuous internal audits conducted by FPL**  
6 **on the Uprate Project?**

7 A. The Company continues to undergo specific project related internal audits.  
8 The objective of these audits is to test the propriety of expenses charged to the  
9 NCRC and to test the process of recording and capturing costs related to the  
10 Uprate Project in the pre-established work orders to ensure compliance with  
11 the Commission's Rule. FPL will continue to ensure these projects are  
12 audited on an ongoing basis. The 2009 costs and controls related to the Uprate  
13 Project have been audited. These audits continue to provide assurance that the  
14 internal controls surrounding transactions and processes are well established,  
15 maintained and communicated to employees, and provide additional assurance  
16 that the financial and operating information generated within the Company is  
17 accurate and reliable.

18 **Q. Please comment on the overall level of control and oversight of the NCRC**  
19 **process.**

20 A. The ongoing cycles of cost collection, aggregation, analysis and review which  
21 lead to the NFR filings provide for a level of detailed review that is  
22 unprecedented. For example, in the preparation of the NFR schedules,  
23 transactional expenditures are projected by activity and an immediate review

1 of projection to actual, in many cases at the transactional level, is conducted.  
2 The manual nature of the data collection and aggregation process, along with  
3 the manual calculation of carrying charges and construction period interest,  
4 provides an increased level of detailed review. The requirements of the Rule  
5 have, by design, significantly increased the review and transparency of the  
6 costs themselves.

7 **Q. How are carrying charges provided for under the Nuclear Cost Recovery**  
8 **Rule?**

9 A. Carrying charges are established by Statute based on the pre-tax AFUDC rate  
10 at the time the utility files its Need Determination. For FPL this rate is  
11 11.04% (based on an AFUDC rate of 7.42%) annually.

12 **Q. How has FPL incorporated the Commission-ordered treatment in Docket**  
13 **No. 090009-EI, Order No. PSC-09-0783-FOF-EI that AFUDC charged to**  
14 **this Project should be based on the pre-tax AFUDC rate at the time the**  
15 **Utility filed its Need Determination?**

16 A. In Order No. PSC-09-0783-FOF-EI, the Commission determined that “utilities  
17 shall not be permitted to record in rate base the incremental difference  
18 between carrying costs established in Section 366.93, F.S., and their  
19 respective most currently approved AFUDC rate.” Therefore, FPL has  
20 adjusted the AFUDC recorded on its projects under the NCRC on a retroactive  
21 basis effective November 2009 to reflect the AFUDC rate of 7.42%. Since  
22 December 2009, FPL has applied this 7.42% statutory rate going forward to  
23 all eligible CWIP charges for the Projects being recovered in the NCRC. FPL



1 records and recovers a carrying charge through the CCRC at the fixed rate  
2 specified in the NCRC, and no longer calculates or tracks any resulting  
3 incremental/decremental AFUDC for amounts recovered through the NCRC.

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

5 **A. Yes.**

WP-1

**Florida Power & Light Company**  
**2009 Revenue Requirements**  
(In Jurisdictional \$'s net of participants)

Line No.	(a) March 1, 2010 True-up filing (Docket No. 110009-EI)			(b) May 1, 2009 Actual/Estimated Filing (Docket No. 090009-EI)			(c) March 1, 2011 True-up filing (Docket No. 110009-EI)			
	(A) 2009 P's	(B) 2009 T's	(C)	(D) 2009 P's	(E) 2009 AE's	(F)	(G) 2009 AE's	(H) 2009 T's	(I)	
	2009 Projections Collected in 2009 Docket No. 080009-EI	2009 Actual Costs Dkt 110009-EI	(Over)/ Under Recovery	2009 Projections Collected in 2009 Docket No. 080009-EI	2009 Actual/Estimated Costs Collected in 2010 Docket No. 090009-EI	(Over)/ Under Recovery	2009 Actual/Estimated Costs Collected in 2010 Docket No. 090009-EI	2009 Actual Costs Dkt 110009-EI	(Over)/ Under Recovery	
1										
2	Total TP&7 Revenue Requirements	\$ 117,394,778	\$ 38,829,900	\$ (78,564,878)	\$ 117,394,778	\$ 49,478,177	\$ (67,916,601)	\$ 49,478,177	\$ 38,829,900	\$ (10,648,277)
3										
4	<b>Uprates</b>									
5	Carrying Costs	\$ 16,564,497	\$ 18,343,745	\$ 1,779,248	\$ 16,564,497	\$ 20,304,909	\$ 3,740,412	\$ 20,304,909	\$ 18,343,745	\$ (1,961,164)
6	(d) 2008 Carrying Costs on DTL	-	(315,325)	(315,325)	-	-	-	-	(315,325)	\$ (315,325)
7	Carrying Costs on DTA	(11,478)	(1,568,537)	(1,557,059)	(11,478)	(7,519)	3,959	(7,519)	(1,568,537)	(1,561,018)
8	Total Carrying Costs	\$ 16,553,019	\$ 16,459,883	\$ (93,136)	\$ 16,553,019	\$ 20,297,390	\$ 3,744,371	\$ 20,297,390	\$ 16,459,883	\$ (3,837,507)
9	Recoverable O&M	0	480,934	480,934	0	544,467	544,467	544,467	480,934	\$ (63,533)
10	(e) Base Rate Rev Req.	0	12,802	12,802	0	83,460	83,460	83,460	12,802	(70,658)
11	Total Uprates	\$ 16,553,019	\$ 16,953,619	\$ 400,600	\$ 16,553,019	\$ 20,925,317	\$ 4,372,298	\$ 20,925,317	\$ 16,953,619	\$ (3,971,698)
12										
13	Total TP&7 and Uprates	\$ 133,947,797	\$ 55,783,519	\$ (78,164,278)	\$ 133,947,797	\$ 70,403,494	\$ (63,544,303)	\$ 70,403,494	\$ 55,783,519	\$ (14,619,975)
14	Totals may not add due to rounding									

**Notes:**

(a) The March 1, 2010 True-up filing compares 2009 Actual costs to the 2009 Projections (Order No. PSC-08-0749-FOF-EI) in order to calculate carrying charges.

(b) The May 1, 2009 Actual/Estimated Filing (Order No. PSC-09-0783-FOF-EI) compares the 2009 Actual/Estimated Costs to the 2009 Projections.

(c) The March 1, 2010 True-up filing ultimately compares the 2009 Actual Costs to the 2009 Actual/Estimated Costs resulting in a final true-up amount of (\$14,619,975) which will reduce the CCRC charge paid by customers when the CCRC is re-set in 2011.

(d) The deferred income tax liability created by income tax deductions relate to expenditures incurred in 2006 - 2008. These income tax deductions relate to qualifying Research and Development expenditures (Internal Revenue Code 174), Nuclear Licensing Internal Payroll costs (Internal Revenue Services Code Regulations Section 1.263(a)(4)), and Investigatory costs (Internal Revenue Code 162). Refer to TOJ-1 and SDS-1

(e) FPL is recovering \$83,460 of base rate revenue requirements in 2010 for the modifications related to its St. Lucie Unit 2 Turbine Gantry Crane as approved in Order No. PSC-09-0783-FOF-EI. The St. Lucie 2 Turbine Gantry Crane actually entered into commercial service on December 22, 2009, resulting in a reduced base rate revenue requirement of \$12,802. The difference of (\$70,658) will reduce the CCRC charge paid by customers when the CCRC is re-set in 2011.

WP-2

Florida Power & Light Company  
Uprate  
2009 Costs for Prudence Determination

Line No.		2009
1	<b>Uprates</b>	
2	<b>Generation:</b>	
3	License Application	\$ 66,925,376
4	Engineering & Design	12,568,941
5	Permitting	512,725
6	Project Management	15,544,538
7	Clearing, Grading and Excavation	-
8	On-Site Construction Facilities	-
9	Power Block Engineering, Procurement, etc.	141,222,239
10	Non-Power Block Engineering, Procurement, etc.	535,251
11	<u>Total Generation costs</u>	<u>\$ 237,309,070</u>
12	<b>Participants Credits Port St. Lucie (PSL) Unit 2</b>	
13	OUC (b)	\$ (3,758,778)
14	FMPA (b)	(5,435,545)
15	<u>Total Participants Credits PSL Unit 2</u>	<u>\$ (9,194,323)</u>
16	<u>Total FPL Generation Costs</u>	<u>\$ 228,114,747</u>
17	Jurisdictional Factor (a)	0.99648888
18	<u>Total FPL Jurisdictional Generation Costs</u>	<u>\$ 227,313,809</u>
19		
20	<b>Transmission:</b>	
21	Line Engineering	13,004
22	Substation Engineering	120,482
23	Line Construction	228,155
24	Substation Construction	6,919
25	<u>Total Transmission Costs</u>	<u>368,559</u>
26	Jurisdictional Factor (a)	0.99412116
27	<u>Total Jurisdictional Transmission Costs</u>	<u>\$ 366,392</u>
28	<u>Total FPL Jurisdictional Generation &amp; Transmission Costs (Net of Participants)</u>	<u>\$ 227,680,202</u>
29		
30	<b>Total Company Uprate Generation and Transmission Costs</b>	<b>237,677,629</b>
31		
32	<b>Recoverable O&amp;M</b>	<b>\$ 498,077</b>
33	Less Total Participants Credits PSL Unit 2	(15,448)
34	<u>Total FPL O&amp;M Costs</u>	<u>\$ 482,628</u>
35	Jurisdictional Factor (a)	0.99648888
36	<u>Total Jurisdictional O&amp;M Costs</u>	<u>\$ 480,934</u>
37		
38	<b>Base Rate Revenue Requirement (c)</b>	<b>\$ 12,802</b>
39		
40	<b>Total Uprate Costs (Jurisdictionalized &amp; Net of Participants)</b>	<b>\$ 228,173,937</b>
41		
42		
43		
44		
45		
46	<b>Notes:</b>	
47	(a) Jurisdictional separation factor as reflected in the 2009 FPSC Earnings Surveillance Report.	
48	(b) Participant ownership rates of 6.08951% for Orlando Utilities Commission (OUC) & 8.806% for Florida Municipal	
49	Power Agency (FMPA).	
50		
51	(c) Base Rate Revenue Requirement is Jurisdictional and Net of Participants. See WP - 3 for calculation.	

WP-3

Florida Power & Light Company  
 St. Lucie & Turkey Point Uprate Project  
 2009 Base Rate Revenue Requirements  
 St. Lucie Unit 2 Turbine Gantry Crane Additions

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Line No.	Work Order	Plant Account	Detail	System Total Plant (Net of Participants)	Detail	Rate (Annual)
1	6991-070-0910	323	Turbogenerator units	\$ 2,856,822	Depreciation Rate	1.90%
2	8013-070-0010 (Participant)			(423,379)	Property Tax Rate	1.91%
3			Total Company Net of Participants	\$ 2,433,443	Rate of Return (Pre-Tax Cost of Capital)	10.79%
4			Jurisdictional Separation Factor	0.99648888		
5	<u>In-Service Date (1)</u>		Total Company Jurisdictional Net of Participants	\$ 2,424,899		
6	15-Dec-09					
7						
8						
9	Note:					

- (1) Modifications to St. Lucie Unit 2 Turbine Gantry Crane were placed into service in 12/22/2009. In accordance with FPL's procedures for placing plant of this size into service, a half month convention is used for placing the modifications into service.
- (2) Jurisdictional Separation Factor is FPL's nuclear capital separation factor for 2009 reflected in the 2009 FPSC Earnings Surveillance Report.
- (3) Depreciation Rate is FPL's current approved depreciation rate for plant account 323 as reflected in Order No. PSC-05-0902-S-EI, issued September 14, 2005, in Docket Nos. 050045-EI (Rate Order) and 050188-EI (FPL's Depreciation Study Filing).
- (4) The company's overall Rate of Return of 10.79% reflects Return on equity of 11.75% as reported in September 2009 surveillance report which is FPL's most recent surveillance report as of the filing for FPL's Petition for Base Rate Increase Request on December 4, 2009 in Dkt. 090529-EI.
- (5) The Property Tax Rate of 1.91% is 2010 trended rate for St. Lucie County which is the Property Tax Rate from 2009 at 1.87% with a 2.5% escalator for 2010.
- (6) See Exhibit TOJ-1, Appendix A

Florida Power & Light Company  
 St. Lucie & Turkey Point Uprate Project  
 2009 Base Rate Revenue Requirements  
 St. Lucie Unit 2 Turbine Gantry Crane Additions

Line No.	Detail	2009 December	2010 January	2010 February	2010 March	2010 April	2010 May	2010 June	2010 July	2010 August	2010 September	2010 October	2010 November
1													
2	Additions (net of participants)	\$ 1,216,721	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443
3	Total Plant in Service	\$ 1,216,721	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443	2,433,443
4	Jurisdictional Separation Factor	0.99648888	0.99648888	0.99648888	0.99648888	0.99648888	0.99648888	0.99648888	0.99648888	0.99648888	0.99648888	0.99648888	0.99648888
5	Jurisdictional Plant	\$ 1,212,449	2,424,899	2,424,899	2,424,899	2,424,899	2,424,899	2,424,899	2,424,899	2,424,899	2,424,899	2,424,899	2,424,899
6	Depr Rate (monthly)	0.001583333	0.001583333	0.001583333	0.001583333	0.001583333	0.001583333	0.001583333	0.001583333	0.001583333	0.001583333	0.001583333	0.001583333
7	Depreciation	\$ 1,920	3,839	3,839	3,839	3,839	3,839	3,839	3,839	3,839	3,839	3,839	3,839
8	Accumulated Depreciation	\$ 1,920	5,759	9,599	13,438	17,277	21,117	24,956	28,796	32,635	36,475	40,314	44,153
9	Net Plant in Service	\$ 1,210,530	2,419,140	2,415,300	2,411,461	2,407,621	2,403,782	2,399,942	2,396,103	2,392,264	2,388,424	2,384,585	2,380,745
10	Average Plant In Service	\$ 1,210,530	1,814,835	2,417,220	2,413,380	2,409,541	2,405,702	2,401,862	2,398,023	2,394,183	2,390,344	2,386,505	2,382,665
11	Rate of Return (Pre-Tax Cost of Capital)	0.0090	0.0090	0.0090	0.0090	0.0090	0.0090	0.0090	0.0090	0.0090	0.0090	0.0090	0.0090
12	Return	\$ 10,882	16,314	21,729	21,695	21,660	21,626	21,591	21,557	21,522	21,488	21,453	21,419
13	Property Tax Base		2,419,140	2,415,300	2,411,461	2,407,621	2,403,782	2,399,942	2,396,103	2,392,264	2,388,424	2,384,585	2,380,745
14	Property Tax Rate		0.0015944	0.0015944	0.0015944	0.0015944	0.0015944	0.0015944	0.0015944	0.0015944	0.0015944	0.0015944	0.0015944
15	Property Tax		3,857	3,851	3,845	3,839	3,833	3,826	3,820	3,814	3,808	3,802	3,796
16													
17	Monthly Revenue Requirements	\$ 12,802	24,011	29,420	29,379	29,338	29,296	29,257	29,217	29,176	29,135	29,095	29,054
18													
19	Base Rate Rev Requirements - NCRC	\$ 12,802											

Note:

- (1) Modifications to St. Lucie Unit 2 Turbine Gantry Crane were placed into service in 12/22/2009. In accordance with FPL's procedures for placing plant of this size into service, a half month convention is used for placing the modifications into service.
- (2) Jurisdictional Separation Factor is FPL's nuclear capital separation factor for 2009 reflected in the 2009 FPSC Earnings Surveillance Report.
- (3) Depreciation Rate is FPL's current approved depreciation rate for plant account 323 as reflected in Order No. PSC-05-0902-S-EI, Issued September 14, 2005, in Docket Nos. 050045-EI (Rate Order) and 050188-EI (FPL's Depreciation Study Filing).
- (4) The company's overall Rate of Return of 10.79% reflects Return on equity of 11.75% as reported in September 2009 surveillance report which is FPL's most recent surveillance report as of the filing for FPL's Petition for Base Rate Increase Request on December 4, 2009 in Dkt. 090529-EI.
- (5) The Property Tax Rate for 2009 is 1.87%. The Property Tax Rate for 2010 is based on the 1.87% for 2009 with a 2.5% escalator for 2010 resulting in a 1.91% rate.
- (6) See Exhibit TOJ-1, Appendix A



WP-4

