

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**DOCKET NO. 110009-EI
FLORIDA POWER & LIGHT COMPANY**

**IN RE: NUCLEAR POWER PLANT COST RECOVERY AMOUNT
TO BE RECOVERED DURING THE PERIOD
JANUARY - DECEMBER 2012**

REBUTTAL TESTIMONY OF:

J. ART STALL

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2 **FLORIDA POWER & LIGHT COMPANY**

3 **REBUTTAL TESTIMONY OF ART STALL**

4 **DOCKET NO. 110009-EI**

5 **JULY 25, 2011**

6

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

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

10 **Q. Have you previously testified in this docket?**

11 A. Yes. I filed direct testimony in this docket on March 1, 2011.

12 **Q. What is the purpose of your rebuttal testimony?**

13 A. The purpose of my rebuttal testimony is to address certain allegations by
14 Office of Public Counsel Witness William R. Jacobs regarding Florida Power
15 & Light Company's Extended Power Uprate (EPU) project.

16

17 **EXPEDITED APPROACH TO THE EPU PROJECT**

18

19 **Q. Can you describe FPL's approach toward executing the EPU project?**

20 A. Yes. Pursuant to the Commission's need determination in Docket No.
21 070602-EI, FPL is pursuing the EPU project on an expedited basis. This
22 means that in order to enter the EPU into service in an expedited manner, the

1 project was initiated in parallel with design, engineering, procurement and
2 construction efforts.

3 **Q. Are there benefits to customers by pursuing the EPU project in an**
4 **expedited manner?**

5 A. Yes. As I explained in my deposition in this docket on June 1, 2011, in this
6 case, the benefits to customers of putting in service additional low cost, zero
7 emissions, baseload capacity of over 450 MWe in a five-year time frame, and
8 the cost savings to customers in completing the project in five years warranted
9 an expedited approach.

10 **Q. How long would the EPU project have taken if FPL had pursued project**
11 **execution only after engineering, procurement, and construction plans**
12 **had been completed?**

13 A. The project would have taken six additional years to complete. The economic
14 impacts of such delay are discussed in the rebuttal testimony of FPL Witness
15 Dr. Sim.

16 **Q. Can you comment on Witness Jacobs's assertion that FPL's expedited**
17 **approach toward the EPU project is imprudent?**

18 A. Witness Jacobs's testimony is nothing more than "Monday morning
19 quarterbacking" previous decisions made by FPL and by the Florida Public
20 Service Commission and should be disregarded. FPL was very clear with the
21 Commission in its 2007 filing seeking approval of the EPU Project as to the
22 approach to the project and the schedule to complete the project in the 2012
23 timeframe, and that FPL would not have pursued the project in such an

1 expedited manner absent the cost recovery mechanism in the Florida Statutes
2 and in the Commission's rules. In the Company's Petition filed in Docket No.
3 070602-EI on September 17, 2007, the Company stated (at page 5) that
4 "[a]bsent the increased regulatory certainty and cost recovery provisions that
5 have been provided by the Florida Legislature and Commission, FPL would
6 not be encouraged to undertake such capital-intensive nuclear uprates on such
7 an expedited basis." FPL's position was also clearly stated in the testimony of
8 its' witnesses supporting the petition. FPL Witness Stephen T. Hale stated in
9 his testimony (page 4) that FPL was required to "commence equipment orders
10 now in order to complete the necessary work on schedule. Thus, there is a
11 limited window of opportunity to obtain the full benefits of the PTN and PSL
12 Uprates."

13
14 FPL Witness Kim Ousdahl stated in her testimony (page 3):

15 The Commission's confirmation of the application of the [nuclear cost
16 recovery] Statute and the [nuclear cost recovery] Rule plays an
17 essential role in FPL's decision to pursue the development of more
18 than 400 MW of cost-effective, non-greenhouse gas emitting nuclear
19 generation in a time frame where it may not otherwise occur. The
20 Commission's timely ongoing review and determination of the
21 prudence of FPL's nuclear uprate expenditures, as well as the interim
22 cost recovery and base rate adjustment provisions contained in the
23 Statute and the Rule, provide an appropriate regulatory framework

1 within which FPL is encouraged to undertake this significant and
2 beneficial investment at the earliest feasible point in time. Absent the
3 enhanced regulatory certainty and more predictable cost recovery
4 provided for nuclear plant investment by the Florida Legislature and
5 the Commission, FPL would not be encouraged to undertake this
6 capital-intensive nuclear investment on an expedited basis.

7
8 Witness Jacobs's testimony is an attack on the Commission's need
9 determination, which considered and approved FPL's proposed project plan
10 and expedited project schedule, more than three years after that decision was
11 issued. This attack should be rejected.

12 **Q. Can you comment on Witness Jacobs's testimony regarding the "lessons**
13 **learned" discussed in FPL's internal documents?**

14 A. Yes. Witness Jacobs criticizes FPL for its findings regarding lessons learned
15 from its pursuit of the EPU project as candidly presented to FPL's senior
16 management. FPL is a learning and self-improving organization and
17 consistently seeks to improve its performance. Nowhere is there a culture
18 more dedicated to self-improvement than in the nuclear power industry. The
19 mere fact that FPL is self-critical and identifies areas for improvement in its
20 business practices does not mean that FPL was imprudent.

21 **Q. Can you address Witness Jacobs's assertion that the EPU project did not**
22 **start out as an expedited project?**

1 A. Yes. His incorrect assertion is based on a misreading of a single passage from
2 Raj Kundalkar's deposition. I was FPL's Chief Nuclear Officer at the time
3 that FPL filed its petition with the Commission for a determination of need for
4 the EPU project. As I explained in my deposition in this docket on June 1,
5 2011, FPL had previous preliminary engineering information regarding the
6 feasibility of uprating the St. Lucie and Turkey Point nuclear units suggesting
7 that the project may be feasible and cost-effective to perform but had no plans
8 to execute that project until the Commission denied FPL's petition for a
9 determination of need for the Glades coal project in 2007. At that point I was
10 directed by senior company management to pursue the EPU project as quickly
11 as reasonably possible. There was never any plan to pursue the EPU project
12 in a sequential manner.

13 **Q. Has FPL successfully executed other expedited projects in its nuclear**
14 **operations?**

15 A. Yes. During my tenure with FPL, FPL has implemented projects on an
16 expedited basis for a variety of reasons. Sometimes projects are executed on
17 an expedited basis because of new or changing regulatory requirements.
18 Examples of such projects are a number of security upgrades ordered by the
19 NRC after the terrorist attacks of September 11, 2001. Also, the Company
20 successfully executed replacement of the reactor vessel heads at all four
21 Florida nuclear units; replacement of the steam generators at St. Lucie Unit 1
22 in 1997 and St. Lucie Unit 2 in 2007, and replacement of the St. Lucie Unit 1
23 pressurizer in 2005. All of these large capital projects were executed on an

1 expedited basis, meaning that project management steps of design,
2 engineering, procurement and construction were performed in parallel, and
3 were successfully completed. FPL and its customers enjoyed a substantial
4 cost savings because FPL placed orders for the replacement components for
5 these projects on an expedited basis prior to substantial cost increases for
6 materials and prior to the extension of delivery times resulting from increased
7 demand for these materials.

8 **SEPTEMBER 2009 NCRC HEARING TESTIMONY**

9
10 **Q. Do you agree with Witness Jacobs testimony that FPL should have**
11 **revised its testimony to reflect a different EPU project cost estimate in**
12 **September 2009?**

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

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

19 A. As documented in my direct testimony, in the direct testimony of FPL
20 Witness Terry Jones, in the direct testimony of Armando Olivera, and as
21 explained by Raj Kundalkar in his deposition, major factors affecting the EPU
22 total project cost estimate were in a state of flux in 2009. FPL had received
23 preliminary cost estimates from its Engineering, Procurement, and

1 Construction (EPC) vendor that were not acceptable to EPU management.
2 Senior FPL management directed the EPU project to conduct significant
3 challenging, vetting, project scope refinement, and the consideration of
4 alternatives to FPL's EPC vendor. Witness Jacobs's assertion, based on a
5 very selective reading of certain documents and testimony, that these efforts
6 had been completed by the time of the September 2009 hearing is wrong. As I
7 explained in detail in my deposition in this docket on June 1, 2011, in
8 February 2009 the Company had significant concerns regarding Bechtel's
9 EPU cost estimates. FPL directed its project controls group to exert pressure
10 on Bechtel to reduce its estimates. Over the succeeding months, FPL had
11 made no progress with Bechtel, and as a result Bechtel executives were
12 directed to attend a meeting at FPL's headquarters in July 2009. Only then
13 did Bechtel reduce its estimates, which gave FPL management the impression
14 that more progress could be made with Bechtel. Further, two former Bechtel
15 employees who worked for FPL advised, based on their prior work
16 experience, that continued pressure on Bechtel could bear fruit in lower
17 project costs. Additionally, the September 2009 Executive Steering
18 Committee presentation demonstrates that there was only ten percent certainty
19 around implementation costs. Witness Jacobs completely ignores these facts
20 in his speculative testimony.

21 **Q. Is Witness Jacobs correct that disclosure of the information to the**
22 **Commission would have no effect on negotiations with Bechtel and FPL's**
23 **attempts to control costs?**

1 A. No. If Bechtel's estimates were disclosed at the September 2009 hearings, it
2 would have impeded FPL's negotiations. Reporting Bechtel's estimates
3 would have been seen as tacit approval of them or, at a minimum, an
4 indication that FPL considered the estimates to have some validity. Those
5 estimates would have likely become a self-fulfilling prophecy, which would
6 not have been in the best interests of FPL's customers.

7 **Q. Witness Jacobs claims on page 35 of his testimony that efforts to reduce**
8 **scope and "push back" against the EPC vendor were already reflected in**
9 **the July 25, 2009 forecast that was presented to the ESC. Is he correct?**

10 A. No. The July 25, 2009 numbers only reflected Bechtel's initial response to
11 FPL's efforts to "push back" on its estimates. As I explained in my response
12 to the Concentric Report, Bechtel's initial response was unacceptable to FPL
13 senior management, and provided a strong indication that further cost
14 reductions were possible. The July 25, 2009 estimates therefore only reflected
15 the very beginning of the effort that was undertaken over the next several
16 months to challenge the future cost projections.

17 **Q. Witness Jacobs's testimony implies that FPL has been less than**
18 **forthcoming with the Commission. Please respond.**

19 A. I take serious issue with any implication that FPL has been less than
20 forthcoming. In my experience, I have never worked on a nuclear project that
21 affords such transparency into the decision making, costs, risks, and progress
22 of a project. In addition to the annual testimony and exhibits that are required
23 on a year-round basis, FPL fully responds to discovery from intervenors,

1 including OPC, responds to data requests from Staff Auditors, and hosts visits
2 and meetings with Audit Staff and other interested parties.

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

4 A. Yes.