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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION ^{11 MAR 2011} PM 3:16

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DOCKET NO. 110009-EI
FLORIDA POWER & LIGHT COMPANY

MARCH 1, 2011

EXTENDED POWER UPRATES - 2009

TESTIMONY & EXHIBITS OF:

ART J. STALL

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

DIRECT TESTIMONY OF ART STALL

DOCKET NO. 110009-EI

MARCH 1, 2011

Q. Please state your name and business address.

A. My name is J. A. (Art) Stall. My address is 1803 SW Foxpoint Trail, Palm City, Florida 34990.

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

A. I am currently a consultant for NextEra Energy, Inc. (NextEra). I previously worked for FPL Group, Inc. (now NextEra) as President, FPL Group Nuclear, and in other nuclear operational positions for NextEra's subsidiaries. In that position, I reported directly to the Chairman and Chief Executive Officer, independent of line management of NextEra's nuclear power operations.

Q. Please describe your previous duties and responsibilities as President, FPL Group Nuclear.

A. The Nuclear organization reports directly to the Chief Operating Officer of NextEra. Accordingly, I was responsible for the overall strategic direction for all of NextEra's nuclear assets, consisting of the four nuclear units owned by Florida Power & Light Company (FPL) in Florida (two at Turkey Point Nuclear Plant and two at St. Lucie Nuclear Plant), and the four nuclear units owned by FPL's affiliates outside of Florida (one unit at Seabrook Station in

1 Seabrook, New Hampshire; one unit at Duane Arnold Energy Center in Palo,
2 Iowa; and two units at Point Beach Nuclear Plant in Two Rivers, Wisconsin).

3 **Q. Please describe your educational background and provide an overview of**
4 **your experience in nuclear operations.**

5 A. I earned my Bachelor of Science degree in nuclear engineering from the
6 University of Florida in 1977. I also earned a Master's degree in Business
7 Administration from Virginia Commonwealth University in 1983. I am a
8 career nuclear professional with approximately 30 years of nuclear operating
9 experience. I joined Virginia Power Company in 1977, where I held various
10 positions of increasing responsibility, including superintendent of operations,
11 assistant station manager for safety and licensing, and superintendent of
12 technical services. I also held a senior nuclear reactor operator license from
13 the U.S. Nuclear Regulatory Commission (NRC) while working at Virginia
14 Power Company's nuclear plants. In 1996, I joined FPL as the Site Vice
15 President at the St. Lucie Nuclear Plant. From 2000 to 2001, I was Vice
16 President for Nuclear Engineering at FPL. I was named Senior Vice
17 President, Nuclear Operations, and Chief Nuclear Officer at FPL in June
18 2001, and in 2008 I was named Executive Vice President, Nuclear Operations,
19 and Chief Nuclear Officer. In these positions, I was responsible for the day-
20 to-day operations of all of FPL and NextEra Energy Resources (formerly
21 known as FPL Energy) nuclear plants. In January 2009, I was named
22 President, FPL Group Nuclear, and on May 1, 2010, I retired.

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

1 A. The purpose of my testimony is to address particular considerations that arose
2 in the 2010 Nuclear Cost Recovery proceedings with respect to FPL's
3 Extended Power Uprate (EPU) project and to assist the Commission in its
4 understanding of certain aspects of the EPU project, including the
5 development, use and usefulness of preliminary total project cost estimate
6 information.

7

8

EPU Project Total Cost Estimates

9 **Q. Please describe the state of the total EPU project cost estimate in the**
10 **summer of 2009.**

11 A. Through September of 2009, and indeed through the end of the year and into
12 2010, major factors affecting the EPU total project cost estimate were in a
13 state of flux. FPL had received preliminary cost estimates from its
14 Engineering, Procurement, and Construction (EPC) vendor that were not
15 acceptable to EPU management. After significant challenging, vetting,
16 project scope refinement, and the consideration of alternatives to FPL's EPC
17 vendor, FPL was able to revise its non-binding total project cost estimate.
18 This occurred shortly before it made its filing in this docket on May 3, 2010,
19 which reflected an updated project cost estimate range.

20 **Q. What was the purpose of the July 25, 2009 EPU Executive Steering**
21 **Committee meeting?**

22 A. The July 25, 2009 Executive Steering Committee (ESC) meeting, which I
23 attended, was to discuss the preliminary cost estimate information received

1 from the EPC vendor, the potential to realize a higher megawatt output from
2 each unit than originally anticipated, changes to project scope (both increases
3 and decreases), and what actions would be appropriate over the next several
4 months. At this time, I participated in ESC meetings, providing independent
5 oversight, but had no direct role or responsibility for the EPU projects.

6 **Q. Are you familiar with the Concentric Report, which is the result of an**
7 **investigation performed by Concentric Energy Advisors into an employee**
8 **complaint letter?**

9 A. Yes. I reviewed the Concentric Report and provided a management response
10 letter that is attached to the Concentric Report.

11 **Q. Do you agree with the finding in the Concentric Report that FPL should**
12 **have revised its testimony to reflect a different EPU project cost estimate**
13 **in September 2009?**

14 A. No. I do not believe that the testimony provided to this Commission was
15 inaccurate or that it was necessary or appropriate to update that testimony
16 based on some preliminary cost figures provided to FPL from its EPC vendor.

17 **Q. Please explain why you think it would not have been appropriate to revise**
18 **the EPU testimony on this point.**

19 A. FPL anticipated that as detailed engineering proceeded, there would be
20 changes to project scope. As of September 2009, project scope was indeed
21 growing, which was putting upward pressure on the potential total project
22 cost. However, there were also indications that there were opportunities to
23 eliminate scope and reduce costs that had not yet been acted upon. As

1 explained by Mr. Jones, scope was in fact eliminated in the fall of 2009.

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3 Additionally, FPL received the EPC vendor's estimates for labor costs, which
4 were higher than the estimated costs provided in the bid process, indicating
5 higher total project costs. However, these cost projections had not been fully
6 vetted or challenged by FPL, including executive management, as of the time
7 the testimony was provided. FPL was also considering self-performing some
8 or all of the work and the possibility of hiring a different EPC vendor for
9 some of the work, which had the potential to reduce costs.

10

11 In short, the information in FPL's possession in the late July through
12 September time frame provided indications of both the potential for cost
13 estimate increases *and* the potential for cost estimate decreases. Given these
14 competing considerations, FPL could not reliably update its Nuclear Cost
15 Recovery Clause testimony during the September 2009 hearings before the
16 Commission.

17 **Q. What is your conclusion with respect to the provision of this information**
18 **to the Commission?**

19 A. It is apparent that reasonable minds can differ as to whether the EPU cost
20 estimate information, as it existed in September 2009, was ready for external
21 communication and reporting. However, the fact that there is disagreement on
22 this issue does not demonstrate any inappropriate action or intentional
23 withholding of information by FPL. To the contrary, it demonstrates FPL's

- 1 *desire to provide reliable, fully vetted information to this Commission.*
- 2 **Q. Do Concentric and FPL agree on the ultimate effect, if any, this had on**
3 **FPL's customers?**
- 4 A. Yes. It cannot be said enough that both Concentric and FPL agree that the
5 decision to proceed with the EPU project remained in the best interests of
6 customers, and no imprudent costs were expended. In fact, the costs approved
7 last year for recovery this year were unaffected by the uncertain state of the
8 total project cost estimate.
- 9 **Q. Does this conclude your testimony?**
- 10 A. Yes.