



Jessica A. Cano  
Principal Attorney  
Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, FL 33408-0420  
(561) 304-5226  
(561) 691-7135 (Facsimile)

August 6, 2012

**VIA HAND DELIVERY**

Ms. Ann Cole  
Division of the Commission Clerk and  
Administrative Services  
Florida Public Service Commission  
Betty Easley Conference Center  
2540 Shumard Oak Boulevard, Room 110  
Tallahassee, FL 32399-0850

RECEIVED-FPSC  
12 AUG -6 PM 4:14  
COMMISSION  
CLERK

Re: Docket No. 120009-EI

Dear Ms. Cole:

Enclosed please find an original and seven (7) copies of Florida Power & Light Company's (FPL) Prehearing Statement. Also enclosed is a CD containing an electronic file of FPL's Prehearing Statement.

Please contact me should you or your Staff have any questions regarding this filing.

Sincerely,

*Jessica A. Cano*  
for Jessica A. Cano

cc: Counsel for Parties of Record

COM \_\_\_\_\_  
AFD 2 + CD  
APA \_\_\_\_\_  
ECO \_\_\_\_\_  
ENG \_\_\_\_\_  
GCL \_\_\_\_\_  
IDM \_\_\_\_\_  
TEL \_\_\_\_\_  
CLK \_\_\_\_\_

DOCUMENT NUMBER-DATE  
05355 AUG -6 12  
FPSC-COMMISSION CLERK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Nuclear Power Plant    )  
Cost Recovery Clause        )

Docket No. 120009-EI  
Filed: August 6, 2012

**FLORIDA POWER & LIGHT COMPANY'S PREHEARING STATEMENT**

Florida Power & Light Company ("FPL" or the "Company"), pursuant to Section 366.93, Florida Statutes, and Rule 25-6.0423, Florida Administrative Code, hereby files with the Florida Public Service Commission ("FPSC" or "Commission") its Prehearing Statement in connection with its Petition For Approval of Nuclear Power Plant Cost Recovery True-Up for the Period Ending December 2011, filed March 1, 2012, and its Petition For Approval of Nuclear Power Plant Cost Recovery Amount for the Period January-December 2013, filed April 27, 2012, and states:

**I. FPL WITNESSES**

**A. Direct Testimony**

<b>Witness</b>	<b>Subject Matter</b>	<b>Issues</b>
Steven D. Scroggs FPL	Describes the deliberate, step-wise process FPL is employing in the development of the Turkey Point 6 & 7 project ("Turkey Point 6 & 7"); provides a description of key project management decisions and internal project budget, schedule, and cost controls; supports the prudence of actual costs incurred for the project during 2011, and the reasonableness of FPL's actual/estimated costs in 2012 and projected costs for 2013.	20-27
Nils Diaz The ND2 Group	Explains why it is reasonable for FPL to continue to pursue a combined operating license ("COL") for the Turkey Point 6 & 7 project. Concludes that FPL's pursuit of the COL continues to be reasonable.	20, 26-27

DOCUMENT NUMBER-DATE

05355 AUG-6 2012

FPSC-COMMISSION CLERK

Winnie Powers FPL	Explains FPL's compliance with Rule 25-6.0423, F.A.C.; discusses the accounting controls FPL relies upon to help ensure only correct costs are appropriately charged to the projects; computes and presents FPL's total request for recovery during the January-December 2013 period.	24-27, 29, 30-33
Terry O. Jones FPL	Explains the activities necessary for the EPU project; provides a description of key project management decisions and internal project budget, schedule, and cost controls; supports the prudence of actual costs incurred for the project during 2011, and the reasonableness of FPL's actual/estimated costs in 2012 and projected costs for 2013.	28-32
Albert M. Ferrer Burns and Roe Enterprises, Inc.	Conducts an independent review of the execution of the EPU related project activities at the St. Lucie and Turkey Point power plants. Concludes that FPL's management actions during 2011 were prudent and reasonable.	29-30
John J. Reed Concentric Energy Advisors, Inc.	Presents his review of FPL's system of internal controls as it relates to the EPU project in 2011 and the Turkey Point 6 & 7 project in 2011; concludes that FPL's costs were prudently incurred.	24-25, 28-30
Steven R. Sim FPL	Demonstrates the continued long-term economic feasibility of both the Turkey Point 6 & 7 project and the EPU project; describes the analytical approach used in the long-term economic feasibility analysis of each project, which utilizes updated assumptions including forecasted ranges of projected fuel costs and environmental compliance costs; and describes the many customer benefits each project provides.	21, 28, 28A

## B. Rebuttal Testimony

Witness	Subject Matter	Issues
John J. Reed Concentric Energy Advisors, Inc.	Rebuts audit staff's proposed disallowance by demonstrating that it is inconsistent with a reasonable application of the prudence standard by failing to focus on factors within the Company's control; explains that OPC's recommendations to review the uprate work at each site separately and to impose a cost recovery cap on the Turkey Point work would result in a reversal of Commission policy and would result in the disallowance of costs for reasons outside of FPL's control.	28-29

Terry O. Jones FPL	Rebuts OPC's recommendations to review the cost-effectiveness of the uprate work at FPL's two nuclear power plant sites separately and to impose a cost recovery cap on the Turkey Point work and explains why they should be rejected; explains why FPL was prudent in the hiring and oversight of Siemens and why FPL's repair costs were prudently incurred and therefore should be recovered.	28-30
Albert M. Ferrer Burns and Roe Enterprises, Inc.	Rebuts audit staff's proposed disallowance by demonstrating that FPL's actions were prudent and complied with applicable industry standards.	29, 30
Nils Diaz The ND2 Group	Rebuts audit staff's use of a speech he gave in 2004 and a Root Cause Evaluation for purposes of determining prudence and explains why they are not applicable to economic regulation and determinations of prudence for cost recovery purposes.	29, 30
Steven R. Sim FPL	Rebuts OPC's recommendations by explaining that (i) OPC's conclusions regarding the cost-effectiveness of the Turkey Point uprate work rely on the current, low natural gas forecasts to prove to be true over the life of the EPU project; (ii) OPC has overlooked the important hedging quality of additional nuclear generation; and (iii) none of OPC's arguments change the fact that completion of the EPU project is still projected to be cost-effective.	28-29A
Terry Deason Radey Thomas Yon and Clark	Rebuts OPC's recommendations by demonstrating that OPC is repackaging previously rejected recommendations and explaining that OPC's recommendations would run grossly afoul of Florida's policy to promote nuclear generation.	28-29A

### C. Supplemental Testimony

Witness	Subject Matter	Issues
Terry O. Jones FPL	Provides updated information on commercial negotiations related to FPL's St. Lucie Unit 2 repair costs in 2011, the receipt of the St. Lucie Unit 1 License Amendment Request approval and completion of the mid-cycle outage at St. Lucie Unit 1, and three recently completed audits or investigations.	28-32

## II. EXHIBITS

### A. Direct

<b>Exhibits</b>	<b>Witness</b>	<b>Sponsor</b>	<b>Description</b>
SDS-1	Steven D. Scroggs Winnie Powers	FPL	T- Schedules, Turkey Point 6 & 7 Site Selection and Pre-Construction Costs
SDS-2	Steven D. Scroggs	FPL	Turkey Point 6&7 Licenses, Permits and Approvals
SDS-3	Steven D. Scroggs	FPL	Turkey Point 6 & 7 Procedures and Work Instructions
SDS-4	Steven D. Scroggs	FPL	Turkey Point 6 & 7 Reports
SDS-5	Steven D. Scroggs	FPL	Turkey Point 6 & 7 Instructions
SDS-6	Steven D. Scroggs	FPL	2011 True-Up Costs Summary Tables
SDS-7	Steven D. Scroggs	FPL	Changes to Turkey Point 6 & 7 SCA Schedule
SDS-8	Steven D. Scroggs Winnie Powers	FPL	Turkey Point 6 & 7 Site Selection and Pre-Construction NFRs
SDS-9	Steven D. Scroggs	FPL	2012 - 2013 Cost Summary Tables
SDS-10	Steven D. Scroggs	FPL	Turkey Point 6 & 7 Project Benefits at a Glance
NJD-1	Nils J. Diaz	FPL	Summary Resume of Nils J. Diaz, PhD
NJD-2	Nils J. Diaz	FPL	NRC Requirements for Mitigation Strategies for Beyond-Design-Basis External Events at COL Holder Reactor Sites
WP-1	Winnie Powers	FPL	2011 Revenue Requirements
WP-2	Winnie Powers	FPL	2011 Preconstruction Costs
WP-3	Winnie Powers	FPL	2011 Base Rate Revenue Requirements
WP-4	Winnie Powers	FPL	2011 Incremental Labor Guidelines
WP-5	Winnie Powers	FPL	2013 Revenue Requirements
WP-6	Winnie Powers	FPL	2012 & 2013 Base Rate Revenue Requirements

TOJ-1	Terry O. Jones Winnie Powers	FPL	2011 Construction Costs
TOJ-2	Terry O. Jones	FPL	EPU Workforce, Investment, and Cost Recovery Summary
TOJ-3	Terry O. Jones	FPL	EPPI Index
TOJ-4	Terry O. Jones	FPL	EPU Project Reports 2011
TOJ-5	Terry O. Jones	FPL	St. Lucie Unit 2 Main Transformer
TOJ-6	Terry O. Jones	FPL	St. Lucie Unit 2 Turbine Rotor
TOJ-7	Terry O. Jones	FPL	St. Lucie Plant Pictures
TOJ-8	Terry O. Jones	FPL	Turkey Point Plant Pictures
TOJ-9	Terry O. Jones	FPL	2011 EPU Project Work Activities
TOJ-10	Terry O. Jones	FPL	Equipment placed into service in 2011
TOJ-11	Terry O. Jones	FPL	Plant Change Modification (PCM) Status
TOJ-12	Terry O. Jones	FPL	Extended Power Uprate Schedule
TOJ-13	Terry O. Jones	FPL	Summary of 2011 EPU Construction Costs
TOJ-14	Terry O. Jones Winnie Powers	FPL	EPU NFR Schedules
TOJ-15	Terry O. Jones	FPL	EPU Project Benefits at a Glance
TOJ-16	Terry O. Jones	FPL	EPU Workforce Summary
TOJ-17	Terry O. Jones	FPL	Extended Power Uprate Project Schedule as of April 23, 2012
TOJ-18	Terry O. Jones	FPL	Design, Implementation and Constructability Complexity Examples
TOJ-19	Terry O. Jones	FPL	St. Lucie Unit 2 2012 EPU Scope
TOJ-20	Terry O. Jones	FPL	Turkey Point Unit 3 2012 EPU Scope
TOJ-21	Terry O. Jones	FPL	Turkey Point Unit 3 2012 Outage Construction Work
TOJ-22	Terry O. Jones	FPL	2012 EPU Project Work Activities

TOJ-23	Terry O. Jones	FPL	EPU Actual/ Estimated 2012 Summary Cost Tables
TOJ-24	Terry O. Jones	FPL	2013 EPU Project Work Activities
TOJ-25	Terry O. Jones	FPL	EPU Projected 2013 Summary Cost Tables
JJR-1	John J. Reed	FPL	Resume of John J. Reed
JJR-2	John J. Reed	FPL	Current Testimony of John J. Reed
JJR-3	John J. Reed	FPL	Total Production Cost of Electricity, 1995-2010
JJR-4	John J. Reed	FPL	Index of the EPU Project's Periodic Meetings
JJR-5	John J. Reed	FPL	Turkey Point 6 & 7 Organization Charts
SRS-1	Steven R. Sim	FPL	Summary of Results from FPL's 2012 Feasibility Analyses of the EPU and Turkey Point 6 & 7 Projects (Plus Results from Additional Analyses)
SRS-2	Steven R. Sim	FPL	Comparison of Key Assumptions Utilized in the 2011 and 2012 Feasibility Analyses of FPL Nuclear Projects: Projected Fuel Costs (Medium Fuel Cost Forecast)
SRS-3	Steven R. Sim	FPL	Comparison of Key Assumptions Utilized in the 2011 and 2012 Feasibility Analyses of FPL Nuclear Projects: Projected Environmental Compliance Costs (Env II Forecast)
SRS-4	Steven R. Sim	FPL	Comparison of Key Assumptions Utilized in the 2011 and 2012 Feasibility Analyses of FPL Nuclear Projects: Summer Peak Demand Load Forecast
SRS-5	Steven R. Sim	FPL	Projection of FPL's Resource Needs Through 2025
SRS-6	Steven R. Sim	FPL	Comparison of Key Assumptions Utilized in the 2011 and 2012 Feasibility Analyses: Other Assumptions
SRS-7	Steven R. Sim	FPL	The Two Resource Plans Utilized in the 2012 Feasibility Analyses of the EPU Project

SRS-8	Steven R. Sim	FPL	2012 Feasibility Analyses Results for the EPU Project: Total Costs and Total Cost Differentials for All Fuel and Environmental Compliance Cost Scenarios in 2012\$
SRS-9	Steven R. Sim	FPL	2012 Feasibility Analyses Results for the EPU Project: Percentage of FPL's Fuel Mix from Nuclear, 2011 – 2020 (2011 Actual and 2012 Projections, assuming 0 MW of EPU in the Without EPU Case)
SRS-10	Steven R. Sim	FPL	The Two Resource Plans Utilized in the 2012 Feasibility Analyses of Turkey Point 6 & 7
SRS-11	Steven R. Sim	FPL	2012 Feasibility Analyses Results for Turkey Point 6 & 7: Total Costs, Total Cost Differentials, and Breakeven Costs for All Fuel and Environmental Compliance Cost Scenarios in 2012\$

**B. Rebuttal Exhibits**

<b>Exhibits</b>	<b>Witness</b>	<b>Sponsor</b>	<b>Description</b>
TOJ-26	Terry O. Jones	FPL	Developmental References for FPL's FME Procedure
TOJ-27	Terry O. Jones	FPL	Excerpts of DOE Documents Referred to by Staff
SRS-12	Steven R. Sim	FPL	Summary of Potential Additional Benefits for New Nuclear Capacity If a Renewable Portfolio Standard (RPS) is Imposed: Calculation for EPU Project
SRS-13	Steven R. Sim	FPL	2011 Feasibility Analysis Results for the EPU Project – Revisited. Total Costs and Total Cost Differentials for All Fuel and Environmental Compliance Cost Scenarios in 2011\$. Sensitivity Analysis Assuming Higher Cost Estimate
TD-1	Terry Deason	FPL	Biographical Information for Terry Deason



**C. Supplemental Exhibits**

<b>Exhibits</b>	<b>Witness</b>	<b>Sponsor</b>	<b>Description</b>
TOJ-28	Terry O. Jones	FPL	Confidential Agreement
TOJ-29	Terry O. Jones	FPL	St. Lucie Unit 1 License Amendment Request Approval

In addition to the above pre-filed exhibits, FPL reserves the right to utilize any exhibit introduced by any other party. FPL additionally reserves the right to introduce any additional exhibit necessary for rebuttal, cross-examination, or impeachment at the final hearing.

**III. STATEMENT OF BASIC POSITION**

Section 403.519(4), Florida Statutes, Section 366.93, Florida Statutes, and Rule 25-6.0423, Florida Administrative Code (“the Rule”) establish the legal and regulatory framework for the recovery of costs in the development of nuclear generation in Florida. Section 403.519(4), Florida Statutes, applies to the determination of need for a nuclear-fueled power plant. This section emphasizes the Florida Legislature’s desire to improve fuel diversity, reduce dependence on fuel oil and natural gas, reduce air emission compliance costs, and contribute to the long-term stability and reliability of the electric grid in Florida; establishes the prudence standard that shall be applied in nuclear cost recovery proceedings; and makes clear that a utility is entitled to recover all prudently incurred costs. Specifically, the statute states that after a determination of need is granted, “the right of a utility to recover any costs incurred prior to commercial operation, including but not limited to costs associated with the siting, design, licensing, or construction of the plant...shall not be subject to challenge” unless a preponderance of the evidence supports a finding that “certain costs” were imprudently incurred. The statute further makes clear that (i) proceeding with the construction of the nuclear power plant following

an order by the Commission approving the need for it “shall not constitute or be evidence of imprudence” and (ii) “imprudence shall not include any cost increases due to events beyond the utility’s control.” *See* § 403.519(4)(e), Fla. Stat.

Section 366.93, Florida Statutes, requires the Commission to establish by rule a cost recovery framework that promotes utility investment in nuclear power plants and allows for the recovery of all prudently incurred preconstruction costs and the carrying costs on construction cost balances. It also entitles utilities to increase their base rates upon commercial operation of the nuclear power plant, requires annual reporting of budgeted and actual costs, and provides for cost recovery should the project be cancelled. *See* §366.93(4), (5), and (6), Fla. Stat., respectively. In response to this legislative direction, the Commission promulgated Rule 25-6.0423, Florida Administrative Code (“the Rule”). The stated purpose of the Rule is to establish an alternative cost recovery mechanism that promotes utility investment in nuclear power plants and allow for recovery of all prudently incurred costs. It also provides for the recovery of reasonable actual/estimated costs for the current year and reasonable projected costs for the following year.

FPL is currently undertaking two nuclear projects that qualify for cost recovery under the Nuclear Cost Recovery (“NCR”) process described above – the Extended Power Uprate project (“EPU” or “Uprate Project”) at its St. Lucie and Turkey Point plants, and the development of two new nuclear units, Turkey Point 6 & 7. Each project was granted an affirmative determination of need by the Commission pursuant to Section 403.519(4), Florida Statutes, and FPL is therefore entitled to recover all its prudent and reasonable costs. *See* Order No. PSC-08-0021-FOF-EI, issued January 7, 2008 (making an affirmative determination of need for FPL’s expedited EPU project) and Order No. PSC-08-0237-FOF-EI, issued April 11, 2008 (making an affirmative determination of need for Turkey Point 6 & 7). As required by the Rule, and as

demonstrated in the testimony, exhibits, and Nuclear Filing Requirements (“NFRs”) filed in this docket, FPL’s expenditures in 2011 on each of these projects were prudently incurred, and FPL’s actual/estimated 2012 expenditures and projected 2013 expenditures are reasonable. FPL has also demonstrated that its feasibility analyses for each project should be approved. No intervenor has demonstrated that a single dollar was imprudently incurred.

Significant EPU progress was made in 2011 and 2012, including the successful completion of two outages plus a shorter “mid-cycle” outage and the approval of the Turkey Point Units 3 and 4 and St. Lucie Unit 1 EPU License Amendment Requests (“LARs”) by the Nuclear Regulatory Commission (“NRC”). The EPU project is already providing 175 additional nuclear megawatts for the benefit of customers, and is on track for successful completion in early 2013. FPL continued with manufacturing, quality inspections, and receipt of long lead equipment; the management of major vendors and vendor contracts including the Engineering Procurement and Construction contract; design modification engineering; and detailed reviews and revisions to the modification installation planning and EPU outage schedules. FPL is currently in the midst of the last EPU outage at St. Lucie and will begin the last outage at Turkey Point in November. FPL’s 2011 costs were prudently incurred, and its 2012 actual/estimated costs and 2013 projected costs are reasonable. All of FPL’s EPU costs are supported by overlapping project, budget, cost and schedule controls.

For Turkey Point 6 & 7, 2011 pre-construction costs were necessarily and prudently incurred to continue with the licensing and permitting of the project. In 2012 and 2013, FPL has incurred and expects to incur licensing and permitting pre-construction costs to continue with the work necessary to obtain the licenses and permits that will allow for future construction. Throughout the development of Turkey Point 6 & 7, FPL has adhered to a deliberate, step-wise approach focused on maintaining the ability to move forward with the project, while fully

recognizing and responding to industry and regulatory uncertainty. As a result, FPL has been able to make prudent and cost-effective decisions each step of the way. FPL's 2011 costs were prudently incurred, and its 2012 actual/estimated costs and 2013 projected costs are reasonable. All of FPL's Turkey Point 6 & 7 costs are supported by overlapping project, budget, cost and schedule controls.

Using updated non-binding cost estimates, completing the Uprate Project and Turkey Point 6 & 7 both continue to be projected as solidly cost-effective for FPL's customers. FPL has updated the inputs to its long-term feasibility analyses and these analyses show that – assuming a wide range of potential fuel costs, a wide range of potential environmental compliance costs, and updated assumptions for the load forecast and capital costs among others – each of these projects are projected to be solidly cost-effective generation additions for FPL's customers. Indeed, the EPU project is cost-effective in six out of seven different fuel cost and environmental compliance cost scenarios. Turkey Point 6 & 7 is cost-effective in five out of seven different fuel cost and environmental compliance cost scenarios, and is within the range of the non-binding cost estimate in the remaining two scenarios.

Each project is projected to provide substantial customer benefits. For example, assuming a Medium Fuel Cost and the "Environmental II" compliance cost scenario, the EPU project is projected to provide estimated fuel cost savings for FPL's customers of approximately \$114 million (nominal \$) in the first full year of operation; provide estimated fuel cost savings for FPL's customers over the life of the plant of approximately \$3.8 billion (nominal \$); diversify FPL's fuel sources by decreasing reliance on natural gas by 3% beginning in the first full year of operation; reduce annual fossil fuel usage by the equivalent of six million barrels of oil or 41 million mmBTU of natural gas; and reduce carbon dioxide ("CO<sub>2</sub>") emissions by an estimated 32 million tons over the life of the plant.

Similarly, assuming the same fuel and environmental compliance cost scenario, Turkey Point 6 & 7 is projected to provide estimated fuel cost savings for FPL's customers of approximately \$892 million (nominal \$) in the first full year of operation; provide estimated fuel cost savings for FPL's customers over the life of the plant of approximately \$58 billion (nominal \$); diversify FPL's fuel sources by decreasing reliance on natural gas by approximately 13% beginning in the first full year of operation; reduce annual fossil fuel usage by the equivalent of 28 million barrels of oil or 177 million mmbTU of natural gas; and reduce CO<sub>2</sub> emissions by an estimated 255 million tons over the life of the plant, which is the equivalent of operating FPL's entire generating system with zero CO<sub>2</sub> emissions for 6 years.

No intervenor has filed testimony disputing the prudence of any cost that FPL has incurred for its nuclear projects. Only the Office of Public Counsel filed testimony, and that testimony was limited to the total cost that *may* be incurred for the EPU project. OPC's witnesses attempt to demonstrate that (i) circumstances have changed in a way that supports examining the cost-effectiveness of the uprate work at each power plant separately; (ii) the Turkey Point uprate work is not cost-effective; and (iii) that the Commission should "cap" the amount of costs that FPL is permitted to recover for that Turkey Point EPU work. However, as fully explained in the rebuttal testimony filed by FPL, OPC's "changed circumstances" reveal no project changes at all. Moreover, as presented in FPL's pending Motion to Strike filed August 3, 2012, the requested cost recovery "cap" would violate the NCR statute, rule, and would be contrary to prior Commission orders.

The Commission's Audit Staff filed its annual report reviewing the project management internal controls for both the EPU and Turkey Point 6 & 7 project. There were no findings related to Turkey Point 6 & 7. With respect to the EPU project, Staff recommends the disallowance of \$3.5 million in costs FPL incurred for the repair of the St. Lucie Unit 2 generator

stator core after its vendor, Siemens, inadvertently left a tool in the generator that caused damage when the generator was tested. However, the rebuttal testimony of several FPL witnesses support the reasonableness and prudence of FPL's actions in hiring, overseeing, and relying on this highly specialized vendor. Moreover, as described in the supplemental testimony of FPL witness Jones, a resolution has been reached with Siemens that FPL believes should adequately address Audit Staff's concerns.

For all the reasons discussed above, and as explained in more detail in the direct, rebuttal, and supplemental testimony provided by its witnesses, FPL's total requested NCR amount of \$151,491,402 should be approved. For a typical residential customer consuming 1,000 kWh per month, this amount equates to an approximate monthly bill impact of \$1.69. FPL's request complies with the requirements of Section 366.93, Florida Statutes, complies with the Rule, and will enable the proper recovery of prudent costs incurred in the pursuit of additional nuclear generation for the benefit of FPL's customers.

#### IV. ISSUES AND POSITIONS

##### Generic Legal Issue

**Issue 1: Does Section 366.93, Florida Statutes, authorize the Commission to disallow recovery of all, or a portion of, the carrying costs prescribed by Section 366.93(2)(b), Florida Statutes?**

**FPL:** No. Section 366.93(2)(b) states in relevant part as follows:

“To encourage investment and provide certainty, for nuclear or integrated gasification combined cycle power plant need petitions submitted on or before December 31, 2010, associated carrying costs shall be equal to the pretax AFUDC in effect upon this act becoming law.”

The AFUDC rate as of the date the act became law contained both a debt and an equity component which are each an integral part of the AFUDC rate. The referenced pretax AFUDC is the sole rate required by statute and no other rate is legally permissible. The statute does not provide the Commission discretion or authority to change the rate by excluding an equity component, or in any other way,

for any reason. In fact, doing so would be counter to “encouraging investment and providing certainty” which is the stated intent of this provision.

### **Progress Energy Florida Issues**

**Issues 2-19:** FPL takes no position on the issues identified for PEF.

### **Florida Power & Light Company Issues**

#### ***Turkey Point 6 & 7 Project***

**Issue 20:** Do FPL’s activities since January 2011 related to Turkey Point Units 6 & 7 qualify as “siting, design, licensing, and construction” of a nuclear power plant as contemplated by Section 366.93, F.S.?

FPL: Yes. FPL is conducting activities and incurring necessary expenses in the course of actively pursuing the license, permits and approvals necessary to create the opportunity for new nuclear generation consistent with the intent of Section 366.93, F.S., which is to promote electric utility investment in nuclear power plants. Because FPL has received a determination of need for Turkey Point 6 & 7 pursuant to Section 403.519(4), F.S., FPL is entitled to recover all prudently incurred costs including, but not limited to, those associated with siting, design, licensing, and construction. The fact that FPL is not simultaneously involved in each category of activity (i.e., FPL is not currently in the construction phase of the project) does not affect the applicability of Section 366.93, F.S., and the Commission’s Nuclear Cost Recovery Rule to FPL’s Turkey Point 6 & 7 costs. (Scroggs, Diaz)

**Issue 21:** Should the Commission approve what FPL has submitted as its 2012 annual detailed analysis of the long-term feasibility of completing the Turkey Point Units 6 & 7 project, as provided for in Rule 25-6.0423, F.A.C? If not, what action, if any, should the Commission take?

FPL: Yes. FPL used three different fuel cost forecasts and three environmental compliance cost forecasts for several types of emissions (SO<sub>2</sub>, NO<sub>x</sub>, and CO<sub>2</sub>) in its analysis. This allows a number of combinations of fuel and environmental compliance costs to serve as possible future scenarios with which to view the economics of Turkey Point 6 & 7. FPL annually updates these fuel and environmental compliance cost projections, and updates a number of other assumptions such as the project cost and system load forecast, for its economic analysis. Based on this analysis, completion of Turkey Point 6 & 7 is projected to be solidly cost-effective for FPL’s customers in five out of seven scenarios and within the break even range in the remaining two scenarios. The results of the analysis fully support the feasibility of continuing the Turkey Point 6 & 7 project. (Sim, Scroggs)

**Issue 22:** What is the current total estimated all-inclusive cost (including AFUDC and sunk costs) of the proposed Turkey Point Units 6 & 7 nuclear project?

FPL: FPL's current non-binding cost estimate range for Turkey Point 6 & 7 is \$3,570/kW to \$5,190/kW in overnight costs, or \$12.8 billion to \$18.7 billion including AFUDC, as stated in the April 27, 2012 direct testimony of Steven Scroggs. (Scroggs)

**Issue 23: What is the current estimated planned commercial operation date of the planned Turkey Point Units 6 & 7 nuclear facility?**

FPL: For planning purposes, FPL's current estimated commercial operations dates for Turkey Point Units 6 & 7 are 2022 and 2023, respectively, as stated in the April 27, 2012 direct testimony of Steven Scroggs. (Scroggs)

**Issue 24: Should the Commission find that FPL's 2011 project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Turkey Point Units 6 & 7 project?**

FPL: Yes. FPL relies on its comprehensive corporate and overlapping business unit controls. These comprehensive and overlapping controls include FPL's Accounting Policies and Procedures; financial systems and related controls; FPL's annual budgeting and planning process and reporting and monitoring of costs incurred; and Business Unit specific controls and processes. The project internal controls are comprised of various financial systems, department procedures, work/desktop instructions and best practices, providing governance and oversight of project cost and schedule processes. The project management, cost estimation, and risk management attributes of FPL are highly developed, well documented, and adhered to by the project teams. FPL's management decisions with respect to the Turkey Point 6 & 7 project are the product of properly qualified, well-informed FPL management following appropriate procedures and internal controls. (Scroggs, Reed, Powers)

**Issue 25: What system and jurisdictional amounts should the Commission approve as FPL's final 2011 prudently incurred costs and final true-up amounts for the Turkey Point Units 6 & 7 project?**

FPL: The Commission should approve FPL's final 2011 prudently incurred Turkey Point 6 & 7 Preconstruction expenditures of \$23,150,979 (system), \$22,877,378 (jurisdictional), and the final 2011 true-up amount of (\$14,629,595). The Commission should also approve Turkey Point 6 & 7 Preconstruction carrying charges of (\$1,555,615) and Site Selection carrying charges of \$171,052, as well as the final 2011 carrying charge true-up amount of (\$742,934). FPL's 2011 expenditures were supported by comprehensive procedures, processes and controls that help ensure those expenditures were prudent. The net amount of (\$15,372,530) should be included in FPL's 2013 NCR amount. (Scroggs, Powers, Reed)

**Issue 26: What system and jurisdictional amounts should the Commission approve as reasonably estimated 2012 costs and estimated true-up amounts for FPL's Turkey Point Units 6 & 7 project?**



FPL: The Commission should approve as reasonable FPL's 2012 actual/estimated Preconstruction expenditures of \$34,907,426 (system), \$34,279,877 (jurisdictional), and the 2012 estimated true-up amount of \$3,257,796. The Commission should also approve as reasonable FPL's 2012 actual/estimated Preconstruction carrying charges of \$3,097,000 and Site Selection carrying charges of \$180,883, as well as the 2012 carrying charge estimated true-up amount of (\$2,523,298).

FPL's 2012 actual/estimated expenditures are supported by comprehensive procedures, processes and controls which help ensure that these costs are reasonable. The net amount of \$734,498 should be included in FPL's 2013 NCR amount. (Scroggs, Diaz, Powers)

**Issue 27: What system and jurisdictional amounts should the Commission approve as reasonably projected 2013 costs for FPL's Turkey Point Units 6 & 7 project?**

FPL: The Commission should approve as reasonable FPL's 2013 projected Preconstruction expenditures of \$29,211,385 (system), \$28,686,236 (jurisdictional). The Commission should also approve as reasonable FPL's 2013 projected Preconstruction carrying charges of \$6,127,036 and Site Selection carrying charges of \$180,883.

FPL's 2013 projected expenditures are supported by comprehensive procedures, processes and controls which help ensure that these costs are reasonable. The net amount of \$34,994,155 should be included in FPL's 2013 NCRC recovery amount. (Scroggs, Diaz, Powers)

#### ***Extended Power Uprate Project***

**Issue 28: Should the Commission approve what FPL has submitted as its 2012 annual detailed analysis of the long-term feasibility of completing FPL's Extended Power Uprate project, as provided for in Rule 25-6.0423, F.A.C? If not, what action, if any, should the Commission take?**

FPL: Yes. FPL used three different fuel cost forecasts and three environmental compliance cost forecasts for several types of emissions (SO<sub>2</sub>, NO<sub>x</sub>, and CO<sub>2</sub>) in its analysis. This allows a number of combinations of fuel and environmental compliance costs to serve as possible future scenarios with which to view the economics of the EPU project. FPL annually updates these fuel and environmental compliance cost projections, and updates a number of other assumptions such as the project cost and system load forecast, for its economic analysis. Based on this analysis, completion of the EPU Project is still projected to be solidly cost-effective for FPL's customers in six out of seven scenarios. Additionally, the substantial benefits of the EPU project in terms of fuel diversity, reduced fossil fuel usage, and system emission reductions are evident. The results of the analysis fully support the feasibility of completing the EPU Project.

FPL proposed and has managed the EPU project as a comprehensive project encompassing both sites since its inception, and the FPSC approved the project in its entirety in its need determination for the overall system and customer benefits that would be realized from the project. OPC's recommendation to break the EPU project into two separate, site-specific parts for economic feasibility purposes ignores this fact as well as the cost savings and efficiencies that have been gained by proceeding with one, comprehensive project. OPC's alleged "changed circumstances" (which are not changed circumstances at all) fail to overcome these critical considerations. Accordingly, OPC's proposal should be rejected this year for the same reasons it was rejected last year. (Jones, Sim, Reed, Deason)

**Issue 28A: Based on the evidence, under current circumstances, should the Commission evaluate the economic feasibility of the Turkey Point and St. Lucie Extended Power Uprate activities separately? (contested)**

FPL: No. Please see FPL's position on Issue 28. (FPL notes that this issue is currently in dispute. It is entirely subsumed within, and OPC can make all of its arguments under, Issue 28. Accordingly, it should be excluded.)

**Issue 29: Should the Commission find that FPL's 2011 project management, contracting, accounting and cost oversight controls were reasonable and prudent for the Extended Power Uprate project?**

FPL: Yes. FPL relies on its comprehensive corporate and overlapping business unit controls. These comprehensive and overlapping controls include FPL's Accounting Policies and Procedures; financial systems and related controls; FPL's annual budgeting and planning process and reporting and monitoring of costs incurred; and Business Unit specific controls and processes. The project internal controls are comprised of various financial systems, department procedures, work/desktop instructions and best practices, providing governance and oversight of project cost and schedule processes. The project management, cost estimation, and risk management attributes of FPL are highly developed, well documented, and adhered to by the project teams. FPL's management decisions with respect to the EPU project are the product of properly qualified, well-informed FPL management following appropriate procedures and internal controls. (Jones, Diaz, Reed, Ferrer, Powers)

**Issue 29A: Should the Commission find that FPL managed the extended power uprate activities at Turkey Point in a reasonable and prudent manner? If not, what action should the Commission take? (contested)**

FPL: Yes. Please see FPL's position on Issue 29. (FPL notes that this issue is currently in dispute. It is entirely subsumed within, and OPC can make all of its arguments under, Issue 29. Additionally, OPC omits any reference to the year to which OPC expects this issue to apply. Pursuant to Rule 25-6.0423, Fla. Admin. Code, only years 2011, 2012, and 2013 are subject to Commission review in this year's NCR docket. Accordingly, this issue should be excluded.)

**Issue 30: What system and jurisdictional amounts should the Commission approve as FPL's final 2011 prudently incurred costs and final true-up amounts for FPL's Extended Power Uprate project?**

FPL: The Commission should approve as prudent FPL's final 2011 EPU expenditures of \$667,493,187 (system), \$640,855,812 (jurisdictional, net of participants). The Commission should also approve as prudent FPL's final 2011 EPU O&M costs, including interest, of \$12,172,529 (system), \$11,584,442 (jurisdictional, net of participants); carrying charges of \$78,251,442; the final 2011 true-up of O&M costs including interest of (\$679,375); and final 2011 true-up of carrying charges of \$7,964,134. In addition, the Commission should approve as prudent FPL's final 2011 EPU base rate revenue requirements, including carrying charges, of \$9,138,883; and the final 2011 true-up of revenue requirements, including carrying charges, of (\$7,014,702).

FPL's 2011 EPU expenditures are supported by comprehensive procedures, processes and controls that help ensure those expenditures were the result of prudent decision making. The net amount of \$270,057 should be approved and included in FPL's 2013 NCRC recovery amount. (Jones, Diaz, Reed, Ferrer, Powers)

**Issue 31: What system and jurisdictional amounts should the Commission approve as reasonably estimated 2012 costs and estimated true-up amounts for FPL's Extended Power Uprate project?**

FPL: The Commission should approve as reasonable FPL's 2012 actual/estimated EPU expenditures of \$1,058,854,365 (system), \$1,017,306,408 (jurisdictional, net of participants). The Commission should also approve as reasonable FPL's 2012 actual/estimated EPU O&M costs, including interest, of \$15,000,523 (system), \$14,546,749 (jurisdictional, net of participants); carrying charges of \$104,909,726; the 2012 estimated true-up of O&M costs including interest of \$9,085,552; and the true up of carrying charges of \$37,645,274. In addition, the Commission should approve as reasonable FPL's 2012 actual/estimated EPU base rate revenue requirements, including carrying charges, of \$79,075,219; and the 2012 estimated true-up of revenue requirements, including carrying charges, of (\$1,115,554).

FPL's 2012 actual/estimated EPU costs are supported by comprehensive procedures, processes and controls which help ensure that these costs are reasonable. The net amount of \$45,615,272 should be included in setting FPL's 2013 NCRC recovery amount. (Jones, Ferrer, Powers)

**Issue 32: What system and jurisdictional amounts should the Commission approve as reasonably projected 2013 costs for FPL's Extended Power Uprate project?**

FPL: The Commission should approve as reasonable 2013 projected EPU expenditures of \$163,996,072 (system), \$161,047,828 (jurisdictional, net of participants). The

commission should also approve as reasonable 2013 EPU O&M costs, including interest, of \$5,170,770 (system), \$5,077,869 (jurisdictional, net of participants); and \$15,433,878 in carrying charges. In addition, the Commission should also approve as reasonable EPU base rate revenue requirements of \$64,738,202.

The total amount of \$85,249,950 should be included in setting FPL's 2013 NCR recovery amount. FPL's 2013 projected construction expenditures are supported by comprehensive procedures, processes and controls which help ensure that these projected costs are reasonable. (Jones, Powers)

***Final Fall-Out Issue***

**Issue 33: What is the total jurisdictional amount to be included in establishing FPL's 2013 Capacity Cost Recovery Clause factor?**

FPL: The total jurisdictional amount of \$151,491,402 should be included in establishing FPL's 2013 Capacity Cost Recovery Clause factor. This amount consists of carrying charges on site selection costs, pre-construction costs, and associated carrying charges for continued development of Turkey Point 6 & 7; and carrying charges on construction costs, O&M costs, and base rate revenue requirements for the EPU project, all as provided for in Section 366.93 and the Rule. (Powers)

**V. STIPULATED ISSUES**

There are no stipulated issues at this time.

**VI. PENDING MOTIONS**

<b>Motion Document No.</b>	<b>Date</b>	<b>Description</b>
05281-12	8/3/12	Motion to strike portions of testimony of OPC witness Jacobs
05265-12	8/2/12	Motion for temporary protective order [of information included in the supplemental testimony of Terry O. Jones and Ex TOJ-28 (DN 05174-12)]
05175-12	8/1/12	Motion for leave to file supplemental testimony and exhibits
3936-12	06/18/12	Motion for temporary protective order [of information included in responses to OPC's 1st request for PODs (No. 4), supplemental]
3829-12	06/12/12	Motion for temporary protective order [of information included in work papers for Audit Nos. 12-010-4-1 (DN 03540-12) and 12-010-4-2 (DN 03593-12)]

2821-12	05/02/12	Motion for temporary protective order [of information included in Exhibit TOJ-14 to testimony of Terry Jones and Exhibit SDS-8 to testimony of Steven Scroggs (DN 02674-12)]
2189-12	04/11/12	Motion for temporary protective order [of information included in responses to OPC's 1st set of interrogatories (No. 3) and 1st request for PODs (Nos. 1-5)]
1218-12	03/01/12	Motion for temporary protective order [of information included in Exhibit TOJ-1 to prefiled testimony of Terry Jones; and Exhibit SDS-1 to prefiled testimony of Steven Scroggs (DN 01243-12)]

## VII. PENDING REQUESTS FOR CONFIDENTIAL CLASSIFICATION

Request Document No.	Date	Description
4510-12	07/06/12	Request for confidential classification of Ex WRJ(FPL)-3 to the testimony of William Jacobs [DN 04511-12]; (OPC's Testimony)
4111-12	06/21/12	Request for confidential classification of Audit No. 12-010-4-2 work papers [DN 04112-12]; (EPU)
4012-12	06/19/12	Request for confidential classification of Audit [Control No.] 12-010-4-1 work papers [DN 04013-12]; (PTN)
3932-12	06/15/12	Request for confidential classification of internal controls audit report [DN 03933-12]; (Staff Audit Report)
3805-12	06/11/12	Request for confidential classification of Errata to SDS-1 and TOJ-14 (Errata)
2673-12	04/27/12	Request for confidential classification of Exhs SDS-8 and TOJ-14 [DN 02674-12]. (May Filing)
1242-12	03/01/12	Request for confidential classification of Exhs TOJ-1 and SDS-1 [DN 01243-12]. (March Filing)
1022-12	02/23/12	First Request for extension of confidential classification of Exh FR-1 [DN 06931-10]

## VIII. OBJECTIONS TO WITNESSES' QUALIFICATIONS

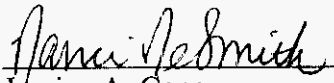
At this time, FPL has no objections to any witness's qualifications.

**IX. REQUIREMENTS OF THE PREHEARING ORDER THAT CANNOT BE MET**

At this time, FPL is not aware of any requirements in the Order Establishing Procedure with which it cannot comply.

Respectfully submitted this 6<sup>th</sup> day of August, 2012.

Bryan S. Anderson  
Fla. Auth. House Counsel No. 219511  
Admitted in IL; Not Admitted in FL  
Mitchell S. Ross  
Fla. Bar No. 108146  
Kenneth R. Rubin  
Fla. Bar No. 349038  
Jessica A. Cano  
Fla. Bar No. 0037372  
Attorneys for Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, Florida 33408-0420  
(561) 304-5226  
(561) 691-7135 (fax)

By:   
for Jessica A. Cano  
Fla. Bar No. 0037372

**CERTIFICATE OF SERVICE  
DOCKET NO. 120009-EI**

I HEREBY CERTIFY that a true and correct copy of FPL's Prehearing Statement was served via electronic mail and U.S. mail this 6th day of August, 2012 to the following:

Keino Young, Esq.  
Michael Lawson, Esq.  
Division of Legal Services  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850  
[KYOUNG@PSC.STATE.FL.US](mailto:KYOUNG@PSC.STATE.FL.US)  
[MLAWSON@PSC.STATE.FL.US](mailto:MLAWSON@PSC.STATE.FL.US)

J. R. Kelly, Esq.  
Charles Rehwinkel, Esq.  
Joseph McGlothlin, Esq.  
Erik L. Sayler, Esq.  
Office of Public Counsel  
c/o The Florida Legislature  
111 West Madison Street, Room 812  
Tallahassee, Florida 32399  
[Kelly.jr@leg.state.fl.us](mailto:Kelly.jr@leg.state.fl.us)  
[Rehwinkel.Charles@leg.state.fl.us](mailto:Rehwinkel.Charles@leg.state.fl.us)  
[mcglothlin.joseph@leg.state.fl.us](mailto:mcglothlin.joseph@leg.state.fl.us)  
[Sayler.Erik@leg.state.fl.us](mailto:Sayler.Erik@leg.state.fl.us)

J. Michael Walls, Esq.  
Blaise N. Gamba, Esq.  
Carlton Fields Law Firm  
P.O. Box 3239  
Tampa, Florida 33601-3239  
[mwalls@carltonfields.com](mailto:mwalls@carltonfields.com)  
[bgamba@carltonfields.com](mailto:bgamba@carltonfields.com)  
Attorneys for Progress

R. Alexander Glenn, Esq.  
John T. Burnett, Esq.  
Dianne M. Triplett, Esq.  
Progress Energy Service Company, LLC  
P.O. Box 14042  
St. Petersburg, Florida 33733-4042  
[john.burnett@pgnmail.com](mailto:john.burnett@pgnmail.com)  
[alex.glenn@pgnmail.com](mailto:alex.glenn@pgnmail.com)  
[dianne.triplett@pgnmail.com](mailto:dianne.triplett@pgnmail.com)  
Attorneys for Progress

Matthew Bernier, Esq.  
Carlton Fields Law Firm  
215 S. Monroe Street, Ste. 500  
Tallahassee, Florida 32301  
[mbernier@carltonfields.com](mailto:mbernier@carltonfields.com)

Mr. Paul Lewis, Jr.  
106 East College Ave., Suite 800  
Tallahassee, Florida 32301-7740  
[paul.lewisjr@pgnmail.com](mailto:paul.lewisjr@pgnmail.com)

Jon C. Moyle, Jr., Esq.  
Vicki Gordon Kaufman, Esq.  
Keefe Anchors Gordon & Moyle, PA  
118 North Gadsden Street  
Tallahassee, Florida 32301  
[jmoyle@moylelaw.com](mailto:jmoyle@moylelaw.com)  
[vkaufman@moylelaw.com](mailto:vkaufman@moylelaw.com)  
Attorneys for FIPUG

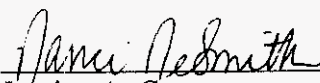
Randy B. Miller  
White Springs Agricultural Chemicals, Inc.  
Post Office Box 300  
15843 Southeast 78th Street  
White Springs, Florida 32096  
[RMiller@pcsphosphate.com](mailto:RMiller@pcsphosphate.com)

Gary A. Davis, Esq.  
James S. Whitlock, Esq.  
Davis & Whitlock, P.C.  
P.O. Box 649  
Hot Springs, NC 28743  
[gadavis@enviroattorney.com](mailto:gadavis@enviroattorney.com)  
[jwhitlock@enviroattorney.com](mailto:jwhitlock@enviroattorney.com)

James W. Brew, Esq.  
F. Alvin Taylor, Esq.  
Brickfield, Burchette, Ritts & Stone, P.C.  
1025 Thomas Jefferson Street, NW  
Eighth Floor, West Tower  
Washington, DC 20007-5201  
[jbrew@bbrslaw.com](mailto:jbrew@bbrslaw.com)  
[ataylor@bbrslaw.com](mailto:ataylor@bbrslaw.com)  
Attorneys for PCS Phosphate

Robert Scheffel Wright  
John T. LaVia, III  
Gardner, Bist, Wiener, Wadsworth, Bowden,  
Bush, Dee, LaVia & Wright, P.A.  
1300 Thomaswood Drive  
Tallahassee, FL 32308  
[schef@gbwlegal.com](mailto:schef@gbwlegal.com)  
[jlavia@gbwlegal.com](mailto:jlavia@gbwlegal.com)  
Attorneys for the Florida Retail Federation

Captain Samuel Miller  
USAF/AFLOA/JACL/ULFSC  
139 Barnes Drive, Suite 1  
Tyndall AFB, FL 32403-5319  
[Samuel.Miller@Tyndall.af.mil](mailto:Samuel.Miller@Tyndall.af.mil)

By:   
for Jessica A. Cano  
Florida Bar No. 0037372